HCL TECHNOLOGIES

Annual Report
1999 – 2000

HCL Technologies Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND STAND ALONE RESULTS OF OPERATIONS OF HCL TECHNOLOGIES LIMITED PREPARED UNDER INDIAN GAAP

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, '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.

BUSINESS OPERATIONS

The Company's revenues are generated principally from software services provided on a time-and-materials or on a fixed price, fixed time frame basis. The Company has a rich heritage in technologies like the Internet and E-Commerce, Networking and Internetworking, Internet Telephony, Telecom, Embedded Software, ASIC/VLSI design and testing, Satellite Communication, Wireless Communication and Component based Object Technologies like COM, DCOM and CORBA. Based on these technologies and the experience in product engineering and support, the Company offers a comprehensive range of services for new product development and support of existing products at leading technology and application product companies.

The Company's services include customized software development, maintenance and re-engineering services as well as dedicated offshore software development centers (SDC) for certain clients.

The Company has the capability to work with a wide variety of computing platforms ranging from Open Client Server systems comprising all flavors of UNIX, Microsoft platforms, AS/400 to enterprise servers like IBM Mainframes. The Company has over the years made significant investment in software engineering processes and offshore methodologies. During fiscal 2000, three SDCs of the Company obtained Capability Maturity Model (CMM) Level 4 accreditation of the Software Engineering Institute. Based on these capabilities, the Company offers comprehensive Application development and Networking services to medium and large end-user organizations in the domain of Finance and Banking, Manufacturing, Telecom, Insurance, Transportation and Public Sector among others.

The Company, since its inception has placed a strong emphasis on building a world class sales and marketing infrastructure that provides confidence to its clients and is sensitive to the culture and needs of the local market. The Company has established local companies in each important country to provide the necessary comfort in its dealings with the decision-makers and operational personnel in client organizations. The Company believes that its rigorous, research oriented approach to identify, qualify and develop relationship has been a key differentiator in the market place. This has helped the Company to position itself with its clients on the basis of value proposition as against a pure cost advantage that an offshore development facility in India provides.

REVENUE PROFILE

The Company's revenues have grown from Rs.256 million in 1996 to Rs.3,997 million in 2000, reflecting a 15.6 times growth over a short span of just 4 years.

The Company offers a significant portion of its services on a time-and-material basis, in addition to having some services on a fixed-price, fixed-time frame basis.

OTHER INCOME

Other income includes interest income, dividend income, income from sale of import licenses and profit/ loss on sale of investments.

COST OF REVENUE

Cost of revenues primarily consists of personnel cost and software development expenses of third party consultants including those charged by subsidiaries.

ADMINISTRATION AND OTHER EXPENSES

Administration and other expenses consist expenses relating to communications, finance and administration, legal and professional charges, advertisements, brand building, rent, traveling and conveyance including those incurred on projects and miscellaneous administrative costs.

EMPLOYEE STOCK OPTION PLAN

The Company had instituted an Employees Stock Offer Plan – 1999 ("Plan") for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on September 13, 1999. The Plan provided for the issuance of 20,000,000 options to eligible employees as recommended by the Committee constituted for this purpose.

Each option granted under the Plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company.

As on June 30, 2000, 416 employees had exercised their options and were allotted 1,083,218 shares. The number of outstanding options as on June 30, 2000 amounted to 17,839,606 that are held by 3,443 employees.

INITIAL PUBLIC OFFER (IPO)

In December 1999, the Company approached the capital market with an Initial Public Offering for 14,200,000 shares at a price of Rs. 580 per share. The issue got an overwhelming response. Subsequently the Company's shares have been listed at three stock exchanges in India.

SOFTWARE DEVELOPMENT CENTRES

Services of the Company are delivered through a network of 7 Software Development Centers located at Noida, Gurgaon, Chennai and Ambattur, spread over an area aggregating around 2.5 lakh square feet.

INFRASTRUCTURE ADDITIONS

During the fiscal 2000, the Company invested Rs. 448 million in building, leasehold land, equipments, computers etc. as against Rs.152 million for fiscal year 1999.

In order to enhance capacity, the Company plans to add another 3,000 seats during the fiscal 2001 to take the total count of seats as of June 30, 2001 to 5,000.

RESULTS OF OPERATIONS (STAND ALONE)

(Rs. in million)

	Fiscal years ended June 30			
	1997	**1998**	**1999**	**2000**
Service Income	541	1,242	2,757	3,997
Other Income	43	78	180	521
Total Income	**584**	**1,320**	**2,937**	**4,518**
Cost of Software Development	260	436	1,312	1,451
Administration and other expenses	133	228	387	811
Total Expenditure	**393**	**664**	**1,699**	**2,262**
Operating Profit	**191**	**656**	**1,238**	**2,256**
Interest	47	51	43	-
Depreciation	24	37	164	154
Profit before tax	**120**	**568**	**1,031**	**2,102**
Provision for tax	16	13	21	103
Profit after tax	**104**	**555**	**1,010**	**1,999**

FISCAL 1999 COMPARED TO FISCAL 2000

Service Revenues. The Company's revenues increased by 45% to Rs. 3,997 million in fiscal 2000 from Rs. 2,757 million in fiscal 1999. In fiscal 2000, the revenues from America were approximately Rs.3,403 million, an increase of approximately Rs.1,387 million as compared to fiscal 1999. Share of America in the total revenue rose to 85% in fiscal 2000 from 73% in fiscal 1999. In an effort to cover more geographical domains, the Company continued to have a focus on Europe, Australasia and Japan markets. These markets contributed approximately Rs.594 million to Company's revenue. These markets had a modest 15% share in the overall revenue in fiscal 2000 and steps are being taken to enhance the same.

Other income. The Company's other income grew to Rs. 521 million in fiscal 2000 from Rs. 180 million in fiscal 1999. This mainly related to income from investments and also interest income earned by the Company from deposits. Other income included the income from deposit of funds raised by way of public issue, pending deployment.

Cost of Software development. Employee costs of the Company increased to Rs. 686 million in fiscal 2000 from Rs. 438 million in fiscal 1999, an increase of 57%. Employee costs as a percentage of service revenues increased marginally to 17% in fiscal 2000 from 16% in fiscal 1999. The number of billable employees has gone up from 1,343 as on June30, 1999 to 2,268 as on June 30, 2000. The Company subcontracts certain projects to its subsidiaries and third parties. These costs decreased to Rs.765 million in fiscal 2000 from Rs.874 million in fiscal 1999. Of the total subcontract costs, Rs.577 million and Rs.639 million were paid in fiscal 2000 and 1999 respectively to the subsidiaries of the Company for providing software development services.

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 and legal and professional charges, etc. These costs went up to Rs.811 million in fiscal 2000 from Rs.387 million in fiscal 1999, an increase of 109%. The increase in costs was mainly on account of travel, communication, recruitment and other utilities costs, which arose due to shift in business to offshore from onsite. As a percentage of service revenue, such costs increased to 20% in fiscal 2000 from 13% in fiscal 1999.

Interest expense. There was no interest cost in fiscal 2000 as compared to an expense of Rs.43 million in fiscal 1999.

Depreciation. Depreciation reduced to Rs.154 million in fiscal 2000 from Rs.164 million in fiscal 1999. The Company had revised the estimated full life of assets in 1999, which resulted in higher depreciation for that year and a corresponding reduction in the fiscal year 2000. The gross block in the same period increased to Rs.979 million in fiscal 2000 from Rs.628 million in fiscal 1999.

Taxation. The Company derives majority of its revenues from export of software from its STP units. Hence all its profits are exempt under Section 10A of the Income tax Act, 1961. SDC wise tax exemption details are given below. The Company only provides for taxes payable on interest income earned by deployment of idle funds, capital gains on sale of investments and profit on sale of import licences. As per the current provisions of the Income tax Act, the Company is entitled to a tax holiday of 10 years. As per the current tax laws, the Company may not be required to pay any taxes on its software income as all profits from software exports are deductible under Section 80HHE. The tax expense for fiscal 2000 was Rs.103 million.

SDC wise tax exemption dates

SDC Location	Period till which tax exemption would be available
Chennai (NM Road)	31-March-2006
Gurgaon (Udyog Vihar)	31-March-2006
Gurgaon (Unit II)	31-March-2009
Noida	31-March-2006
Chennai (Ambattur)	31-March-2006
Chennai (Greams Road)	31-March-2006
Chennai (PM Towers)	31-March-2009

Profit after tax. The Company's profit after tax increased to Rs.1,999 million in fiscal 2000 from Rs.1,010 million in fiscal 1999, an increase of 98%. Profit after tax as a percentage of service revenues increased to 50% in fiscal 2000 from 37 % in fiscal 1999.

FISCAL 1998 COMPARED TO FISCAL 1999

Service Revenues. The Company's revenues increased 122% to Rs.2,757 million in fiscal 1999 from Rs.1,242 million in fiscal 1998. In fiscal 1999, the revenues from America were approximately Rs.2,016 million, an increase of approximately Rs.1,137 million, as compared to fiscal 1998. However, share of America in the total revenue rose to 73% in fiscal 1999 from 71% in fiscal 1998. In an effort to cover more geographical domains, the Company increased its focus on Europe, Australasia and Japan markets. These markets contributed approximately Rs.741 million to Company's revenue, a growth of approximately Rs.474 million, over fiscal 1998. The percentage share of these markets in the overall revenue reduced to 27% in fiscal 1999 from 29% in fiscal 1998.

Other income. The Company's other income grew to Rs.180 million in fiscal 1999 from Rs.77 million in fiscal 1998. This related to the sale of shares of HCL Technologies America and HCL James Martin Inc. to HCL Technologies Bermuda, a 100% subsidiary of the Company.

Cost of Software development. Employee costs of the Company increased to Rs.438 million in fiscal 1999 from Rs.278 million in fiscal 1998, an increase of 58%. Employee costs as a percentage of service revenues fell to 16% in fiscal 1999 from 22% in fiscal 1998. This is mainly on account of higher billing rates per man-month and also higher utilization levels. The Company subcontracts certain projects to third parties and subsidiaries. These costs increased to Rs.874 million in fiscal 1999 from Rs.158 million in fiscal 1998. Of the total subcontract costs in fiscal 1999, Rs.639 million was paid to the subsidiaries of the Company for providing software development services.

Administration and other expenses. These costs mainly consist of rent, communication costs, travel costs, electricity, repair and maintenance, software license fees, legal and professional charges, etc. These costs went up to Rs.386 million in fiscal 1999 from Rs.227 million in fiscal 1998, an increase of 70%. The increase in costs was mainly on account of travel, communication and other utilities costs. As a percentage of revenue, such costs fell to 13% in fiscal 1999 from 17% in fiscal 1998.

Interest expense. Interest expense reduced to Rs. 43 million in fiscal 1999 from Rs. 51 million in fiscal 1998.

Depreciation. Depreciation increased 343% to Rs. 164 million in fiscal 1999 from Rs. 37 million in fiscal 1998. The Company revised the estimated full life of the assets, which resulted in higher depreciation for the year. The gross block in the same period increased to Rs. 627 million in fiscal 1999 from Rs. 479 million in fiscal 1998.

Taxation. The Company derives all its revenues from export of software from its STP units. Hence all its profits are exempt under Section 10A of the Income tax Act, 1961. The Company only provides for taxes payable on interest income earned by deployment of idle funds and profit on sale of import licences. As per the current provisions of the Income tax Act, the Company is entitled to a tax holiday of 10 years. As per the current tax laws, the Company may not be required to pay any taxes on its software income as all profits from software exports are deductible under Section 80HHE. The tax expense for fiscal 1999 was Rs. 21 million.

Profit after tax. The Company's profit after tax increased to Rs. 1,010 million in fiscal 1999 from Rs. 555 million in fiscal 1998, an increase of 82%. Profit after tax as a percentage of service revenues decreased to 37% in fiscal 1999 from 45% in fiscal 1998.

CONSOLIDATED FINANCIAL RESULTS

Consolidated financial results of the Company and its subsidiaries (Group) are also being prepared under US GAAP which have been audited The audited consolidated financial statements have been drawn in US Dollars.

Given hereunder is the unaudited summary of the consolidated financial results which has been translated into Indian Rupees using the exchange rate as of the respective year end:

(Rs. in million)

	1997	1998	1999	2000
Revenues	2,611	5,029	7,245	9,256
Less: Stock-based sales incentive	-	-	-	101
Net Revenues	2,611	5,029	7,245	9,154
Cost of Revenues	1,628	3,079	4,370	4,772
Gross Profit	983	1,950	2,875	4,382
Operating Expenses				
Sales and Marketing	257	540	590	669
General and Administrative	527	760	1,160	1,584
Depreciation and Amortization	116	194	306	314
Total Operating Expenses	899	1,494	2,056	2,567
Income from Operations	84	456	819	1,815
Interest Expense	132	137	96	34
Interest and Other Income (Net)	73	85	89	538

(Rs. In Million)

	1997	1998	1999	2000
Income before Income Taxes, Share of Income of Equity Investees and Minority Interest	25	404	812	2,319
Income Tax expense / (benefit)	(5)	11	28	263
Income before share of income of equity investees and Minority Interest	30	393	784	2,056
Share of Income /(Loss) of equity investees	(75)	64	169	279
Minority Interest	15	11	10	(2)
Net Income /(Loss)	**(30)**	**468**	**963**	**2,332**
Exchange Rate Used (US $ 1=)	*35.63*	*42.34*	*43.56*	*44.75*

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Accounts for the year ended June 30, 2000.

FINANCIAL RESULTS

Consolidated financial results of your Company and its subsidiaries prepared under US GAAP:

Rs. in million

	Year Ended June 30, 2000	Year Ended June 30, 1999
Gross revenue from software services	9,256	7,245
Gross profit	4,382	2,875
Operating expenses	2,567	2,056
Income from operations	1,815	819
Interest expense	34	96
Interest and other income, net	538	89
Income before income tax	2,319	812
Income tax expense	263	28
Share of income of equity investee	279	169
Minority interest	(2)	10
Net Income	**2,333**	**963**
Exchange Rate Used (US $ 1 =)	*Rs.44.75*	*Rs.43.56*

Financial results of your Company as a stand-alone entity prepared under Indian GAAP:

Rs. in million

	Year Ended June 30, 2000	Year Ended June 30, 1999
Revenue from software Services	3,997	2,757
Other Income	521	180
Profit before depreciation and taxes	2,256	1,195
Depreciation	154	165
Provision for tax	103	21
Profit after tax	1,999	1,010
Balance brought forward from previous year	1,577	785
Available for appropriation	**3,576**	**1,795**
Appropriations:		
Transfers to General Reserve	250	200
Dividend @ 5% proposed	28	17
Tax on Dividend	6	2
Balance carried forward	3,292	1,577
Total	**3,576**	**1,795**

RESULTS OF OPERATIONS

Your Company has continued to register a robust growth. Income from software services at Rs. 3,997 million constitutes an impressive increase of 45% over the previous year software services revenue of Rs. 2,757 million. Increase in revenue is on account of a) increased business from existing customers, b) shift in business from onsite to offshore, c) increased billing rates and d) addition of new customers.

Operating profit grew to Rs. 1,735 million (43 % of total revenues) from Rs. 1,015 million (37% of total revenues), a growth rate of 71%. Other income of Rs. 521 million included the income from funds raised through the public issue pending deployment. The above factors together with an increase in utilization have led to an increase in the operating profits. Profits after tax have gone up by 98%, from Rs. 1,010 million to Rs. 1,999 million.

DIVIDEND

Your directors are pleased to recommend a dividend of Re. 0.20 per share (5% on par value of Rs. 4) for the financial year ended on 30th June, 2000. The total amount of dividend is Rs. 27.9 million on shares allotted so far as against Rs.16.6 million 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. The tax on distributed profits, payable by the Company would amount to Rs. 6 million.

SOFTWARE DEVELOPMENT CENTRES

Services of your Company are delivered through a network of 7 Software Development Centers located at Noida, Gurgaon, Chennai and Ambattur, spread over an area aggregating around 2.5 lakh square feet. The number of billable employees at these centers has gone up from 1,343 as on June 30, 1999 to 2,268 as on June 30, 2000.

SUBSIDIARIES

The reports and audited accounts of the subsidiary Companies, along with the statement pursuant to Section 212 of the Companies Act, 1956 are annexed with this report. Given below is a summary of the structural changes and significant events related to these Companies during the year under review:

a) HCL Comnet Systems and Services Limited

Your Company acquired a 99.88 % stake in HCL Comnet Systems and Services Limited, a Company engaged in networking services business in India.

b) HCL Technologies Bermuda Limited

HCL Technologies Bermuda Limited (HCL Bermuda) a wholly owned subsidiary of your Company transferred its 100% ownership of HCL Technologies Europe Limited, UK and its subsidiaries to HCL Technologies America Inc. HCL Technologies Europe Limited has subsidiaries in Sweden, Germany, Netherlands, Switzerland, Belgium and Italy.

HCL Bermuda made strategic investments in technology led funds amounting to US $8.82 million It has also made a strategic investment of US $2 million directly in Harmony Software Inc., USA.

c) HCL Technologies America Inc. (HCL America)

HCL America is a wholly owned subsidiary of HCL Bermuda. Consequent to the transfer of ownership of HCL Technologies Europe Limited, the financial results of HCL America Inc. and HCL Technologies Europe Limited were consolidated to reflect the accounts of the transferred business at historical costs.

d) Intelicent Inc.

Intelicent Inc., a subsidiary of HCL Bermuda, formerly HCL James Martin & Co. Inc. has been merged with HCL America, effective July 1, 2000.

e) HCL Holdings GmbH, Austria (HCL Austria)

HCL Austria became a subsidiary of HCL Bermuda in the current fiscal year. HCL Austria has a 50% interest in HCL Perot Systems, a joint venture with Perot Systems, a leading IT outsourcing and systems integration Company with major clients in the banking, energy, healthcare, insurance, manufacturing, retail and telecommunications industry in North America and Europe.

f) HCL Technology South Africa (Proprietary) Limited (HCL South Africa)

HCL South Africa was set up as a wholly owned subsidiary of HCL Bermuda to undertake business in South Africa.

INITIAL PUBLIC OFFER

In December 1999, your Company successfully completed an Initial Public Offering for 14,200,000 shares at a price of Rs. 580 per share, aggregating Rs. 8,236 million.

CHANGES IN CAPITAL STRUCTURE

Prior to the public issue and during the year a stock split of 2.5-for-1 (a subdivision of every equity share from the par value of Rs.10 into 2.5 equity shares of par value of Rs.4 each) was effected. Your Company also issued bonus shares in the ratio of one share for every two held by capitalization of general reserve.

SHARES UNDER COMPULSORY DEMATERIALIZATION

The Equity Shares of the company have been 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.

EMPLOYEE STOCK OPTION PLAN

Your Company had instituted an Employees Stock Offer Plan -1999 ("Plan") for all eligible employees of the Company and its subsidiaries The Plan provided for the issuance of 20,000,000 options to eligible employees and are administered by the Compensation Committee comprising of a majority of independent directors. Under the plan, options have been issued to the employees of the Company and its subsidiaries.

Each option granted under the Plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company.

The details of the options granted under the 1999 plan are given below:

	Description	Details
1.	Total number of options granted (gross)	20,889,512
2.	The pricing formula	At the fair value as on date of grant
3.	Number of options vested	2,427,141
4.	Number of options exercised	1,083,218
5.	Number of options lapsed	29,706
6.	Number of options forfeited	1,927,716
7.	Variation in terms of options	None
8.	Money realized by exercise of options	Rs. 275, 086,854
9.	Total number of options in force as on June 30, 2000	17,848,872
10.	Grant to Senior Management	
	Number of Options	1,783,396
	Vesting Period	Between 3 to 7 years
11.	Employees holding 5% or more of the total number of options granted during the year	None
12.	Employees granted options equal to or exceeding 1% or more of the issued capital during the year	None
13.	Diluted Earnings Per Share	Rs.14.18

Human resources is an important asset for the organization. In order to ensure the continued involvement of employees in Company's growth, the Board has approved the Employees Stock Options Plan 2000 for grant of stock options and issue of equity shares on exercise of options to eligible employees and directors of the Company and its subsidiaries. Total number of 15,000,000 equity shares have been reserved under the Plan.

YEAR 2000 COMPLIANCE

Steps were taken to ensure that all operating systems are fully Y2K compliant and the resulting roll over to the new millennium took place without any disruption.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr.Vineet Nayyar and Mr.Richard Burt retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

The auditors, M/S BSR & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if re-appointed.

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

Disclosure of particulars as required by Companies (Disclosure of particulars in the report of board of directors) Rules, 1988, are set out in the annexure included in this report.

PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report.

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 of your 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

Mumbai
Date: 10th August, 2000

SHIV NADAR
Chairman, President & CEO

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to companies (disclosure of particulars in the report of the board of directors) Rules, 1988

a) Conservation of Energy

The operations of your Company are not energy-intensive. Adequate measures have, however, 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

Since business and technologies are changing constantly, continuous investments in research and development need to be made. Your Company continues to have a strong focus on research and developmental activities in the areas of software engineering, offshore project management, emerging technologies, and new tools and techniques. Your company has, as a result of research, been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

Expenditure on R&D for the year ended June 30, 2000

	Rs. in million
Revenue Expenditure	35.74
Capital Expenditure	13.38
Total R&D Expenditure	49.12
R&D Expenditure as a percentage of software services revenue	1.22%

c) Technology absorption, adaptation and innovation

Your Company's core businesses demand absorption of emerging technologies to stay at the cutting edge of technology. Your Company has developed further methods for absorbing, adapting and effectively deploying new technologies. Your Company has made significant additions to the number of servers used for software development as well as file and print servers. 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

Rs. in million

	2000	**1999**
Foreign exchange earnings	4,097	2,778
Foreign exchange outgo	1,261	1,040

For and on behalf of the board of directors

Mumbai
Date: 10th August, 2000

SHIV NADAR
Chairman, President & CEO

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

A) EMPLOYED FOR THE FULL FINANCIAL YEAR 1999-2000

S. No.	Name	Age (Years)	Designation (Nature of Duties)	Educational Qualifications	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment	Designation Held in Previous Employment	Previous Employment Held since
1	A VASUDEVAN	40	G.M.(S/W OPERATIONS)	B.E.	1,919,112	17	1-Jul-96	HCL HEWLETT PACKARD LTD.	GPM	Jul-91
2	A K NATESAN	37	PROGRAM MANAGER	ME	735,000	12	1-Jul-96	HCL HEWLETT PACKARD LTD.	PROJECT MANAGER	Jun-93
3	A R RAMASUBRAMANYAM	52	G.M.-TECH.SUPPORT	MSC	922,960	29	1-Sep-94	HMTS (P) LTD	SR. TECHNICAL OFFICER	Nov-72
4	ADIYAPATHAM VEERAVAGHU KABILAN	45	DY. GENERAL MANAGER	M TECH	1,476,084	21	4-Mar-97	TCS	PROJECT MANAGER	Oct-92
5	ALOK KHARE	40	PROJECT MANAGER	B.E	777,730	13	6-Oct-97	JAYPEE REWA CEMENTS	ASST. GEN. MGR-SYSTEMS	Mar-96
6	AMITAVA ROY	43	EXE VICE PRESIDENT	ME(Computer Science)	1,319,992	18	18-Jan-99	HUGHES SOFTWARE SYSTEMS	ASSISTANT VP	Jul-92
7	ANAND VIJAY GUNTUR	31	PROGRAM MANAGER	B.E.	1,131,570	10	1-Jul-96	HCL HEWLETT PACKARD LTD.	DY MANGER-R&D	Jul-91
8	ANIL KHARE	40	GENERAL MANAGER	PH.D.	881,920	15	11-Apr-97	FUJITSO LTD. JAPAN	PROJECT MANAGER	Apr-93
9	ANIL KUMAR CHANANA	42	GROUP VP - F & A	FCA	3,196,098	17	1-Apr-98	HCL CORPORATION LTD	GROUP VP-FINANCE	Jan-95
10	ANUP DUTTA	40	G.M.(H/W OPERATIONS)	B.E.	1,389,667	18	1-Jul-96	HCL HEWLETT PACKARD LTD.	GM	Jul-81
11	ASHESH RANJAN	40	PROJECT MANAGER	M.SC	790,431	13	15-Sep-97	BINARY SEMANITCS	SR. CONSULTANT	May-96
12	ASHISH KUMAR KOLE	43	GROUP PROJECT MANAGER	BE	969,760	16	5-May-97	HCL HEWLETT PACKARD LTD.	PRODUCT MANAGER	Dec-91
13	ASHNI CHETAN KHERA	35	BUSINESS CONSULTANT	CA.ICWA	657,158	11	17-May-99	INDIAN HOTELS	MANAGER	Oct-98
14	ASHOK BHAGAT	40	GENERAL MANAGER	B.E.	930,603	15	4-Mar-97	TATA UNISYS LIMITED	SENIOR MANAGER	Jul-81
15	BABU RAMAMURTHY	37	PROGRAMME MANAGER	ME	962,800	14	1-Jul-96	HCL HEWLETT PACKARD LTD.	DEPUTY MANAGER	Sep-95
16	BALAMURUGAN R	35	PROJECT MANAGER	B.E.	609,238	10	19-May-99	DIGITAL INSTRUMENTS & CONTROLS, CHENNAI	ENGINEER	May-97
17	BHASKAR KURAVI	44	MANAGER	PGDCM	832,753	19	25-Feb-99	SANMAR INDUSTRIAL SYSTEMS LTD., CHENNAI	SR MGR -S/W	Jul-96
18	BIJU JOHN JACOB	36	PROJECT MANAGER	MTech	745,288	8	18-Jun-98	FUTURE SOFTWARE	PROJECT LEADER	Jun-93
19	D SHIV SHANKAR	31	MANAGER - TECHNICAL	B.E.	602,030	6	24-Feb-97	NELCO, BOMBAY	ASST MANAGER S/W	Dec-96
20	DWARAKA BHAMIDIPATI	33	PROJECT MANAGER	Btech	676,180	5	1-Jul-96	HCL HEWLETT PACKARD LTD.	SENIOR ENGINEER	Sep-95
21	G SIKHIVAHAN	33	PROJECT LEADER	ME	777,200	12	12-Feb-97	HINDUSTAN AERONAUTICS	DEPUTY MANAGER (DESIGNS)	Nov-87
22	G RAMU	32	MANAGER - HRD	MBA	634,804	6	6-Aug-97	BRITANNIA	ASST. PERSONNEL MANAGER	Oct-96
23	G. HANUMANTHA RAO	41	G.M.(H/W OPERATIONS)	B.E.	1,546,277	19	1-Jul-96	HCL HEWLETT PACKARD LTD.	SR MGR-R&D	Jul-91
24	GUNAMANI R.	35	PROJECT MANAGER	B.E.	782,416	10	27-Oct-97	TEXAS INSTRUMENTS (I) LTD.	S/W DESIGN ENGINEER	Oct-95
25	IVY P. BENJAMIN JOHN	43	PROGRAMME MANAGER	M.S.	968,600	18	31-Aug-98	CADENCE DESIGN SYSTEMS (I) PVT. LTD., NOIDA	PROG MANAGER	Aug-95
26	JAGDISH MAHESHWARI	37	SR PROJECT MANAGER	M TECH	916,149	16	12-Dec-97	TCS	ASSOCIATE CONSULTANT	Mar-87
27	JAYARAMAN KANNAN	31	PROJECT MANAGER	M.E.	745,100	6	1-Jul-96	HCL HEWLETT PACKARD LTD.	SENIOR ENGINEER	Sep-94
28	JEYASUBRAMANIAN I	32	PROJECT MANAGER	B.E.	755,896	8	1-Sep-97	FUTURE SOFT,CHENNAI	PROJECT LEADER	Jun-94
29	JHA N N	42	MANAGER - QLTY ASSURANCE	B.E	691,876	14	22-Apr-98	DRDO BANGALORE	SCIENTIFIC ENGG (E)	Jun-98
30	K M PUGAZHENDI	40	PROJECT MANAGER	ME	766,136	14	30-Oct-96	HINDUSTAN AERONAUTICS	MANAGER (DESIGNS)	Jul-83
31	K R GOPINATH	41	MANAGER - QUALITY	B.E.	615,322	13	1-Jul-96	HCL HEWLETT PACKARD LTD.	PROJECT MANAGER	Jul-91
32	K R RAJASHEKHAR	33	GROUP PROJECT MANAGER	M.E.	604,740	11	1-Jul-96	HCL HEWLETT PACKARD LTD.	ASST MANAGER	Jul-91
33	KALYAN DAS	39	PROJECT MANAGER	M.E.	754,631	17	24-Sep-97	CESC LTD	ASST. MANAGER	Feb-85
34	KRISHNAMURTI RAGHAVENDRA RAO	43	DY. GENERAL MANAGER	B TECH	1,274,863	19	8-Dec-97	TCS	SENIOR CONSULTANT	May-81
35	M VEDAMOORTHY	34	PROJECT MANAGER	MSc.	799,796	10	11-Mar-97	MAIJO SOFT SYSTEMS	SENIOR SOFTWARE ENGINEER	Nov-96
36	M J SHANKAR RAMAN	31	PROJECT MANAGER	M Sc.	638,569	7	1-Jul-96	HCL HEWLETT PACKARD LTD.	MEMBER TECHNICAL STAFF	Oct-95
37	M.V. SURESH BABU	33	PROJECT MANAGER	BE	613,215	10	3-Feb-97	PRAGATI COMPUTERS	MANAGER (TECHNICAL SERVICES)	Jul-89
38	MANDEEP JOLLY	34	PROJECT LEADER	B.Tech, MS	636,284	9	12-Apr-99	HCL AMERICA	TEAM LEADER	Jul-96
39	MARY KOSHY	41	PROJECT MANAGER	MS	894,498	10	15-Oct-97	NORTHERN TELECOM	PROJECT COORDINATOR	May-95
40	MOHOR SEN	50	VICE PRESIDENT - HRD	B TECH.	795,565	21	1-May-99	HCL PEROT SYSTEMS LTD	CHIEF PERSONNEL OFF.	Feb-96
41	MUKUL JAIN	40	G.M.(S/W OPERATIONS)	B.TECH.	1,581,656	18	1-Jul-96	HCL HEWLETT PACKARD LTD.	GM	Jun-81
42	N MANOHAR	32	PROJECT MANAGER	B.E.	674,827	10	1-Jul-96	HCL HEWLETT PACKARD LTD.	PROJ LEAD	Jul-91
43	N SANKAR	29	PROJECT MANAGER	B.E.	793,250	8	1-Jul-96	HCL HEWLETT PACKARD LTD.	SENIOR ENGINEER	Jul-92
44	N GUNASEELAN	45	VICE PRESIDENT	MTech	2,153,262	20	1-Jul-96	HCL HEWLETT PACKARD LTD.	VICE PRESIDENT - ODC	Dec-91
45	N UDAYA KUMAR	40	GENERAL MANAGER	ME	1,604,968	15	1-Jul-96	HCL HEWLETT PACKARD LTD.	GROUP PROJECT MANAGER	Dec-91
46	N. SANKARA SUBRAMANIAN	39	PROGRAM MANAGER	B.E.	783,391	14	10-Mar-97	FUJITSU ICIM LTD.	CONSULTANT	Jan-97
47	NAMPOOTHIRI K N N	40	PROJECT MANAGER	BSc	634,286	16	14-Dec-98	ALCATEL	SOFTWARE DESIGN - GROUP LEADER	Jan-97
48	NAND KISHORE AVANTSA	40	SR. PROJECT MANAGER	BA	882,670	13	10-Apr-95	PCS DATA GENERAL (I) LTD	SPECIALIST	Sep-91
49	NARASIMHAN RANGANATH	57	SR. PROJECT MANAGER	B.E	973,965	27	4-Aug-97	SILVERLINE INDUSTRIES LT	PROJECT MANAGER	Aug-98
50	P.N. JANARDHANAN	32	PROJECT MANAGER	MS	707,200	9	8-Jun-98	FORESYSTEMS	SENIOR SOFTWARE ENGINEER	Mar-95
51	PHANI KUMAR K	38	PROJECT MANAGER	M.Sc	613,247	13	24-Mar-99	KARVY CONSULTANT, HYDERABAD	AGM	Mar-95
52	PRAMOD GUPTA	36	PROJECT MANAGER	BE	795,297	13	2-Nov-98	TCS, DELHI	ASSISTANT CONSULTANT	Jan-92
53	PRASUN KUMAR MITRA	45	PROJECT MANAGER	B.E	1,048,854	8	19-Nov-97	TRANSPRO CONSULTANCY	CONSULTANT	Jun-97
54	PRAVIN MODI	57	GENERAL MANAGER	B.E	713,204	34	1-Oct-94	INDIAN AIR FORCE	WING COMMANDER	Dec-65

A) EMPLOYED FOR THE FULL FINANCIAL YEAR 1999-2000

S. No.	Name	Age (Years)	Designation (Nature of Duties)	Educational Qualifications	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment	Designation Held in Previous Employment	Previous Employment Held since
55	PREM KUMAR ASIJA	50	HEAD - SDC	M.SC (Engg.)	2,184,663	30	1-Sep-97	APT AUTOMATION	DIRECTOR	Jan-93
56	R ARJUN	43	PROGRAMME MANAGER	M.E.	1,412,326	18	1-Jul-96	HCL HEWLETT PACKARD LTD.	MGR-R&D	Jul-91
57	R BASKARAN	42	GRP. PROJECT MANAGER	M.E.	1,081,794	18	1-Jul-96	HCL HEWLETT PACKARD LTD.	GPM	Jul-91
58	R SINGARAVELOU	31	PROJECT MANAGER	BE	782,000	8	24-Feb-97	PRAGATI COMPUTERS	SENIOR ENGINEER	Jul-91
59	R VAIDYANATHAN	48	EXECUTIVE VICE PRESIDENT	B.E.	2,559,501	18	1-Jul-96	HCL HEWLETT PACKARD LTD.	DGM R&D	Jul-91
60	R. P. SINGH	50	VICE PRESIDENT - MKTG	MBA	2,333,067	28	1-May-98	HCL INFOSYS LTD	EVP	Oct-98
61	R. P. TURAGA	42	GROUP PROJECT MANAGE	BE	850,556	17	5-May-98	TATA ELECTRICAL COMPANY LTD.	SENIOR EXECUTIVE ENGINEER	Jul-82
62	RADHA GOVERDHAN	43	PROGRAM MANAGER	M.E.	618,470	18	4-Mar-98	DSQ S/W., CHENNAI	CONSULTANT	Mar-96
63	RAGHUNATH RAMASWAMY	37	HEAD - GRG	M.SC	642,760	14	14-Aug-95	DATA MANAGEMENT SERVICES	MARKETING MANAGER	Feb-94
64	RAJ KUMAR MALIK	40	SR. PROJECT MANAGER	B SC	1,027,360	16	28-Jul-97	COMMON WEALTH	TEAM LEADER	Jun-96
65	RAJESH MISRA	34	CHIEF PERSL MANAGER	B COM, MBA	773,185	12	7-May-98	AMTREX LTD	HEAD OF HR	Dec-94
66	RAJIV SODHI	41	VICE PRESIDENT - MKTG	BE	1,481,101	18	24-Jul-97	T C S	MANAGER SYSTEMS	Jul-81
67	RAMAMOORTHY SUNDARESAN	41	SR.SYS.MANAGER	M.B.M	900,004	18	14-Aug-97	DSQ SOFTWARE LTD	MANAGER STG	Nov-96
68	RAMAN R.	40	PROJECT MANAGER	AMIE	849,828	15	4-Jan-99	TEKMARK INC., USA	SR CONSULTANT	Jan-96
69	RAMESH G.	34	PROJECT MANAGER	ME	943,856	9	7-Apr-97	TATA ELECTRICAL COMPANY	DEPUTY EXECUTIVE ENGINEER	Sep-90
70	RANJIT NARASIMHAN	46	HEAD OF OPER.-ASDC	MBA	1,707,521	22	15-Apr-99	RIVIERA CONFECTIONERY P.LTD	DIRECTOR	Oct-87
71	RAO N.B. Y.	43	MGR-OPERATING SYSTEM	B.E.	668,184	18	12-Nov-97	SOFTEK PVT. LTD.	SR S/W ENGINEER	Jul-91
72	RAVINDRAN R.	39	MANAGER - CLNT SRVR	B.E.	642,226	14	8-Jan-99	SRA SYSTEMS, CHENNAI	SR MANAGER	Dec-99
73	S PRABHURAMAN	30	PROJECT MANAGER	AMIE	852,464	11	1-Jul-96	HCL HEWLETT PACKARD LTD.	PROJECT LEADER	Dec-91
74	S SHANTHI	31	PROJECT LEAD	B.E.	622,180	6	9-Oct-96	NUCLEUS SOFTWARE WORKSHOP	ASST SYS.MGR	Oct-93
75	S SHIVAKUMAR	27	PROJECT LEADER	BE	701,800	6	1-Jul-96	HCL HEWLETT PACKARD LTD.	ENGINEER	Sep-94
76	S. MURALI	39	PROJECT LEAD	B SC	649,360	16	10-Feb-98	LIC GLOBAL	TEAM LEADER	Dec-97
77	S. RAMALAKSHMANAN	37	PROJECT MANAGER	B.E.	606,887	12	6-Dec-96	ISRO	SCIENTIST ENGR "SD"	Dec-86
78	S. RAMAN	58	CHIEF TECHNOLOGY OFFICER	B.TECH	4,959,000	35	1-Apr-97	HCL HEWLETT PACKARD LTD.	VICE CHAIRMAN	
79	SALIL KUMAR BHATTACHARJEE	37	PROJECT MANAGER	PGDCA	774,663	13	17-Apr-98	UNICORP INDUSTRIES LTD	INDUSTRY MANAGER	Jan-97
80	SANJAY KALRA	37	EXE VICE PRESIDENT	B.TECH	1,247,779	9	1-Apr-97	HCL CORPORATION LTD.	GENERAL MANAGER-STRATEGIC ALLIANCES	Apr-95
81	SANJAY KUMAR KAPOOR	27	PROJECT LEAD	B.E	697,101	4	1-Oct-97	TCS	SYSTEMS ANALYST	Jun-93
82	SANJEEV GUPTA	36	MANAGER - QLTY ASSURANCE	M TECH	644,956	12	3-Nov-97	NATIONAL INFORMATION CENTRE	SR. OFFICER	Jun-90
83	SANJEEV MEHTA	38	GRP. PROJECT MANAGER	GRAD.	719,660	19	1-Jul-96	HCL HEWLETT PACKARD LTD.	GROUP PROJECT MANAGER	Oct-80
84	SHAILENDER KUMAR RAMPAL	40	MANAGER - MIS	PGDCA	647,874	18	1-Jun-96	HCL -GROUP (OA,HP AND REPROGRAPHIC)	SYSTEMS EXECUTIVE	Nov-85
85	SHANKAR S.	28	PROJECT MANAGER	B Tech	707,900	5	1-Jul-96	HCL HEWLETT PACKARD LTD.	ENGINEER	Feb-94
86	SHASHI KANT VERMA	37	PROJECT MANAGER	B.TECH	874,464	14	18-Jan-95	OWN CONSULTANCY	OWN BUSINESS	Aug-92
87	SREEHARI K S	30	PROJECT MANAGER	B.Sc.	742,152	5	28-Dec-98	ALLTEL INFORMATION SERVICES, CHENNAI	PROJ CELL LEAD	Dec-95
88	SUBRAMANIAN SHANKAR	34	PROJECT MANAGER	BE	932,562	10	23-Jun-97	WAYPOINTE INFORMATION	CONSULTANT	Aug-95
89	SUJIT BAKSI	50	EXECUTIVE VICE PRESIDENT-HRD	MBA	3,355,678	27	1-Dec-95	HCL CORPORATION LTD	DIRECTOR	Dec-95
90	SUMI MOHAN	31	PROJECT MANAGER	B SC	631,310	8	5-Feb-98	TATA STEEL, JAMSHEDPUR	ASSISTANT MANAGER	Jun-92
91	SUNIL KUMAR	41	DY. GENERAL MANAGER	M.TECH	1,229,027	19	1-Aug-96	TATA UNISYS	MANAGER	Jan-94
92	T E BASHYAM	35	PROJECT MANAGER	M.TECH	778,952	7	1-Jul-96	HCL HEWLETT PACKARD LTD.	PROJ LEAD	Jul-92
93	T S KRISHNA KUMAR	39	GENERAL MANAGER	MTech	1,773,141	12	1-Jul-96	HCL HEWLETT PACKARD LTD.	GROUP PROJECT MANAGER	Dec-91
94	T.SESHADRI	39	PROJECT MANAGER	B.SC	846,356	15	17-Nov-97	CRI INDIA (P) LTD	ASST. GENERAL MANAGER	Jun-97
95	THANIKACHALAM GANESAN	48	PROJECT MANAGER	B.E	781,983	25	16-Dec-96	MINISTRY OF UBTERIOR, QA	ANALYST/PROGRAMMER	Aug-83
96	V BALAJI VENKAT	33	PROJECT LEADER	MCA	720,800	5	30-Sep-96	FOURTH TEK INC	SYSTEMS CONSULTANT	Oct-95
97	V THILLAI AMBALAVANA	34	PROJECT LEADER	BE	603,800	11	1-Jul-96	HCL HEWLETT PACKARD LTD.	SENIOR ENGINEER	Dec-92
98	V. ASHOK KUMAR	38	PROJECT MANAGER	MTech	845,800	15	7-Jul-97	DRDL	SCIENTIST D	Sep-84
99	V. S. VASAN	28	PROJECT MANAGER	MSc	664,328	7	21-Oct-96	WIPRO SYSTEMS	SENIOR SYSTEMS ENGINEER	Feb-96
100	VENKATESAN M	41	GROUP PROJECT MANAGER	M.E.	777,148	16	30-Sep-98	GEC ALSTOM, CHENNAI	AREA MANAGER	Sep-87
101	VIJAI TERALA B.	37	PROJECT MANAGER	M.E.	725,254	12	27-Apr-98	TWINIX SYSTEM INC USA	SR PROGRAMMER	Apr-96
102	VIJAY P. KIRPALANI	30	PROJECT LEADER	M.S.	623,784	5	13-Apr-98	FUTURE S/W., CHENNAI	TEAM LEADER	Aug-97
103	VINAY KUMAR BHATIA	38	PROJECT MANAGER	M COM	682,972	14	17-Nov-97	TGK (I) LTD.	MANAGER SYSTEMS	Apr-94
104	VINAY SHRIKRISHNA KULKARNI	47	PROJECT MANAGER	B SC	831,012	19	12-May-97	ARVIND COTSPIN LTD.	ASST. MANAGER-SYSTEMS	Feb-96
105	VIVEKA RAGU KUMAR	36	PROJECT MANAGER	BE	783,204	13	26-Oct-98	TCS	ASSOCIATE CONSULTANT	Mar-90

B) EMPLOYED FOR THE PART FINANCIAL YEAR 1999-2000

S. No.	Name	Age (Years)	Designation (Nature of Duties)	Educational Qualifications	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment	Designation Held in Previous Employment	Previous Employment Held since
1	ALLWYN NORONHA	36	COMPANY SECRETARY	B.COM(H),LL B, FCS, ACIS London	484,161	12	24-Dec-99	RANBAXY LABORATORIES LTD	MGR. SECRETARIAL SERVICES & CS	Jan-96
2	ANAND PILLAI	41	REGIONAL DIRECTOR	B.SC PGN DIP COMPSC.	235,001	18	27-Apr-99	BAY NETWORK INTL.	CONTRY MGR.-SAARC	Apr-97
3	ANIL GUPTA	45	VICE PRESIDENT - S.A.	B TECH	475,636	23	6-May-98	TGK (INDIA) LTD.	MANAGING DIRECTOR	Jul-91
4	ASHOK BHATTACHARYA	52	VICE PRESIDENT - HRD	B.A. PGDPM	243,250	24	1-May-00	GE PLASTIC INDIA	VP (HR)	Apr-97
5	ASHOK JAIN	50	EXEC. VICE PRESIDENT-BUS.DEV.	BE., MBA	2,836,207	27	1-Apr-98	HCL CORPORATION LTD	PRESIDENT & CEO	Feb-96
6	CHEMANCHERI NANDAKUMAR	35	ACCOUNT MANAGER	M COM	373,303	10	3-Jan-00	SUHAIL & SAUD COMPUTER DIVN	ASSISTANT MANAGER	Feb-95
7	DHIRAJ DEVDAS BALLAL	33	PROJECT MANAGER	BE	685,092	8	1-Jul-96	HCL HEWLETT PACKARD LTD.	MEMBER TECHNICAL STAFF	Aug-95
8	DR. M P RAVINDRA	52	HEAD-SDCSA	Ph.d	404,649	27	10-Feb-00	RAMCO SYSTEMS, CHENNAI	GM [STRATEGIC ACCOUNTS]	Feb-97
9	G V S S S SRINIVAS	35	MANAGER - TECHNICAL	MSc,Mtech	266,828	10	1-Mar-00	INTERRA	SENIOR SOFTWARE ENGINEER	May-98
10	GAURAV KUMAR	31	SR.MGR-MERGERS & ACQU	B TECH., MBA	44,200	5	5-Jun-00	SRF LIMITED	MANAGER-STRATEGIC PLANNING	Mar-95
11	GIRIDHAR RAO PEMMARAJU	36	ACCOUNT MANAGER	BE PGDM	49,966	11	8-May-00	SIEMENS INFORMATION SYSTEMS LTD	SR.MGR. MARKETING	Jan-98
12	HARSH MANOCHA	29	PROJECT LEAD	MS	199,614	5	6-Mar-00	BELL ATLANTIC (USA)	PROJECT LEADER	Feb-96
13	HIMANSHU VERMA	33	CONTR -SHARED SERVICE	CA	170,581	5	1-Feb-00	AMERICAN EXPRESS INDIA	TEAM LEADER	Aug-97
14	JOEL GOLDWIN S	29	TECHNICAL LEAD	BE	207,368	4	27-Mar-00	SHUTTLE TECHNOLOGIES	QA ENGINEER	Aug-96
15	K C D THAMPAN	48	PROJECT MANAGER	BE	91,749	13	22-Nov-99	SILVERLINE TECHNO INC	SR. PROJECT MANAGER	Jul-97
16	KABILAN V	37	PROJECT MANAGER	M.Tech	512,609	12	1-Sep-99	BARCO ELECTRONIC SYSTEMS (P) LTD., CHENNAI	SR S/W DEV ENGINEER	Jun-97
17	KANNAN R	49	SR. MGR - ENGG. SERV	BE	553,904	24	17-Nov-99	DSQ S/W., CHENNAI	HEAD SYS.TECH GROUP	Mar-98
18	KRIS GOPALASUBRAMANIAN	43	PROJECT MANAGER	MBA	593,260	18	24-Sep-99	GAMMA COMPUTER, INC., USA	SAP TECH CONSULTANT	Aug-98
19	MANISH WADHWA	33	PROJECT LEAD	M TECH	91,406	9	17-May-00	TIR SYSTEM,NEE DELHI	SR. SYSTEM ANALYST	Jan-99
20	MUKUL	34	GROUP PROJECT MANAGER	BE(CS)	448,110	12	18-Jan-00	RIVER RUN SOFTWARE GROUP	GROUP MANAGER	Sep-90
21	MURALI DHARAN ALWAR	41	PROJECT MANAGER	MS	322,331	16	10-Feb-00	LUCENT TECHNOLOGIES, USA	MTS	Oct-98
22	NAGAPPAN PL	31	PROJECT MANAGER	MCA	646,986	6	14-Jul-99	DSQ S.W., CHENNAI	ANALYST PROGRAMMER	Jul-95
23	NAMITA PANDEYA	37	BUSINESS CONSULTANT	MCA	56,420	14	30-May-00	PMSI,INFORE	BUSINESS ANALYST	Jan-99
24	NARENDER KUMAR DUREJA	32	PROJECT MANAGER	MCA	419,176	7	7-Jan-00	EUROLINK SYSTEMS LTD.	PROJECT MANAGER	Oct-97
25	P K BHALLA	45	VP BUSINESS DEVELOPMENT	BA (H) MA	602,325	20	22-Nov-82	HCL HEWLET-PACKARD LTD	GM-INTERNATIONAL MARKETS	Nov-82
26	PANKAJ AGRAWAL	35	MANAGER - TRAINING	BE	359,067	10	10-Jan-00	IT SOLUTIONS B'LRE	HEAD EDUCATION & LEARNING	Nov-98
27	PRADEEP KUMAR SHARMA	29	PROJECT MANAGER	BE	194,010	6	21-Mar-00	LTITL, MUMBAI	PROJECT MANAGER	Aug-93
28	PRAMOD PATIL	33	PROJECT MANAGER	AMIE	728,346	8	22-Jul-99	GODREJ & BOYCE LTD.	S/W DEV OFFICER	Jan-97
29	PRAMOD NARENDRA SARKAR	52	PROJECT MANAGER	B TECH	666,242	27	13-Jul-99	L & T INFORMATION	PROJECT MANAGER	Sep-96
30	PRASANTA KUMAR MOHANTA	37	MANAGER - CLNT SRVR	ME	791,756	12	21-Jul-99	DSQ S/W., CHENNAI	ASST. CONSULTANT	Jan-97
31	PULA VIJAYA SARADHI	28	LEAD ENGINEER	BE	119,306	3	1-Sep-97	MULTI NETWORK INDIA	CUSTOMER SUPPORT ENGINEER	Jun-96
32	RACHITA MISRA	46	PROJECT MANAGER	M.SC	617,918	20	27-Jan-98	TATA IRON AND STEEL CO.	MANAGER	Oct-97
33	RADHA RAMAN CHAUDHARY	44	SR. PROJECT MANAGER	M.E	222,247	18	17-Apr-00	QUEST EDUCATION ACADMY	MANAGING DIRECTOR	Jun-99
34	RAJAMANICKAM M	35	VICE PRESIDENT - QUA	ME	520,462	10	10-Nov-99	ORACLE S/W. INDIA PVT. LTD., BANGALORE	P M	Nov-96
35	RAJIV CHELANI	37	BUSINESS DEVEL MGR	B.SC. MBA	100,692	8	1-May-00	EDS INDIA	MGR. PROGRAMME	Oct-99
36	RAJIV SONI	40	BUSINESS CONSULTANT	CA	229,916	13	12-Jun-99	HCL DELUXE LTD	PROJECT MANAGER	May-97
37	RAJIV SHANTI SWARUP	48	ASSOCIATE VICE PRESIDENT	Btech, MBA	256,645	23	8-Mar-00	GRAPHTECH INDIA LTD.(DCM)	CHIEF EXECUTIVE	Apr-97
38	RAMAN V	30	PROJECT MANAGER	BE	655,705	5	28-Jul-99	DSQ S/W., CHENNAI	ASST CONSULTANT	Oct-97
39	RAVI SHEKHAR	42	PROJECT MANAGER	B.SC ENGG.	336,152	14	10-Jul-95	TATA IRON & STEEL Co.	MANAGER	Oct-83
40	RAVISHANKAR S	33	GROUP PROJECT MANAGER	BE	827,646	8	8-Jul-99	DSQ S/W., CHENNAI	ASSOCIATE CONSULTANT	May-97
41	S A SRINIVASA MOORTHY	40	GRP PROJECT MANAGER	M.E.	447,958	15	1-Jul-96	HCL HEWLETT PACKARD LTD.	PROJECT MANAGER	Mar-91
42	SADAGOPA RAMANUJAM SELVATHARASU	53	COUNTRY SALES MGR	MA SOCIO, BE	222,734	28	23-Mar-00	DSQ SOFTWARE	COUNTRY MANAGER, JAPAN OPS.	May-98
43	SAILAS RAJ MARK	32	ACCOUNT MANAGER	B.E.	206,331	9	1-Mar-00	COMPAQ INDIA	BRANCH CHANNEL MGR	Jul-98
44	SANJAY DALWANI	32	ACCOUNT MANAGER	BE, PGDBM	205,272	6	12-Oct-99	IRIDIUM INDIA TELCOM LTD	ASSISTANT VP	Jun-99
45	SANJEEV MEHROTRA	32	MANAGER	MCA	170,971	7	10-Apr-00	DAKSH.COM E SERVICES	MANAGER SYSTEMS	May-98
46	SANJIV BHAGWAN SINGH	35	BUSINESS DEVEL MGR	M.SC, MBA, MIE	33,871	15	6-Mar-00	SIEMENS INFORMATION SYSTEMS LTD	SR. MGR. MKTG.	Oct-99
47	SANTANU MUKHERJEE	44	GM - PROJECTS	B.Tech	115,020	19	1-May-00	NESTLE INDIA	SR ELEC ENGR	May-88
48	SANTANU MUKHERJEE	45	GENERAL MGR. - PROJECTS	B TECH	851,170	25	3-Apr-97	FIRST STONIX LTD	MANAGER-ELECT. ENGG.	Nov-91
49	SANTOSH PANDE	48	CHIEF FINANCIAL OFFICER	FCA	88,806	25	21-Feb-97	TRIVENI GROUP	VICE PRESIDENT	Jul-86
50	SATHISH MAMALLAPURAM	31	ACCOUNT MANAGER	M SC., BE	206,331	8	6-Mar-00	SUHAIL & SAUD COMPUTER DIVN	A/C MGR-CORP A/C	Apr-95
51	SATYA PAL	33	PROJECT LEAD	M TECH	439,719	9	2-May-97	JK INDUS LTD	SYSTEMS ANALYST	Mar-95
52	SATYA KUMAR PEDDINTI	40	PROJECT MANAGER	ME	611,240	16	2-Sep-99	PRT (BARBADOUS) LTD	PROJECT MANAGER	Aug-98
53	SHANTANU DHAR	32	SR.MGR-CORPORATE-HR	B.A M.SC-HRD	113,000	11	1-May-00	WILLIAM M MERCER (INDIA)	ASSOCIATE DIRECTOR	May-98
54	SHARAD KUMAR	34	PROJECT LEAD	BA	155,458	11	29-Mar-00	METAMOR HYDERABAD	ASSISTANT MANAGER	May-98
55	SHEELA MOHAN	35	GROUP PROJECT MANAGER	M.Tech(CS)	593,210	10	6-Dec-99	CADENCE DESIGN SYSTEMS	PROGRAM MANAGER	May-98
56	SHIBAN KISHEN	49	VICE PRESIDENT - HRD	M.SC. MBA	173,900	25	17-Apr-00	STANDARD CHARTERED BANK	HEAD BANKING SERVICES	Sep-95
57	SIVARAM DHARA V	38	PROJECT MANAGER	MBA	752,633	13	2-Aug-99	PENTAFOUR S/W & EXPORTS	SR MGR-PROJ	Dec-96
58	SRIRAMA SRINIVASAN	36	ACCOUNT MANAGER	MSC., MBA	294,849	12	10-Nov-99	EMIRATES TECH COMPANY	MGR. PROFESSIONAL SERVICE ORG.	Feb-97
59	SUBHRA KANTA DASH	30	MANAGER - TECHNICAL	BE	91,876	5	1-Jun-00	ITIL	PROJECT MANAGER	Sep-99
60	SUJAY GOPINATH	29	LEAD ENGINEER	BE	411,065	4	15-Oct-97	NUCLEAR POWER CORPORATION	SCENTIFIC OFFICER D	Aug-94
61	SUJITHA KARNAD	38	SR. MGR-STRATEGIC AL	ME	565,000	13	15-Nov-99	SILICON AUTOMATION SYSTEMS LT., BANGALORE	BUSINESS DEV MGR	Nov-97
62	SURESH V	33	SR MGR - TELECOM TEC	BE	415,726	8	20-Dec-99	DSQ S/W., CHENNAI	PROJECT MANAGER	Oct-97
63	UDAI SAKLANI	35	BUSINESS DEVELOPMENT	PGDRM	457,303	12	8-Dec-99	TCS	GROUP MANAGER	Jul-87
64	VIVEK CHANDRA KUCHHAL	36	PROJECT MANAGER	CA.MBA	527,734	13	1-Oct-99	FACT SOFTWARE INTERNATIONAL	SR. CONSULTANT	May-98
65	VIVEK KUMAR SINGH	36	PROJECT LEAD	B SC	189,325	12	27-Mar-98	BINARY LIMITED	CONSULTANT	Jun-97

Notes : None of the above employees is a relative of any Director of the Company.

Auditors' Report

To the Members of
HCL Technologies Limited
(formerly HCL Consulting Limited)

We have audited the attached Balance Sheet of HCL Technologies Limited ("the Company"), formerly HCL Consulting Limited, as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to the comments in the Annexure referred to in paragraph 1 above:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

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

For BSR & Co.
Chartered Accountants

'lace: Mumbai
Date: 10th August, 2000

Rajesh Jain
Partner

Annexure to the Auditors' report

(Referred to in paragraph 1 of our report of even date.)

1. The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. The company has a regular programme of verification of its fixed assets which, in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. In accordance with this programme, certain fixed assets were physically verified by management during the year. As informed to us, no material discrepancies were noticed on such verification.
2. The fixed assets of the company have not been revalued during the year.
3. The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As informed to us, there are no companies under the same management as defined by sub-section (1-B) of section 370 of the Companies Act, 1956.
4. The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 except for an unsecured, interest free loan amounting to Rs. 170,593,500 and an advance towards share application money amounting to Rs. 703,199,700 to HCL Technologies (Bermuda) Limited, Bermuda, a wholly owned subsidiary. In our opinion, having regard to the involvement with this company and considering the explanations given to us in this regard, the terms and conditions of the above are not prima facie prejudicial to interests of the company. As informed to us, there are no companies under the same management as defined by sub-section (1-B) of section 370 of the Companies Act, 1956.

5. The company has not granted any loans or advances in the nature of loans except for a loan to HCL Technologies (Bermuda) Limited, as mentioned in para 4 above, the terms of repayment of which have been stipulated and loans to employees, who are repaying principal and interest due thereon as stipulated.
6. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain assets purchased are specific to the company's technical requirements, in respect of which comparable alternative quotations are not considered necessary, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of equipments and other assets. The activities of the company do not involve sale of goods.
7. In our opinion, and having regard to our comments in paragraph 6 above and according to the information and explanations given to us, the transactions of sale of services in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000 or more in respect of each party have been made in respect of items of special nature and in respect of which alternative quotations are not considered necessary.
8. The company has not accepted any deposits from the public.
9. The company's operations do not generate any scrap or by-products.
10. The company has an internal audit system commensurate with its size and nature of its business.
11. As informed to us, the provisions of clause 4A(xvi) regarding maintenance of cost records are not applicable to the company.
12. The company has been regular in depositing Provident Fund and generally regular in depositing Employees State Insurance dues with the appropriate authorities during the year.
13. According to information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 30 June 2000, for a period exceeding six months from the date they became payable.
14. According to the information and explanations given to us and the records of the company examined by us, no personal expenses have been charged to the revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practice.
15. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
16. In our opinion, and according to the information and explanations given to us, in respect of the service activities of the Company, we report as follows:

16.1 the service activities of the Company do not involve consumption of any material and stores.

16.2 the Company has a reasonable system of allocating man hours utilised to the relative jobs, commensurate with its size and nature of its business.

16.3 the Company has a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business, the allocation of labour to jobs.

17. As the Company does not maintain any inventories, paragraphs 4(A)(iii) to 4(A)(vi), 4(A)(xii), 4(A)(xiv) and 4(C)(ii) of the Order, are not applicable in relation to its activities.

For BSR & Co.
Chartered Accountants

Place: Mumbai
Date: 10th August, 2000

Rajesh Jain
Partner

HCL Technologies Limited
(formerly HCL Consulting Limited)
Balance Sheet as at 30 June 2000
(All amounts in thousands of rupees)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	559,054	331,948
Share application money pending allotment		19,679	-
Reserves and surplus	2	11,811,654	1,816,854
		12,390,387	**2,148,802**
Application of funds			
Fixed assets	3		
Gross block		978,697	627,989
Less: Accumulated depreciation		(391,246)	(240,985)
Net block		587,451	387,004
Capital work in progress		109,520	18,534
		696,971	405,538
Investments	4	8,290,113	449,170
Current assets, loans and advances			
Sundry debtors	5	1,201,620	623,580
Cash and bank balances	6	1,456,133	562,308
Loans and advances	7	1,137,597	327,314
Other current assets	8	9,706	15,186
		3,805,056	1,528,388
Less: Current liabilities and provisions	9	(401,753)	(234,294)
Net current assets		3,403,303	1,294,094
		12,390,387	**2,148,802**
Notes to the accounts	14		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: Mumbai
Date: 10th August, 2000

For HCL Technologies Limited

Shiv Nadar
Chairman, President and CEO

Vineet Nayyar
Vice Chairman

Richard R Burt
Director

Robin Abrams
Director

T S R Subramaniam
Director

Dennis Ing
Chief Financial Officer

Allwyn Noronha
Company Secretary

Place: Mumbai
Date: 10th August, 2000

HCL Technologies Limited
(formerly HCL Consulting Limited)
Profit and Loss Account for the year ended 30 June 2000
(All amounts in thousands of rupees)

	Schedule No.	Year ended 30 June 2000	Year ended 30 June 1999
Income			
Software and related technical services		3,996,762	2,757,316
Other income	10	520,639	180,049
		4,517,401	**2,937,365**
Expenditure			
Cost of software development	11	1,451,033	1,311,878
Administration and other expenses	12	810,065	386,959
Finance charges	13	-	43,530
Depreciation		154,380	164,692
		2,415,478	**1,907,059**
Profit before tax		2,101,923,	1,030,306
Provision for income tax		(108,808)	(20,626)
		1,993,115	1,009,680
Provision for income tax for earlier years written back		5,975	-
Profit after tax		1,999,090	1,009,680
Balance brought forward		1,576,854	785,431
Profit available for appropriation		3,575,944	1,795,111
Appropriations			
Proposed dividend		27,953	16,597
Corporate dividend tax		6,150	1,660
Transfer to general reserve		250,000	200,000
Balance carried forward		3,291,841	1,576,854
		3,575,944	1,795,111
Notes to the accounts	14		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: Mumbai
Date: 10th August, 2000

For HCL Technologies Limited

Shiv Nadar
Chairman, President and CEO

Vineet Nayyar
Vice Chairman

Richard R Burt
Director

Robin Abrams
Director

T S R Subramaniam
Director

Dennis Ing
Chief Financial Officer

Allwyn Noronha
Company Secretary

Place: Mumbai
Date: 10th August, 2000

Schedules forming part of the accounts
(All amounts in thousands of rupees)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
175,000,000 shares of Rs. 4 each (previous year - 50,000,000 equity shares of Rs.10 each)	700,000	500,000
Issued, subscribed and paid up		
139,763,531 equity shares of Rs. 4 each, fully paid up (previous year - 33,194,751 equity shares of Rs. 10 each, fully paid up)	559,054	331,948
	559,054	331,948

Notes:

1. The shareholders of the company in the extra-ordinary general meeting held on 13 September 1999 have authorised the splitting up of equity shares, in accordance with the provisions of section 94 of the Companies Act, 1956. Accordingly, each equity share has been split from par value of Rs. 10 each into 2.5 equity shares of par value of Rs. 4 each. The board of directors had fixed 1 November 1999 as the record date for determining the shareholders entitled to the split.
2. Paid up share capital includes:
   - 8,000,000 equity shares of Rs. 4 each (previous year and pre-split - 3,200,000 equity shares of Rs. 10 each) allotted as fully paid up pursuant to a contract for consideration other than cash.
   - 41,493,436 equity shares of Rs. 4 each (previous year - nil, pre-split 16,597,375 equity shares of Rs. 10 each) issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve. The board of directors had fixed 25 October 1999 as record date for determining shareholders entitled to the bonus shares.
   - 14,200,000 equity shares of Rs. 4 each (previous year - nil) issued during initial public offer of the Company.
   - 1,083,218 equity shares of Rs. 4 each (previous year - nil) allotted to employees of the company and its subsidiaries on vesting of stock options issued under the Employees Stock Option Plan of the Company.

Schedule 2: Reserves and surplus

	As at 1 July 1999	Additions	Deductions	As at 30 June 2000
Share Premium account	-	8,444,580	248,793	8,195,787
General reserve	240,000	250,000	165,974	324,026
	(40,000)	(200,000)	-	(240,000)
Profit and loss account	1,576,854	1,964,987	250,000	3,291,841
	(785,431)	(991,423)	(200,000)	(1,576,854)
	1,816,854	**10,659,567**	**664,767**	**11,811,654**
Previous year	(825,431)	(1,191,423)	(200,000)	(1,816,854)

Notes:

1. Additions to the share premium account represents share premium received on allotment of 14,200,000 equity shares issued during the initial public offer and 1,083,218 equity shares to employees on vesting of stock options issued under the Employees Stock Option Plan of the company.
2. Deductions from the share premium account represents expenses incurred by the company on initial public offer of 14,200,000 equity shares of Rs. 4 each.
3. Deductions from general reserve represents capitalisation of general reserve for the issue of bonus shares in the ratio of one share for every two held.
4. Previous year figures are in brackets.

Schedule 3: Fixed assets
(All amounts in thousands of rupees)

	As at 1 July 1999	Additions	Disposal/ adjustments	As At 30 June 2000
Gross block				
Freehold land	10,148	-	-	10,148
Leasehold land	15,173	94,720	-	109,893
Lease hold improvements	-	22,649	-	22,649
Building	103,017	57,771	-	160,788
Office equipment	147,220	46,432	4,859	188,793
Computers	251,488	106,217	598	357,107
Furniture and fixtures	98,834	20,191	915	118,110
Motor vehicles	2,109	9,100	-	11,209
	627,989	**357,080**	**6,372**	**978,697**
Previous year	479,691	149,616	1,318	627,989
Accumulated depreciation				
Leasehold land	380	388	-	768
Lease hold improvements	-	2,783	-	2,783
Building	8,141	6,231	-	14,372
Office equipment	54,886	42,866	3,355	94,397
Computers	140,590	73,618	171	214,037
Furniture and fixtures	36,343	27,060	593	62,810
Motor vehicles	645	1,434	-	2,079
	240,985	**154,380**	**4,119**	**391,246**
Previous year	76,652	164,692	359	240,985
Net block	**387,004**	**202,700**	**2,253**	**587,451**
Previous year	403,039			387,004
Capital work-in-progress	**18,534**			**109,520**
Previous year	16,056			18,534

Notes:

1. The leasehold and freehold land in Noida and Gurgaon respectively, included in opening gross block have not yet been transferred in the name of the Company. Further, the legal documents of leasehold land at Noida have not yet been obtained from the erstwhile owner as they are in possession of their bankers pending the release of a mortgage charge.

2. Capital work-in-progress includes Rs. 10,625 thousands in a fixed deposit account with Central Bank of India in pursuance of an agreement for purchase of land and building at Noida.

Schedules forming part of the accounts
(All amounts in thousands of rupees)

	As at 30 June 2000	As at 30 June 1999
Schedule 4: Investments		
Long term investments		
Equity shares in subsidiaries - Non trade and unquoted		
12,793,904 equity shares of Rs. 10 each, fully paid up in HCL Comnet Systems and Services Limited (previous year - nil)	236,461	-
1,531,170 equity shares of USD 1 each, fully paid in HCL Technologies (Bermuda) Limited, Bermuda formerly HCL Technologies Limited, Bermuda (previous year - 1,368,832 equity shares of USD 1 each)	503,208	449,170

Current investments

Investments in mutual funds - Trade and unquoted

	Number of units	Face value per unit (Rupees)	Aggregate value	As at 30 June 2000	As at 30 June 1999
Kothari Pioneer Income Builder Account	22,627,334	10	305,000		
Kotak Mahindra K Gilt Investment UnitScheme 98 (Investment Plan)-Growth	42,502,601	10	509,479		
Templeton India Government Securities Fund	26,527,840	10	307,988		
Templeton India Income Fund-Growth	49,353,771	10	752,645		
Kothari Pioneer Income Builder Account Quarterly- Dividend	27,075,124	10	365,243		
Prudential ICICI GILT Fund- Investment Plan-Growth	34,915,439	10	389,499		
Kotak Mahindra K Bond Scheme 99 (Wholesale Plan)- Growth	46,781,583	10	507,580		
Kotak Mahindra K Gilt Investment Unit Scheme 98 (Investment Plan)-Dividend	19,630,038	10	205,428		
Alliance Liquid Income Dividend Fund	144,224,865	10	1,489,843		
Jardine Fleming Bond Fund Dividend Plan	52,668,878	10	554,077		
Sun F&C Money Value Fund, Bond Dividend Plan	25,290,656	10	260,747		
Prudential ICICI Income Plan -Growth	11,123,718	10	141,494		
Prudential ICICI Income Plan -Dividend	88,810,504	10	925,405		
Zurich India High Interest Fund- Dividend	10,146,501	10	102,784		
DSP Merrill Lynch Bond Fund- Dividend	9,398,756	10	101,037		
Prudential ICICI Liquid Plan -Dividend	53,423,408	10	632,195	7,550,444	-
				8,290,113	**449,170**

Net asset value of investment in mutual funds as on 30 June, 2000 - Rs. 7,559,221 thousands(previous year - nil)

Schedules forming part of the accounts
(All amounts in thousands of rupees)

Notes:

1. Particulars of units of mutual funds purchased and sold during the year

	Number of Units	Face value per unit (Rupees)	Purchase price
Alliance 95 Fund - Dividend	21,044,902	10	1,215,589
Alliance Buy India Fund - Dividend	15,000,000	10	147,750
Alliance Equity Fund - Dividend	8,187,773	10	294,757
Alliance Liquid Income - Dividend	201,586,930	10	2,072,833
Alliance Liquid Income - Growth	100,258,604	10	1,485,833
DSP Merrill Lynch Bond Fund - Growth	6,910,850	10	100,000
Jardine Fleming Bond Fund - Dividend	55,648,096	10	600,000
Jardine Fleming Bond Fund - Growth	40,092,373	10	552,874
Kotak Mahindra K Bond Scheme 99 (Wholesale Plan) - Dividend	98,875,142	10	1,006,579
Kotak Mahindra K Bond Scheme 99 (Wholesale Plan) - Growth	46,784,210	10	502,930
Kotak Mahindra K Gilt Unit Scheme 98 (Investment Plan) - Dividend	75,794,387	10	800,000
Kotak Mahindra K Gilt Unit Scheme 98 (Investment Plan) - Growth	25,470,176	10	305,311
Kotak Mahindra K Gilt Unit Scheme 98 (Savings Plan) - Dividend	47,732,697	10	500,000
Kothari Pioneer Balanced Fund - Dividend	18,253,505	10	196,043
Kothari Pioneer Income Builder Account - Growth	24,914,285	10	359,763
Kothari Pioneer Prima Plus - Dividend	7,301,935	10	195,984
Kothari Pioneer Treasury Management Account - Dividend	177,015	1000	200,000
Prudential ICICI Balanced Fund - Dividend	33,818,383	10	447,707
Prudential ICICI Gilt Fund - Investment Plan - Dividend	37,263,378	10	400,000
Prudential ICICI Gilt Fund - Treasury Plan - Dividend	39,098,773	10	400,000
Prudential ICICI Gilt Fund - Treasury Plan - Growth	27,690,189	10	306,323
Prudential ICICI Income Plan - Dividend	83,216,932	10	890,000
Prudential ICICI Income Plan - Growth	72,752,001	10	923,538
Prudential ICICI Liquid Plan - Dividend	51,920,631	10	600,000
Prudential ICICI Liquid Plan - Growth	57,120,150	10	685,389
Sun F&C Money Value Fund - Liquid - Growth	2,500,000	10	25,000
Sun F&C Balanced Fund - Dividend	18,892,434	10	206,494
Sun F&C Balanced Fund - Growth	18,892,434	10	200,260
Sun F&C Money Value Fund - Liquid - Dividend	51,880,000	10	518,800
Sun F&C Money Value Fund, Bond - Dividend	7,346,189	10	80,000
Sun F&C Money Value Fund, Bond - Growth	21,549,311	10	257,730
Sun F&C Value Fund - Dividend	3,424,657	10	101,164
Sun F&C Value Fund - Growth	3,424,658	10	98,518
Templeton India Govt. Securities Fund - Dividend	29,063,718	10	300,000

Schedules forming part of the accounts
(All amounts in thousands of rupees)

	Number of Units	Face value per unit (Rupees)	Purchase price
Templeton India Growth Fund - Dividend	11,729,026	10	187,150
Templeton India Income Fund - Dividend	107,830,742	10	1,141,116
Templeton India Liquid Fund - Growth	9,436,857	10	112,300
Templeton India Income Fund - Growth	26,233,811	10	400,066
Zurich India Equity Fund - Dividend	2,586,653	10	50,000
Zurich India High Interest Fund - Growth	6,973,138	10	102,007
Zurich India Prudence Fund - Dividend	5,980,861	10	100,000

2. Investments in mutual funds include unutilised proceeds of the initial public offering and allotment of shares to the employees.

	As at 30 June 2000	As at 30 June 1999
Schedule 5: Sundry debtors		
Unsecured - considered good		
Debts outstanding for more than six months	-	35,326
Other debts	1,201,620	588,254
Unsecured - considered doubtful		
Debts outstanding for more than six months	-	362
Other debts	-	169
Less: Provision for doubtful debts	-	(531)
	1,201,620	**623,580**

Note: Sundry debtors include Rs. 962,607 thousands (previous year - Rs. 616,821 thousands) recoverable from the subsidiaries of the company.

Schedule 6: Cash and bank balances		
Cash in hand	349	144
Cheques in hand	214,579	-
Remittances in transit	83,304	24,604
Balances with scheduled banks		
- On current accounts in Indian rupees	310,028	71,991
- On current accounts in foreign currency	60,093	3,464
- On fixed deposit accounts [pledged with banks as security for guarantees and letter of credit- Rs. 1,306 thousands (previous year - Rs. 1,306 thousands)]	174,024	41,305
- On fixed deposit accounts in foreign currency	613,756	420,800
	1,456,133	**562,308**
Schedule 7: Loans and advances		
(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)	261,714	107,156
- Considered doubtful	2,892	692
Advances to subsidiary company	873,793	219,912
Interest receivable	2,090	246
	1,140,489	**328,006**
Less: Provision for doubtful advances	(2,892)	(692)
	1,137,597	**327,314**

Note: Includes dues from officers of the Company Rs. nil (previous year - Rs. nil). Maximum amount due at any time during the year Rs. nil (previous year - Rs. 141 thousands).

Schedules forming part of the accounts
(All amounts in thousands of rupees)

	As at 30 June 2000	As at 30 June 1999
Schedule 8: Other current assets		
Income accrued but not due	9,706	15,186
	9,706	**15,186**
Schedule 9: Current liabilities and provisions		
Current liabilities		
Sundry creditors	210,171	139,584
Other liabilities	3,885	6,252
Due to subsidiaries	9,969	1,686
Advances from customers	-	2,519
	224,025	**150,041**
Provisions		
Provision for income tax [net of advance tax Rs. 51,924 thousands (previous year - Rs. 10,373 thousands)]	100,851	45,308
Provision for dividend	27,953	16,597
Provision for corporate dividend tax	6,150	1,660
Provision for staff benefits	42,774	20,688
	177,728	**84,253**
	401,753	**234,294**

	Year ended 30 June 2000	Year ended 30 June 1999
Schedule 10: Other income		
Interest income [TDS on interest Rs. 38,903 thousands (previous year - Rs. 2,936 thousand)]		
- On fixed deposits (refer note)	142,583	1,897
- From financing activities	27,073	-
- From customers	56,346	22,171
- Intercorporate deposits	13,758	5,167
- Others	1,676	716
Sale of special import licenses	2,640	2,364
Exchange gain (net)	59,366	26,672
Rent received	3,668	-
Income from non trade investments		
-Dividend	466,731	-
-Others	54,593	-
(Loss)/Profit on sale of investments (net)	(309,480)	118,928
Miscellaneous income	1,685	2,134
	520,639	**180,049**

Note: Interest on fixed deposits includes interest on fixed deposits made out of funds received as share application money on initial public offer amounting to Rs. 12,494 thousands (previous year - Rs. Nil)

Schedule 11: Cost of software development		
Personnel expenses		
Salaries, wages, bonus etc.	618,156	397,655
Contribution to provident and other funds	23,508	15,135
Staff welfare expenses	43,968	25,396
Software development expenses - external		
[Includes Rs. 577,377 thousand (previous year Rs. 638,713 thousand) paid to subsidiaries of the Company]	765,401	873,692
	1,451,033	**1,311,878**

Schedules forming part of the accounts
(All amounts in thousands of rupees)

	Year ended 30 June 2000	Year ended 30 June 1999
Schedule 12: Administration and other expenses		
Rent	35,003	24,463
Electricity and water	39,526	25,921
Insurance	3,117	2,429
Repairs and maintenance		
- Buildings	-	61
- Others	38,729	28,202
Communication costs	37,089	31,526
Travel and conveyance	456,992	193,945
Business promotion	3,536	3,355
Legal and professional charges	14,884	12,412
Lease charges	15,341	12,546
Software license fee	11,360	11,858
Printing and stationery	7,649	7,046
Bank charges	3,630	1,152
Rates and taxes	80,444	11,157
Advertising and publicity	3,274	2,889
Books and periodicals	4,081	1,652
Recruitment, training and development	42,619	10,261
Miscellaneous expenses	9,620	5,547
Loss on sale of fixed assets (net)	971	6
Provision for doubtful debts	-	531
Provision for doubtful advances	2,200	-
	810,065	**386,959**
Schedule 13: Finance charges		
Interest - term loans	-	35,453
- others	-	8,077
	-	**43,530**

Schedule 14: Notes to the accounts

1. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

(ii) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates.

(iii) Revenue recognition

Revenue from software developed on a time and materials basis is recognised as the services are rendered by the Company. Revenue from fixed price contracts is recognised in accordance with the percentage completion method under which the sales value of performance including earnings thereon is recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upto the completion of contract are recognised immediately. Income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with the terms of contract.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, commission and brokerage is recognised when the right to receive the same is established. Revenue from the sale of special import licences is recognised when the licences are actually sold.

Schedules forming part of the accounts

(iv) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.
The leave encashment and gratuity of the Company is provided on the basis of an actuarial valuation.

(v) 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.

(vi) Depreciation

Depreciation on fixed assets except leasehold land and leasehold improvement is provided on the straight-line method based on estimated useful lives, as estimated by the management. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over a period of 4 years or the remaining period of the lease, whichever is lower. 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 estimates of the useful life of the various fixed assets is as follows:

	Life (in years)
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4
Computers and software (excluding mainframes)	3
Mainframe computer system (including software)	6
Furniture and fixtures	4
Vehicles	5

(vii) Investments

Investments are classified into long term and current investments. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, in the value of such investments. Current investments are stated at the lower of cost and the fair value, and provision is made to recognise any decline in the carrying value.

(viii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Gains/losses on the translation of foreign exchange liabilities incurred to acquire fixed assets are included in the carrying cost of such fixed assets.

(ix) Retirements benefits

Contributions to provident fund are deposited with a recognised provident fund. The Company contributes to a scheme administered by the Life Insurance Corporation of India in respect of superannuation. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

(x) Taxation

Provision for tax is made on the basis of taxable income for 9 months ended on 31 March and estimated taxable income for the three months ended 30 June. Taxable income for the three months ended 30 June is dependent upon the estimated results of subsequent nine months ending on 30 June of the following fiscal year.

2. The Company develops software for HCL Technologies Japan Limited, Japan ("HCLT Japan"), a subsidiary of HCL Technologies (Bermuda) Limited, Bermuda. During the year ended 30 June 1999, the tax authorities in Japan raised a demand on HCLT Japan for not withholding tax on payments to the Company during the period February 1998 to September 1998 amounting to Rs. 4,379 thousands. In accordance with the terms of agreement between the company and HCLT Japan, the withholding tax liability, if any, is payable by the Company. During the year ended 30

Schedules forming part of the accounts

June 2000, the Company has recovered all amounts due from HCLT Japan, on which, withholding tax was payable on remittance to India. However, the Company does not agree with the stance of the tax authorities in Japan. The Company has deposited Rs 4,379 thousands with the tax authorities in Japan, under protest and has not deducted any tax from the remittance during the year ended 30 June 2000. The Company also invoked the mutual agreement provision under section 25 of the Convention between the Government of India and Government of Japan for the avoidance of double taxation and prevention of fiscal evasion in respect of taxes on income. The matter is now under the consideration of the competent authorities of India and Japan. If the contention of the Company is not upheld by the competent authorities, there could be an additional tax liability amounting to Rs. 6,495 thousands. The management, based on legal advice, does not believe that any liability in this regard will crystallise and therefore, no provision has been made in respect of this amount.

3. The shareholders' of the Company in the extra-ordinary general meeting of the Company held on 13 September 1999 established the Employee Stock Options Plan of the Company, which provides for issue of 20,000,000 equity shares to employees of the Company and its subsidiaries. The plan is administered by a compensation committee comprising 3 directors, of which 2 are independent directors. Under the plan, options have been issued to the employees of the Company and its subsidiaries at an exercise price, which is not less than the fair value of the shares. Fair value of the shares means value determined by the management, during the period the Company was unlisted and closing price of the Company's shares in the stock exchange, where the highest trading volume on a given date and in case the shares were not traded on that day, the closing price on the previous trading day. Under the Employee Stock Option Plan, options have also been issued to employees at exercise price that is lower than the fair market value on the basis of approval of the members of the Company. As on 30 June 2000, 17,848,872 options were outstanding with employees of the Company and its subsidiaries.

4. The Securities and Exchange Board of India recently issued the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, which is effective for all stock option schemes of listed companies established after 19 June 2000. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, is to be recognised and amortised on a straight line basis over the vesting period.

   The Employee Stock Options Plan of the Company was established when the Company was unlisted. Consequently, the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 are not applicable to the Company.

5. During the year ended 30 June 2000, the company entered into software consulting and engineering service agreements with certain customers wherein these customers have committed certain revenues. On achievement of the revenues and on fulfilment of the necessary conditions, the Company has agreed to grant stock options. The first such review will take place on 31 December 2000.

6. Additions in fixed assets include exchange difference capitalised amounting Rs. nil (previous year - Rs. 1,715 thousands).

7. The future lease obligations in respect of vehicles on lease are Rs. 11,347 thousands (previous year - Rs. 19,184 thousands).

8. The estimated value of contracts remaining to be executed on capital account and not provided for is Rs. 130,319 thousands (previous year - Rs. 17,719 thousands).

9. Licensed capacity and actual production:

   Due to nature of its activities, the Company is not subject to industrial licensing and the clause relating to actual production is not applicable.

Schedules forming part of the accounts

	Year ended 30 June 2000 (Rs. in 000's)	Year ended 30 June 1999 (Rs. in 000's)
10. Managerial remuneration		
Salary	-	8,006
Contribution to provident and superannuation fund	-	456
Other perquisites		1,281
	-	**9,743**

Note: Managerial remuneration excludes provision for leave encashment and gratuity. Perquisites have been valued in accordance with provisions of the Income tax Act, 1961.

11. Payment to auditors		
Statutory audit	1,300	1,100
Tax audit fees	500	300
Other services	2,095	-
Out of pocket expenses	-	70
	3,895	**1,470**
12. CIF value of imports		
Capital goods	57,793	37,899
	57,793	**37,899**
13. Expenditure in foreign currency		
Software development charges	765,401	873,692
Travel (on cash basis)	404,902	144,279
Rates and taxes	80,444	11,157
Interest on foreign currency loan	-	914
Annual maintenance contracts	-	3,958
Others	5,599	4,879
	1,256,346	**1,038,879**

The expenditure re-imbursed by the customers in foreign currency has been netted off against the related expenses in the profit and loss account and amounts to Rs. 194,569 thousands (previous year - Rs. 97,852 thousands).

14. Earnings in foreign currency		
Income from software and technical services	3,966,060	2,726,979
Interest	70,869	24,568
Exchange gain (net)	59,366	26,672
Royalty	541	264
	4,096,836	**2,778,483**

Schedules forming part of the accounts

	Year ended 30 June 2000 (Rs. in 000's)	Year ended 30 June 1999 (Rs. in 000's)
15. Dividend remitted in foreign currency		
Number of non-resident shareholders	5	3
Number of shares held	34,780,290	2,224,744
Amount remitted (net of tax)	4,637	1,112
Year to which it relates	1999	1998

16. The Company had no amounts payable to small-scale industrial undertakings as defined under Section 3(j) of the Industries (Development and Regulation) Act, 1951 as on 30 June 2000.

17. The name of the Company has been changed from HCL Consulting Limited to HCL Technologies Limited and a fresh certificate of incorporation has been issued by the Registrar of Companies, National Capital Territory of Delhi and Haryana on 6 October 1999.

18. Previous year figures have been re-classified/ re-grouped to conform to current year's classification.

For HCL Technologies Limited

Shiv Nadar
Chairman, President and CEO

Vineet Nayyar
Vice Chairman

Richard R Burt
Director

Robin Abrams
Director

T S R Subramaniam
Director

Dennis Ing
Chief Financial Officer

Allwyn Noronha
Company Secretary

Place: Mumbai
Date: 10th August, 2000

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No. 55-46369 State Code 55

Balance Sheet Date *30 June 2000*

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

Public issue
8,236,000

Rights issue
Nil

Bonus issue
165,972

Private placement
269,713

Note: Capital raised during the year includes share premium

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

Total liabilities
12,424,490

Total assets
12,424,490

Sources of funds

Paid-up capital
*5,78,733**

Reserves and surplus
11,845,757

Secured loans
Nil

Unsecured loan
Nil

* Includes Rs. 19,679 thousand in respect of share application money pending allotment

Application of funds

Net fixed assets
*696,971***

Investments
8,290,113

Net current assets
3,437,406

Misc. Expenditure
Nil

Accumulated losses
Nil

** Includes Rs 109,520 thousands in respect of capital work in progress

IV. Performance of company (Rupees in thousands)

Turnover
4,517,401

Total expenditure
2,415,478

Profit before tax
2,101,923

Profit after tax
1,999,090

Earnings per share (in Rs.)
14.30

Dividend rate %
5

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, President and CEO

Vineet Nayyar
Vice Chairman

Richard R Burt
Director

Robin Abrams
Director

T S R Subramaniam
Director

Dennis Ing
Chief Financial Officer

Allwyn Noronha
Company Secretary

Place: Mumbai
Date: 10th August, 2000

Auditors' Certificate

We have examined the attached cash flow of HCL Technologies Limited (formerly known as HCL Consulting Limited) for the year ended 30 June 2000. The statement has been prepared by the company in accordance with the requirements of Clause 32 of the listing agreement with the stock exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report of 10 August 2000 to the members of the company.

For BSR & Co.
Chartered Accountants

Place: Mumbai
Date: 10th August, 2000

Rajesh Jain
Partner

Cash flow statement for the year ended 30 June 2000
(All amounts in thousands of rupees)

	Year ended 30 June 2000	Year ended 30 June 1999
Cash flows from operating activities		
Profit before tax	2,101,923	1,030,306
Adjusted for:		
Income from investments, interest and rent	(625,530)	(149,116)
Loss (gain) on sale of investments	309,480	(118,928)
Depreciation	154,380	164,692
Loss on sale of fixed assets	971	6
Provision for doubtful debts	-	531
Provision for doubtful advances	2,200	-
	1,943,424	**927,491**
Decrease (increase) in sundry debtors	(578,040)	(146,922)
Decrease (increase) in other current assets	5,480	(6,926)
Decrease (increase) in loans and advances	(150,097)	203,244
Increase (decrease) in current liabilities and provisions	91,344	4,579
Net cash from (used for) operating activities	**1,312,111**	**981,466**
Cash flows from investing activities		
Investment in mutual funds (net)	(7,859,924)	-
Investment in subsidiaries	(290,499)	(449,170)
Proceeds from sale of investment in subsidiaries	-	383,670
Proceeds from sale of other investments	-	52,500
Advances to subsidiary	(653,881)	(219,912)
Purchase of fixed assets (including capital advances)	(443,340)	(159,394)
Proceeds from sale of fixed assets	1,282	953
Income from investments, interest and rent	617,025	148,870
Income taxes paid	(47,290)	(2,583)
Net cash from (used for) investing activities	**(8,676,627)**	**(245,066)**
Cash flows from financing activities		
Issue of share capital (including share application money pending allotment and net of share issue expenses)	8,276,598	-
Repayment of loans	-	(379,524)
Dividends paid (including corporate dividend tax)	(18,257)	(18,257)
Cash flows from (used for) financing	**8,258,341**	**(397,781)**
Unrealised exchange gain on cash and equivalents held in foreign currency	**9,018**	**(4,528)**
Net increase (decrease) in cash and equivalents	**884,807**	**343,147**
Cash and equivalents at the beginning of the year	**562,308**	**223,689**
Cash and equivalents at the end of the year	**1,456,133**	**562,308**

HCL Technologies Ltd.

Statement regarding Subsidiary Companies pursuant to section 212(3) and 212(5) of the Companies Act, 1956 As on 30th June, 2000

S No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest as at close of financial year of the Subsidiary Company		Net aggregate amount of Subsidiary Company's Profits after deducting its loses or vice versa, so far as it concerns members of holding company which are not dealt with in the Company's accounts (All amount in thousands)		Net aggregate amount of Subsidiary Company's Profits after deducting its loses or vice versa, so far as it concerns members of holding company which are dealt with in the Company's accounts		Holding company's interest as at 30 June 2000 incorporating changes since close of financial year of the subsidiary company
			Shareholding (No. Of Shares)	Extent of Holding (%)	For the year ended 30th June, 2000	For previous financial years	For the year ended 30th June, 2000	For the year ended 30th June, 1999	
1	HCL Technologies Bermuda Ltd.	30-Jun-00	1,531,170	100	US$ (1,670)	US$ (1,520)	Nil	Nil	N.A.
2	HCL Technologies America Inc., USA*	30-Jun-00	5,500,101	100	US$ (607)	US$ (4,472)	Nil	Nil	N.A.
3	HCL Technologies Europe Ltd., U.K.*	30-Jun-00	1,765,000	100	GBP (1,419)	GBP (1,099)	Nil	Nil	N.A.
4	HCL Technologies Sweden AB*	30-Jun-00	1,000	100	SEK (3,322)	SEK (755)	Nil	Nil	N.A.
5	HCL Technologies (Netherlands) BV*	30-Jun-00	400	100	NLG (748)	NLG (431)	Nil	Nil	N.A.
6	HCL Technologies GmbH, Germany*	30-Jun-00	1	100	DM (604)	DM (697)	Nil	Nil	N.A.
7	HCL Technologies Schweiz AG, Switzerland*	30-Jun-00	100,000	100	CHF (15)	CHF (135)	Nil	Nil	N.A.
8	HCL Technologies Italy SLR*	30-Jun-00	20,000,000	100	ITL (13,476)	ITL (18,669)	Nil	Nil	N.A.
9	HCL Technologies Belgium NV*	30-Jun-00	2,750	100	BEF 273	BEF (1,033)	Nil	Nil	N.A.
10	HCL Technologies Australia (Pty.) Ltd.*	30-Jun-00	39,500	100	AUS $ 305	AUS $ (149)	Nil	Nil	N.A.
11	HCL Technologies (New Zealand) Ltd*	30-Jun-00	10	100	NZ$ (261)	NZ$ 71	Nil	Nil	N.A.
12	HCL Technologies (Hong Kong) Ltd.*	30-Jun-00	193,167	100	HK$ 22,888	HK $ (1,398)	Nil	Nil	N.A.
13	HCL Technologies Japan Ltd.*	30-Jun-00	1,000	100	JY (75,459)	JY (84,777)	Nil	Nil	N.A.
14	HCL Technologies South Africa (Proprietary) Ltd.*	30-Jun-00	896,100	100	SAR (971)	-	Nil	Nil	N.A.
15	HCL Holdings GmbH, Austria*	31-Dec-99	6,500,000	100	ATS (37)	-	Nil	Nil	No Change
16	Intelicent Inc., USA*	30-Jun-00	6,000,000	100	US$ (2,112)	US $ (2,755)	Nil	Nil	N.A.
17	HCL Capital Pvt. Ltd., Bermuda*	30-Jun-00	12,000	100	US$ (6)	US $ (2)	Nil	Nil	N.A.
18	Intelicent India Ltd., India*	30-Jun-00	106,070	100	Rs. 20,999	Rs. 28,319	Nil	Nil	N.A.
19	HCL Comnet Systems and Services Ltd., India	30-Jun-00	12,793,904	99.88	Rs. 133,673	-	Nil	Nil	N.A.

Note:

a) Subsidiaries marked with asterisk (*) are held indirectly through HCL Technologies Bermuda Ltd.

b) The Net agreegate amount of losses of HCL Technologies America Inc., USA as above includes the profits/(losses) of its subsidiaries HCL Technologies Europe Ltd., UK, HCL Technologies Sweden AB, HCL, Technologies (Netherlands) BV, HCL Technologies GmbH, Germany, HCL Technologies Schweiz AG, Switzerland, HCL Technologies Italy SLR and HCL Technologies Belgium NV aggregating to (US$ 3,267,000) for the year ended 30th June, 2000 and (US$ 2,567,000) for previous financial years.

For HCL Technologies Limited

Shiv Nadar
Chairman, President and CEO

Robin Abrams
Director

Dennis Ing
Chief Financial Officer

Vineet Nayyar
Vice Chairman

T S R Subramaniam
Director

Allwyn Noronha
Company Secretary

Richard R Burt
Director

Place : Mumbai

Date : August 10, 2000

HCL Technologies America Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder

We have audited the accompanying consolidated balance sheets of HCL Technologies America Inc and subsidiaries as of June 30, 1999 and 2000 and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended. These 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 audits.

We conducted our audit in accordance with generally accepted auditing standards in the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and subsidiaries as of June 30, 1999 and 2000, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

KPMG
New Delhi, India
July 25, 2000

CONSOLIDATED BALANCE SHEETS

(In thousands, except number of shares)

	As of June 30, 1999	As of June 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,678	$ 2,805
Accounts receivable, net	23,667	26,866
Short-term loans	8	5,906
Deferred income taxes	1,569	856
Investments	62	22
Employee receivables	172	663
Prepaid expenses	170	328
Other dues	1,115	45
Other current assets	197	991
Total current assets	**28,638**	**38,482**
Property and equipment, net	764	845
Deferred income taxes	-	286
Total assets	**$ 29,402**	**$ 39,613**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 14,883	$ 24,652
Deferred revenue	300	20
Accrued employee costs	7,279	4,301
Short term borrowings	1,357	65
Other liabilities	3,930	8,277
Income taxes payable	93	24
Deferred income taxes	-	27
Total current liabilities	**27,842**	**37,366**
Deferred income taxes, net of current portion	-	9
Total Liabilities	**27,842**	**37,375**
Minority interest	7	7
Stockholder's equity:		
Common stock, no par value - 10,000,000 shares authorized as of 1999 and 2000; 5,500,101 shares issued and outstanding	5,500	5,500
Additional paid in capital	271	1,565
Accumulated other comprehensive income	254	245
Accumulated deficit	(4,472)	(5,079)
Total stockholder's equity	**1,553**	**2,231**
Total liabilities and stockholder's equity	**$ 29,402**	**$ 39,613**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except number of shares and per share data)

	Years ended June 30,	
	1999	2000
Revenues	$ 122,497	$129,615
Less: Stock based sales incentive	-	672
Net Revenue	122,497	128,943
Cost of revenues	101,594	104,903
Gross profit	**20,903**	**24,040**
Operating expenses		
Sales and marketing	8,994	9,181
General and administrative	12,459	13,860
Depreciation and amortization	342	385
Total operating expenses	21,795	23,426
Income/ (loss) from operations	**(892)**	**614**
Interest expense	1,213	1,318
Interest and other income, net	609	1,152
Income/ (loss) before income taxes	**(1,496)**	**448**
Income tax expense	367	1,055
Net Loss	**$ (1,863)**	**$ (607)**
Basic and diluted earnings per share	**$ (0.34)**	**$ (0.11)**
Weighted average number of common shares	**5,500,101**	**5,500,101**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year ended June 30,	
	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,863)	$ (607)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	342	385
Stock based sales incentive	-	672
Deferred income taxes	99	463
Write down of marketable securities; available for sale	228	40
Changes in assets and liabilities, net		
Accounts receivable	(1,522)	(3,199)
Other assets	(841)	(372)
Accounts payable	3,385	9,489
Accrued employee costs	1,738	(2,977)
Other liabilities	1,390	4,908
Net cash provided by operating activities	2,956	8,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(681)	(445)
Net cash used in investing activities	(681)	(445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank line of credit	(3,535)	-
Payments of capital lease obligations	-	(6)
Increase / (decrease) in short term borrowings	1,397	(7,190)
Net cash used in financing activities	(2,138)	(7,196)
Effect of exchange rate on cash and cash equivalents	169	(34)

	Years ended June 30,	
	1999	2000
Net increase in cash and cash equivalents	$ 306	$ 1,127
Cash and cash equivalents		
Beginning of the year	$1,372	$1,678
End of the year	$1,678	$2,805
Supplementary disclosure for cash activities		
Cash paid for interest	-	709
Cash paid for income taxes	-	620

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

(In thousands, except number of shares)

	Equity shares No. of shares	Amount	Additional paid in Capital	Accumulated deficit	Comprehensive income	Accumulated other comprehensive income	Total Stockholder's equity
Balance as of June 30, 1998	5,500,101	$ 5,500	$ 271	$ (2,609)	$ -	$ 377	$ 3,539
Net income				(1,863)	(1,863)		(1,863)
Other Comprehensive income							
Translation adjustment					(123)		
Other Comprehensive income					(123)	(123)	(123)
Comprehensive income					(1,986)		
Balance as of June 30, 1999	5,500,101	$ 5,500	$ 271	$ (4,472)		$ 254	$ 1,553
Net income				(607)	(607)		(607)
Tax benefit on account of ESOP deduction			622				622
Compensation related to stock based sales incentive			672				672
Other comprehensive income							
Translation adjustment					(9)		
Other Comprehensive income					(9)	(9)	(9)
Comprehensive income					(616)		
Balance as of June 30, 2000	5,500,101	$ 5,500	$ 1,565	$ (5,079)		$ 245	$ 2,231

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified, all amounts are stated in United States Dollars)

1. ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies America Inc. ("HCLA"), formerly HCL America Inc., was incorporated in California on November 7, 1988 as a wholly owned subsidiary of HCL Ltd., a corporation organized under the laws of India. HCLA is primarily engaged in providing a range of information technology services targeted at technology vendors, software product companies and medium to large end user organizations. In January 1995, HCL Ltd. sold 100% of its ownership interest in HCLA to one of its affiliated companies, HCL Technologies Limited ("HCLT"), the ultimate parent company, formerly known as HCL Consulting Limited.

In February 1999, HCLT sold its entire 100% interest in HCLA to one of its wholly owned subsidiaries, HCL Technologies (Bermuda) Limited, Bermuda ("the Parent").

Reorganization during the year ended June 30, 2000

The transfer by the Parent of its 100% ownership of HCL Europe and its subsidiaries to HCLA without consideration. HCL Europe has the following subsidiaries:

a) HCL Technologies Sweden AB, Sweden;

b) HCL Technologies GmbH, Germany;

c) HCL Technologies Netherlands BV, The Netherlands;

d) HCL Technologies Schweiz AG, Switzerland;

e) HCL Technologies Belgium NV, Belgium and

f) HCL Technologies SLR, Italy.

Since all the businesses acquired in the reorganization were under common control, the accompanying financial statements retroactively reflect the accounts of the transferred businesses at the historical costs.

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States to reflect the financial position and results of operations of HCLA along with its subsidiaries, (hereinafter collectively referred to as "the Company").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Principles of consolidation*

The consolidated financial statements present the accounts of the Company and all of its subsidiaries, which are more than 50% owned and controlled. All significant transactions and balances between the entities included in the consolidated financial statements have been eliminated.

(b) *Use of estimates*

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

(c) *Exchange rate translation*

The consolidated financial statements are reported in United States Dollars ("US Dollars"). The functional currency of each entity in the Company is its respective local currency. The translation of the functional currency into US dollars is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as a separate component of stockholder's equity.

Monetary assets and liabilities in foreign currencies of the entities in the Company are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies of the entities in the Company are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. The gains or losses resulting from foreign currency transactions are included in other income.

(d) *Revenue recognition*

Revenues for time and material services are recognized as the services are provided. Revenues from fixed price contracts are recognized using the percentage of completion method of accounting, under which sales value of performance, including earnings thereon is determined by relating the actual man hours of work performed to date, to the estimated total man hours for each contract. Any anticipated losses upon contract completion are recognized immediately. Deferred revenue represents amounts billed in excess of revenues earned.

Warranty costs on services provided are accrued based on management estimates and historical data.

(e) *Property and equipment*

Property, equipment and leasehold improvements including assets under capital lease agreements are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method and is charged to income over the estimated useful lives of the respective assets. Assets under capital leases are amortized over their estimated useful life or the lease term, as appropriate. Individual assets costing less than US Dollars 1,000 are depreciated in full, in the year of acquisition.

(f) *Impairment of long-lived assets*

The Company reviews long-lived assets for impairment, whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The carrying values of long-lived assets are assessed for recoverability by reference to the estimated future undiscounted cash flows associated with them. Where this assessment indicates a deficit, the assets are written down to the market value. For assets that do not have a readily determinable market value, the assets are written down to their fair value, calculated by reference to their estimated future discounted cash flows.

(g) *Cash and cash equivalents*

Cash equivalents represent highly liquid investments with an original maturity of ninety days or less.

(h) *Income taxes*

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to each entity. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are recognized in full, subject to a valuation allowance that reduces the amount recognized to that, which is more likely than not to be realized.

(i) *Earnings per share*

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, *Earning Per Share,* basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where results would be anti-dilutive.

(j) *Concentrations of credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. To manage its credit risk the Company performs ongoing credit evaluations of its customers and maintains reserves for credit losses.

(k) *Reclassifications*

Certain prior period amounts have been reclassified wherever necessary to conform to the current year's presentation.

3 ALLOWANCES FOR ACCOUNTS RECEIVABLE

The Company maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors utilized by management in determining the adequacy of the allowance include the present and prospective financial condition of the debtor and the aging of the trade receivables. Allowance for uncollectible receivables aggregated $ 1,462,086 and $ 547,904 as of June 30, 1999 and 2000, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment comprise of the following (in thousands):

	Estimated Useful lives (in years)	As of June 30, 1999	2000
Equipment	2-5	$1272	$ 1,651
Furniture and fixtures	4	362	428
		1,634	2,079
Less: Accumulated depreciation		(870)	(1,234)
Property and equipment, net		$ 764	$ 845

Depreciation expense was $ 341,855 and $ 384,708 for the years ended June 30, 1999 and 2000 respectively.

5. MARKETABLE SECURITIES

As of June 30, 1999 and 2000, there has been a decline in the fair value of the securities, which in the opinion of management is an other than temporary decline. Accordingly, the difference between the carrying value and fair value of the securities amounting to $228,000 and $40,000 are recorded through the statement of operations for the years ended June 30, 1999 and 2000 respectively.

As of June 30, 1999 and 2000, the Company had an investment in Reach Software ("Reach"). The Company accounts for its investment in Reach on the cost method as its investment represented less than 10% of Reach's outstanding voting stock as of June 30, 1999 and 2000. Reach had incurred significant losses since inception, and accordingly, the Company's investment in Reach of $1,691,000 was fully written off in prior years.

6. LEASES

The Company leases computer equipment, vehicles and office furniture and equipment under capital leases. Future minimum lease payments under capital leases as of June 30, 2000 are as follows (in thousands):

Year ending June 30,	
2001	$ 31
Total minimum payments	31
Less: Amount representing future interest	-
Present value of minimum payments	31
Less: Current portion	31
Long term capital lease obligation	$ -

The Company leases its facilities under non-cancelable operating lease agreements. Rental expense under those leases is $ 960,710 and $ 1,163,763, for the years ended June 30, 1999 and 2000 respectively.

Future minimum lease payments under such non-cancelable operating lease agreements are as follows (in thousands):

Year ending June 30,	
2001	$1,043
2002	914
2003	940
2004	171
2005	11
Total minimum payments	$ 3,079

7. STOCK BASED SALES INCENTIVE

During the year ended June 30, 2000, the Company along with HCL Technologies Limited ("HCLT"), the ultimate parent company has entered into software consulting and engineering service agreements obligating customers either to commit and / or project revenues over periods ranging from 3 to 5 years. On achievement of the revenues and / or on fulfilment of necessary conditions, the Company has agreed to grant stock options to these customers, with shares for the option plan to be currently provided through the principal shareholder.

The rights to acquire shares are normally exercisable in increments at a price either being agreed in advance or to be determined as a future date, after a specified minimum volume of services has been availed by the customer. These rights vest over a period ranging from 1 to 5 years and are exercisable within 10 years from the date of vesting.

The Company accounts for these options in accordance with the Emerging Issues Task Force Abstract No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ('EITF 96-18'). Pursuant to EITF 96-18, the Company has valued the rights using the Black-Scholes option-pricing model. The cost is being amortized ratably over the applicable service period. During the year ended June 30, 2000, the Company has amortized a total of $672,000 as sales incentive representing the pro-rata cost of stock options over the service period.

8. GROUP COMPANY TRANSACTIONS

The Company has entered into transactions with the following group companies and related parties:

a) Companies in which HCL Technologies Limited ("HCLT"), being the ultimate parent company, has a significant ownership interest, controlling interest or over which HCLT exercises significant influence ("Group companies");

b) Companies in which Mr. Nadar, a principal shareholder of HCL Technologies Limited, has a significant ownership interest, controlling interest or over which he exercises significant influence ("Related parties").

The related party transactions can be categorized as follows:

Revenues

The Company provides software services to Group companies. During the years ended on June 30, 1999 and 2000 the Company had income from software services provided to Group companies of $ 80,000 and $ 211,000 respectively.

Cost of revenues and services

The Company uses the services of HCLT to execute some of its contracts. During the year ended June 30, 1999 and 2000 the total cost of revenues payable to HCLT was $ 38,678,003 and $ 48,515,693 respectively.

The Company paid interest to HCLT at 8.5 % and 8 % for the year ended June 30, 1999 and 2000 respectively. During the year ended June 30, 1999 and 2000 the Company paid interest to HCLT amounting to $ 556,918 and $ 1,293,074 respectively.

The Company recruits a majority of its software engineers from HCLT. Amounts incurred for recruitment fees and miscellaneous charges during the year ended June 30, 1999 and 2000 were $2,511,711 and $3,189,954 respectively.

The Company also recruited engineers from other affiliates and amounts incurred are classified as cost of service revenues in the consolidated statements of operations. The details of transactions during the years ended June 30, 1999 and 2000 are as follows (in thousands):

1999	**Consulting charges**	**Other charges**
Group companies	$ 38,950	$ 2,512
Related parties	4,043	-
Total	$ 42,993	$ 2,512
2000	**Consulting charges**	**Other charges**
Group companies	$ 56,284	$ 319
Related parties	137	-
Total	$ 56,421	$ 319

Transaction with parent company

During the year ended June 30, 2000, the Parent transferred its investments in HCL Technologies Europe amounting to $ 271,882 to the Company without consideration. The same has been disclosed as capital contribution in the statement of stockholder's equity.

Short Term Loans

The Company has provided a short-term loan to Intelicent Inc (formerly known as HCL James Martin Inc), an affiliated company, during the year 2000. The amount of loan outstanding as at June 30, 2000 is $750,000 and bears interest at the rate of 8 % per annum. The total interest on the loan during the year ended June 30, 2000 amounted to $26,650.

Employee receivables

The Company has advanced car and settlement loans to certain employees. These loans are non-interest bearing and generally do not exceed six months. The amounts outstanding on June 30, 1999 and 2000 are $172,230 and $663,011, respectively.

The balances receivable from and payable to related parties are as follows:

At June 30, 1999 (in thousands):

	Group Companies	**Related Parties**	**Total**
Accounts receivable	$ 783	$ 283	$ 1066
Other receivables	$ 105	$ 9	$ 114
Accounts payable	$ 12,422	$ 871	$ 13,293
Short term borrowings	$ 1,357	$ -	$ 1,357

At June 30, 2000 (in thousands):

	Group Companies	**Related Parties**	**Total**
Accounts receivable	$ 3,290	$ 17	$ 3,307
Other receivables	$ 41	$ -	$ 41
Accounts payable	$ 24,219	$ -	$ 24,219
Short term loans	$ 65	$ -	$ 65

9. INCOME TAXES

The individual entities within the Group file individual tax returns as per regulations existing in their respective countries of domicile.

The income tax expense comprises the following (in thousands):

	1999	2000
Current tax expense	$268	$592
Deferred tax expense -	99	463
Total expense	$ 367	$ 1,055

The net deferred tax asset is presented in the balance sheet as follows:

	1999	2000
Current deferred tax asset	$1,569	$ 856
Non-current deferred tax asset	798	2,437
	2,367	3,293
Less: Valuation allowance	798	2,151
Total deferred tax assets	1,569	1,142
Current deferred tax liability	-	27
Non-Current deferred tax liability	-	9
Net deferred tax asset	$ 1,569	$ 1,106

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax asset is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not, the Company will realize the benefits of those deductible differences, net of existing valuation allowances. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Management has considered the tax losses of the European subsidiary for the post acquisition period i.e. April 1, 2000 to June 30, 2000 for the purpose of tax provision.

At June 30, 1999 the Company had a valuation allowance of approximately $700,000 with respect to the investment in Reach which was written off for book purposes, but would be deductible for tax purposes only when it is sold or disposed of, and if the Company has offsetting capital gains. Given these uncertainties, the Company has fully reserved the tax benefit due to writing-off the investment in Reach. In 1999 and 2000, the Company has created an additional valuation allowance of $98,000 and $31,000 respectively, for certain other investments that have been written down for book purposes.

10. OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As of June 30,	
	1999	2000
Provision for Consulting charges	$ 1,512	$ 5,505
Provision for legal and professional costs	508	891
Others	1,910	1,881
	$ 3,930	$ 8,277

11. BORROWINGS

The Company has a line of credit agreement with a bank in the US, which allows for a borrowing of 60% of the eligible account receivables subject to a ceiling of $5,000,000, as of June 30, 1999 and 2000. The line of credit bears interest at the bank's prime lending rate plus 0.75% per annum and is secured by certain assets of the Company. There were no borrowings outstanding as of June 30, 1999 and 2000.

12. CONTINGENCIES

In December 1998, a customer had filed a claim against a subsidiary alleging breach of contractual obligations between the parties under a software development agreement. The customer has claimed all losses, expenses, costs, damages and indemnification from the subsidiary for its alleged breach of the agreement in an amount not less than $10,000,000 as well as restitution for amounts paid to the subsidiary in an amount not less than $308,000.

In management's opinion, the resolution of this issue will not have an adverse effect on the Company's financial position or results of operations. However, final outcome of this litigation cannot be predicted with certainty and, accordingly, no assurance can be given that the ultimate resolution of the matter will not have a material impact on the Company's financial position or result of operations.

13. EMPLOYEE BENEFIT PLANS

The Company has a Savings and Investment Plan under Section 401(k) of the Internal Revenue Code. This is a defined contribution plan where employees above the age of 21 years, having completed one year of service may choose to contribute up to 15% of their compensation or $7,000, whichever is lower. The Company makes a contribution equal to 50% of the employee's contribution, up to a maximum of 5% of the employee's annual compensation. For the years ended June 30, 1999 and 2000 the Company contributed $ 815,000 and $ 704,342 respectively to the plan.

14. SEGMENT REPORTING

The Company provides software services to customers in various geographies. The Company views the geographic divisions of its business as operating segments. The following is the information about the Company's revenue by reportable segments (in thousands):

	1999	2000
Revenues		
United States	$ 107,992	$116,119
Europe	14,517	13,527
Less: Inter-segment transfers	(12)	(31)
Total revenues	$ 122,497	$ 129,615

Revenues are attributed to individual geographies based on where the contract for providing services is entered into. No single customer accounted for more than 10 % of the revenues of the Group during the years ended June 30, 1999 and 2000.

15. YEAR 2000

To date, the Company has not encountered any material Year 2000 issues concerning its respective computer programs. The Company's plan for the Year 2000 included replacing or updating existing systems (which were not year 2000 compliant), assessing the Year 2000 preparedness of customers and counter-parties and formulating a contingency plan to ensure business continuity in the event of unforeseen circumstances. All costs associated with carrying out the Company's plan for Year 2000 problem have been expensed as incurred.

16. SIGNIFICANT EVENTS

During June 2000, the Company has entered into an agreement and plan of merger with Intelicent Inc (formerly known as HCL James Martin Inc, "Intelicent") to take effect from July 1, 2000.

Intelicent, a wholly owned subsidiary of the Parent, is primarily engaged in the business of providing information technology consulting services.

In accordance with the plan of merger, the Company will succeed to all of the assets and liabilities of Intelicent, without consideration as contribution from the shareholder, including the cancellation of all shares of capital stock of Intelicent.

The unaudited proforma combined results of the Company and Intelicent as if the acquisition had occurred on the date of the financial statement is presented below:

	(In thousands)
Current assets	$ 41,519
Goodwill, net	7,135
Other assets	1,383
Total Assets	$ 50,037
Liabilities	$ 39,620

The unaudited proforma consolidated statement of operations for the year ended June 30, 2000

	(In thousands, except per share data)
Net Revenue	$ 141,620
Net Loss	$ (2,541)
Earnings per share- Basic and Diluted	$ (0.46)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2000.

Principal activities

The principal activity of the company is that of software consultancy. The company operates in the UK, and through its branch, in France.

Results for the year

The results for the year are set out below.

Year 2000

The directors have considered the risks and uncertainties associated with the Year 2000 problem. The company has implemented a plan to address these issues and its relationships with customers, suppliers and other relevant parties. The costs incurred to date have been written off to the profit and loss account and these and future costs are not expected to be significant.

The company has not experienced any problems as a result of year 2000 issues on computer systems, applications or products and do not believe results and operations have been adversely affected. The directors do not know of any inability of third parties to manage their Year 2000 problems which may adversely affect the company nor of any potential liability to third parties as a result of Year 2000 failures.

Directors and directors' interests

The directors who held office during the year were as follows:

A Chanana

S Bhattacharya

A Jain

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Dividends

The directors do not recommend the payment of a dividend.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A Chanana
Director

City Gate House
39-45 Finsbury Square
London
EC2A IUU

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of HCL Technologies Europe Limited

We have audited the financial statements.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

Profit and loss account

for the year ended 30 June 2000

	Notes	2000 £	1999 £
Turnover		4,541,619	3,012,389
Cost of sales		(3,932,688)	(2,376,083)
Gross profit		608,931	636,306
Distribution costs		(80,086)	(226,336)
Administrative expenses		(1,921,208)	(1,344,347)
Operating loss		(1,392,363)	(934,377)
Interest receivable	5	4,056	4,686
Interest payable and similar charges	6	(30,746)	(1,513)
Loss on ordinary activities before taxation	2-4	(1,419,053)	(931,204)
Tax on loss on ordinary activities			
Loss for the financial year		(1,419,053)	(931,204)

The profit and loss account contains the only gains and losses of the company for the current and prior year. All amounts relate to continuing activities.

Balance sheet
at 30 June 2000

	Note	£	2000 £	1999 £	£
Fixed assets					
Tangible assets	7		240,315		158,469
Investments	8		1,075,708		87,637
			1,316,023		246,106
Current assets					
Debtors	9	945,402		853,584	
Cash at bank and in hand		240,926		40,214	
		1,186,328		**893,798**	
Creditors: amounts falling due within one year	10	(3,237,530)		(2,052,478)	
Net current liabilities			(2,051,202)		(1,158,680)
Total assets less current liabilities			(731,179)		(912,574)
Creditors : amounts falling due after more than one year	11		(17,399)		(20,951)
Net liabilities			(752,578)		(933,525)
Capital and reserves					
Called up share capital	12		1,765,000		165,000
Profit and loss account	13		(2,517,578)		(1,098,525)
Equity shareholders' deficit	14		(752,578)		(933,525)

These financial statements were approved by the board of directors on and date were signed on its behalf by:

A Chanana
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The financial statements have been prepared on the going concern basis despite the company having net current liabilities and net liabilities, since the company's ultimate parent HCL Technologies Limited has confirmed that it will provide any necessary financial support for a minimum of one year from the date of approval of these financial statements.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of HCL Technologies Limited, the company has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions or balances with entities which form part of the group. The US GAAP consolidated financial statements of HCL Technologies Limited, within which this company is included, can be contained from the address given in note 18.

Fixed assets and depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	3-5 years
Office fixtures and fittings	-	4 years
Computer software	-	2 years
Computer equipment	-	3 years

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Post-retirement benefits
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Turnover
Turnover, which excludes value added tax, represents the chargeable value of services and goods installed or accepted. The amount included in respect of long term contracts is ascertained in a manner appropriate to the risk and stage of completion of each contract.

2 Loss on ordinary activities before taxation

		2000 £	1999 £
Loss on ordinary activities before taxation is stated after charging/(crediting):			
Auditors' remuneration	- audit work	12,250	12,700
	- other services	3,500	-
Depreciation	- owned assets	64,975	49,863
	- assets held under finance leases	9,938	4,141
Exchange (gains)/losses		(30,404)	(7,853)
Loss on disposal of tangible fixed assets		341	3,666

3 Remuneration of directors

Directors' emoluments	-	63,100

One director exercised share options in a group company in the year (1999 : none)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
Technical	12	13
Sales and marketing	8	5
Administration and general	5	5
	25	23

The aggregate payroll costs of these persons were as follows:

Wages and salaries	1,390,488	978,349
Social security costs	162,039	52,313
Pension costs	17,442	-
	1,569,969	**1,030,662**

5 Interest receivable

Bank interest receivable	4,056	4,686

6 Interest payable and similar charges

	2000 £	1999 £
Interest payable on bank loans and overdrafts	28,401	-
Finance charges payable in respect of finance leases and hire purchase contracts	2,345	1,513
	30,746	1,513

7 Tangible fixed assets

	Motor vehicles £	Computer equipment £	Fixtures and fittings £	Computer software £	Total £
Cost					
At beginning of year	60,312	37,343	85,882	20,900	204,437
Additions	-	44,899	5,736	106,466	157,101
Disposals	-	-	-	(910)	(910)
At end of year	60,312	82,242	91,618	126,456	360,628
Depreciation					
At beginning of year	14,763	14,668	14,384	2,154	45,969
Charge for year	9,937	21,061	23,313	20,602	74,913
Disposals	-	-	-	(569)	(569)
At end of year	24,700	35,729	37,697	22,187	120,313
Net book value					
At 30 June 2000	35,612	46,513	53,921	104,269	240,315
At 30 June 1999	45,549	22,675	71,498	18,746	158,469

Included within motor vehicles is an asset held under a finance lease with a cost of £49.690 (1999: £49,690) and accumulated depreciation of £14,079 (1999: £4,141). Depreciation of £9,938 (1999: £4,141) has been charged in respect of this asset in the year.

8 Fixed asset investments

	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At beginning and end of year	127,097	60,000	187,097
Additions	240,941	747,130	988,071
	368,038	807,130	1,175,168
Provisions			
At beginning of year	39,460	60,000	99,460
Additions	-	-	-
	39,460	60,000	99,460
Net book value			
At 30 June 2000	328,578	747,130	1,075,708
At 30 June 1999	87,637	-	87,637

The principal undertakings in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Class of shares	% of shares held
Subsidiary undertakings			
HCL Technologies Belgium NV	Belgium	Ordinary	100
HCL Technologies Sweden AB	Sweden	Ordinary	100
HCL Technologies Schweiz AG	Switzerland	Ordinary	100
HCL Technologies EDV Vertreibs-und Service GmbH	Germany	Ordinary	100
HCL Technologies (Netherlands) BV	Netherlands	Ordinary	100
HCL Technologies Italy SRL	Itally	Ordinary	100

All of the above companies are engaged in the business of providing software consultancy services.

9 Debtors

	2000 £	1999 £
Trade debtors	639,119	675,434
Amounts owed by group undertakings	130,225	143,435
Other debtors	166,586	32,029
Prepayments and accrued income	9,472	2,686
	945,402	853,584

10 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	169,018	457,773
Obligations under finance leases and hire purchase contracts (note11)	3,198	2,844
Amounts owed to group undertakings	2,599,057	1,390,302
Taxation and social security	80,549	108,801
Other creditors	40,634	1,658
Accruals and deferred income	345,074	91,100
	3,237,530	2,052,478

11 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	17,399	20,951

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2000 £	1999 £
Within one year	5,144	5,144
In the second to fifth years	18,858	23,572
	24,002	28,716
Less future finance charges	(3,405)	(4,921)
	20,597	23,795

12 Called up share capital

	2000 £	1999 £
Authorised		
Equity: Ordinary shares of £1 each	5,000,000	1,000,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	1,765,000	165,000

The authorised share capital was increased on 1 April 2000 from 1,000,000 Ordinary £1 shares to 5,000,000 Ordinary £1 shares. 1,600,000 Ordinary £1 shares were issued at par on 1 April 2000.

13 Profit and loss account

	2000 £	1999 £
At beginning of year	(1,098,525)	(167,321)
Retained loss for the year	(1,419,053)	(931,204)
At end of year	(2,517,578)	(1,098,525)

14 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Loss for the year	(1,419,053)	(931,204)
Issue of share capital	1,600,000	-
Net increase/(reduction) in shareholders' funds in the year	180,947	(931,204)
Deficit at the beginning of year	(933,525)	(2,321)
Deficit at end of year	(752,578)	(933,525)

15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000 Land and buildings	2000 Other	1999 Land and buildings	1999 Other
	£	£	£	£
Operating leases which expire				
Within one year	-	-	-	-
In the second to fifth years inclusive	75,000	-	75,000	-
Over five years	-	-	-	-
	75,000	-	75000	-

16 Related party transactions

The company carried out the following transactions with companies of which Mr. Shiv Nadar, the company's ultimate controlling party (see note 18), has significant ownership interest, controlling interest or exercises significant influence.

30 June 2000

	Income	Expenditure	Amount owing to the company	Amount owing by company
	£	£	£	£
NIIT Benelux Limited	10,877	-	10877	-
HCL Infosystems Limited	-	-	4,358	-
NIIT Europe Limited	60,895	82,781	-	-

30 June 1999

	Income	Expenditure	Amount owing to the company	Amount owing by company
Year ended 30 June 1999	£	£	£	£
NIIT Benelux Limited	35,625	-	35,625	-
HPS Europe Limited	-	32,665	-	24,759
HCL Infosystems Limited	-	39,190	4,358	39,190
NIIT Europe Limited	-	173,544	-	302,386

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £ 17,442 (1999:£nil).

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of HCL Technologies America Inc., a company incorporated in United States of America. The company's ultimate parent is HCL Technologies Limited, a company incorporated in India. HCL Technologies Limited is controlled by Mr. Shiv Nadar who owns the majority of its ordinary shares.

The smallest group in which the results of the company are consolidated is that headed by HCL Technologies America Inc., incorporated in United States of America. The consolidated accounts of the group are available to the public and may be obtained from 330 Potrero Avenue, Sunnyvale, California 94086, United States of America. The largest group in which the results of the company are consolidated is that headed by HCL Technologies Limited, incorporated in India. The US GAAP consolidated accounts of this group are available to the public and may be obtained from HCL Technologies Limited, A-10, Sector 3, Noida, Uttar Pradesh, India.

HCL Technologies Sweden AB

The Board of Directors and the Managing Director of HCL Technologies Sweden AB submit the following Annual report for the financial year July 1, 1999 - June 30, 2000.

Administration Report

Operations

HCL Technologies Sweden AB (HCLT) is a part of HCL Technologies Group. HCLT have been active in the Swedish market since 1998. The company offers a wide range of IT-related services. The customer base includes well-known large Swedish and Icelandic companies with a need for qualified Software Engineering expertise.

Proposed profit appropriation

The Board of Directors and the Managing Director propose that the unappropriated earnings:

	2000-06-30
shareholders' unconditional contribution	3 300 771
accumulated loss	-3 277 790
Total	22 981
be distributed as follows:	
carry forward	22 981
Total	22 981

For further information on the company's results of operations and financial position of 2000-06-30 and 1999-06-30, refer to the following income statement and balance sheet.

Income Statement (in SEK)

		1999-07-01 2000-06-30	1998-01-12 1999-06-30
Net sales	Note 1	5 487 056	6 325 136
		5 487 056	6 325 136
Operating expenses			
Other external costs	Note 4	-6 475 456	-4 290 329
Personnel costs	Note 2	-2 230 983	-2 767 998
Depreciation of tangible assets	Note 3	-13 773	-13 505
		-3 233 156	-746 696
Operating Loss			
Result from financial investments			
Interest income and similar income		15 525	3102
Interest expense and similar loss items		-92 397	-24 168
		-3 322 451	755 339
Loss After Financial Items			
Income taxes		-	-
Loss For The Year		-3 322 451	-755 339

Balance Sheet (in SEK)

		2000-06-30	1999-06-30
Assets			
Fixed assets			
Tangible fixed assets			
Equipment	Note 3	22 946	32 624
		22 946	32 624
Financial fixed assets			
Deposits		43 800	43 800
		43 800	43 800
Total fixed assets		66 746	76 424
Current assets			
Current receivables			
Trade debtors		1 134 010	835 432
Receivables from group companies		800 000	1 435 000
Other receivables		20 375	40 306
Prepaid expenses and accrued income		62 297	70 834
		2 651 682	1 746 572
Cash and bank		540 217	468 855
Total current assets		3 191 899	2 215 427
Total Assets		3 258 645	2 291 851

Equity and Liabilities (in SEK)

	2000-06-30	1999-06-30
Shareholders' equity Note 5		
Restricted equity:		
Share capital (1000 share, par value SEK 100)	100 000	100 000
	100 000	100 000
Nonrestricted equity		
Retained earnings	3 345 432	800 000
Loss for the year	-3 322 451	-755 339
	22 981	44661
Total shareholders' equity	122 981	144 661
Current liabilities		
Trade creditors	34 261	427 473
Liabilities to group companies	2 930 605	1 394 348
Other liabilities	27 339	84 551
Accrued expenses and deferred income	143 459	240 818
Total current liabilities	3 135 664	2 147 190
Total Equity And Liabilities	3 258 645	2 291 851
Assets pledged	None	None
Contingent liabilities	None	None

Notes to the Annual Accounts (SEK unless otherwise stated)

Accounting principles

The company adheres to the Annual Accounts Act and to the recommendations of the Swedish Financial Accounting Standards Council.

Assets and liabilities are stated at acquisition value unless otherwise stated below.

Assets and liabilities denominated in foreign currency are stated at year-end exchange rates.

Receivables:

Receivables are stated at the amount expected to be collected.

Depreciation of fixed assets:

Depreciation is based on the asset's acquisition value and the estimated useful economic life.

The following depreciation periods are applied:

Equipment 3-5 years

Group affiliation

HCL Technologies Sweden AB is a wholly owned subsidiary of HCL Technologies Europe, Ltd. located in England. HCL Technologies Europe, Ltd is a member of a group of companies recognising as its ultimate parent company HCL Technologies Ltd, located in India, preparing consolidated annual accounts for the entire group.

Out of the company's total purchases and sales measured in SEK, 97% (59%) of the purchases (costs of services supplied) and 0% of sales concern other group companies.

1. Net sales

	1999-07-01 2000-06-30	1998-01-12 1999-06-30
Net sales by geographic market:		
Sweden	976 784	3 014 800
Iceland	4 510 272	3 310 336
	5 487 056	6 325 136

2. Personnel

Average number of employees:		
Female	-	-
Men	2.0	1.5
Total	2.0	1.5

Employees (temporarily) for fulfilling client assignment has also occurred.

	1999-07-01 2000-06-30	1998-01-12 1999-06-30
Salaries and other remunerations:		
Board and Managing Director	1 329 200	1 322 320
Other employees	225 324	749 935
	1 554 524	2 072 255
Social security cost:		
Board and Managing Director	459 569	402 306
Other employees	43 261	236 275
Pension costs:		
Board and Managing Director	142 800	-
Other employees	-	24 898
	645 630	663 479
Total salaries and remunerations, pension costs and social security costs	2 200 154	2 735 734

3. Tangible fixed assets

	2000-06-30	1999-06-30
Equipment:		
From previous owner transferred acquisition cost	67 905	52 210
Purchases	4 095	15 695
Acquisition cost at end of year	72 000	67 905
From previous owner transferred accumulated depreciation	-35 281	-21 776
Depreciation for year	-13 773	-13 505
Accumulated depreciation at end of year	-49 054	-35 281
Residual value at end of year	22 946	32 624

4. Fees to auditors

	1999-07-01 2000-06-30	1998-01-12 1999-06-30
KPMG, audit assignments	67 140	48 000

5. Shareholders' equity
The year's change in Shareholders equity

	Share capital	Statutory reserve	Profit brought forward	Loss for the year
Balance at July 1, 1999	100 000		800 000	-755 339
Shareholders unconditional contribution			3 300 771	
Appropriation of profit			-755 339	755 339
Loss for the year				-3 322 451
Balance at June 30, 2000	100 000		3 345 432	-3 322 451

Stockholm July 7, 2000

Anders Olsson
Managing Director

Sanjay Kalra

George Pettersson
Authorised public account

HCL Technologies Netherlands BV, Netherlands

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

(NLG in thousands)

	Years Ended June 30	
	2000	**1999**
Software Services	4,831	10,697
Other Income	353	26
Profit /(Loss) before depreciation and tax	(705)	(426)
Depreciation	42	40
Profit /(Loss) after depreciation and tax	(747)	(466)

PERFORMANCE:

The revenue from software and related technical services reduced from NLG 10.69 millions in fiscal 1999 to NLG 4.83 millions in fiscal 2000. Losses before depreciation and tax increased from NLG 0.43 millions in fiscal 1999 to NLG 0.71 millions in fiscal 2000. Loss after depreciation and tax increased from NLG 0.47 millions in fiscal 1999 to NLG 0.75 millions in fiscal 2000.

DIVIDEND AND TRANSFER TO RESERVES:

Your directors are not declaring any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, vendors and employees for their cooperation and assistance extended to the Company.

Place: New Delhi
Date: July 31, 2000

For and on behalf of the Board
Director

Auditors' Report

To the Members of
HCL Technologies Netherlands BV, Netherlands

We have audited the attached Balance Sheet of HCL Technologies Netherlands BV, Netherlands as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

(ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

Balance Sheet as at 30 June 2000

(All amounts in NLG)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	40,000	40,000
Loan funds			
Unsecured loans	2	1,104,105	-
		1,144,105	40,000
Application of funds			
Fixed assets	3		
Gross block		161,846	146,521
Less: Accumulated depreciation		(74,960)	(40,221)
Net block		86,886	106,300
Current assets, loans and advances			
Sundry debtors	4	724,385	891,398
Cash and bank balances	5	100,455	518,185
Loans and advances	6	245,945	1,625,219
Other current assets	7	37,256	-
		1,108,041	3,034,802
Current liabilities and provisions	8	(1,230,257)	(3,532,588)
Net current liabilities		(122,216)	(497,786)
Profit and loss account		1,179,435	431,486
		1,144,105	40,000
Notes to the accounts	12		

As per our report attached
For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner
Place: New Delhi
Date: August 2, 2000

For HCL Technologies Netherlands BV

Director **Director**

Place: Leidschendam, Netherlands
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in NLG)

	Schedule No.	Year ended 30 June 2000	Year ended 30 June 1999
Income			
Software services		4,831,164	10,697,643
Other income	9	352,607	26,454
		5,183,771	10,724,097
Expenditure			
Cost of software development	10	4,603,562	10,315,046
Administration and other expenses	11	1,255,207	834,791
Finance Cost		30,250	-
Depreciation		42,701	40,686
		5,931,720	11,190,523
Loss for the year		(747,949)	(466,426)
Balance brought forward		(431,486)	34,940
Balance carried forward to the Balance Sheet		(1,179,435)	(431,486)

Notes to the accounts 12
As per our report attached

For BSR & Co. Chartered Accountants	For HCL Technologies Netherlands BV	
Rajesh Jain Partner	**Director**	**Director**
Place: New Delhi Date: August 2, 2000	Place: Leidschendam, Netherlands Date: July 31, 2000	

Schedules forming part of the accounts

(All amounts in NLG)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
2,000 (previous year 2,000) equity shares of NLG 100 each	200,000	200,000
Issued, subscribed and paid up		
400 (previous year 400) equity shares of NLG 100 each fully paid up, held by HCL Technologies Europe Limited, United Kingdom. The ultimate holding company is HCL Technologies Limited, India.	40,000	40,000
	40,000	40,000
Schedule 2: Unsecured loan		
From HCL Technologies Europe Limited, United Kingdom - the holding company	1,104,105	-
	1,104,105	-

Schedule 3: Fixed assets

	As at 1 July 1999	Additions during the year	Disposal	As at 30 June 2000
Gross block				
Computers	84,879	27,050	14,621	97,308
Furniture, fixtures and other equipment	61,642	2,896	-	64,538
	146,521	29,946	14,621	161,846
Previous year	-	148,911	2,390	146,521
Accumulated Depreciation				
Computers	24,943	32,771	7,962	49,752
Furniture, fixtures and other equipment	15,278	9,930	-	25,208
	40,221	42,701	7,962	74,960
Previous year	-	40,686	465	40,221
Net block	106,300			86,886
Previous year	-	-	-	106,300

	As at 30 June 2000	As at 30 June 1999
Schedule 4: Sundry debtors (unsecured)		
Outstanding for less than six months		
- Considered good	724,385	891,398
- Considered doubtful	112,434	25,228
Less: Provision for doubtful debts	(112,434)	(25,228)
	724,385	891,398
Schedule 5: Cash and bank balances		
Cash in hand	18	1,574
Balances with non-scheduled bank		
- In current account		
ABN Amro Bank, Netherlands (maximum balance outstanding during the year NLG 1,019,030, previous year NLG 3,892,532)	100,437	516,611
	100,455	518,185
Schedule 6: Loans and advances (unsecured and considered good)		
Advances receivable in cash or in kind or for value to be received (refer note)	245,945	1,625,219
	245,945	1,625,219

Note:
Loans and advances include loans to HCL Technologies Europe Limited, United Kingdom - nil (previous year NLG 1,276,488) [maximum balance outstanding during the year NLG -1,104,105 (previous year -1,276,488) and HCL Technologies Schweiz AG, Switzerland nil (previous year NLG 33,023) [maximum balance outstanding during the year NLG-33,023 (previous year NLG - 33,023)], the corporates under the same management under section 370(1B) of the Companies Act, 1956.

Schedule 7: Other current assets		
Income accrued but not due	37,256	-
	37,256	-

(All amounts in NLG)

Schedule 8: Current liabilities and provisions	As at 30 June 2000	As at 30 June 1999
Current liabilities		
Sundry creditors	1,150,336	2,380,413
Advances from customers	-	
	515,763	
Other liabilities	79,921	617,598
	1,230,257	3,513,774
Provisions		
For income tax	-	18,814
	1,230,257	3,532,588
Schedule 9: Other income		
Exchange gain	62,871	15,780
Interest income	12,833	-
Excess provision for doubtful debts written back	53,208	-
Miscellaneous income	223,695	10,674
	352,607	26,454
Schedule 10: Cost of software development		
Salaries, wages, allowances and bonus (includes remuneration to directors NLG-Nil , previous year NLG-430,147)	2,291,105	4,736,652
Software development charges	2,312,457	5,578,394
	4,603,562	10,315,046

Schedule 11: Administration and other expenses	Year ended 30 June 2000	Year ended 30 June 1999
Rent	94,266	74,132
Electricity	5,358	7,507
Insurance charges	3,470	2,362
Repairs and maintenance		
- Plant & Machinery	16,435	20,687
- Buildings	9,993	13,848
- Others	-	1,501
Communication	96,544	120,126
Travel and conveyance	412,216	362,071
Entertainment and business promotion	7,251	16,703
Audit fees	12,500	12,293
Legal and professional charges	432,524	75,370
Printing and stationery	22,030	18,952
Bank charges	-	12,653
Advertising and publicity	6,268	5,204
Loss on sale of assets	3,831	-
Provision for doubtful debts	112,434	25,228
Miscellaneous expenses	20,087	66,154
	1,255,207	834,791

Adjustments in Opening Balance of Retained Earnings
Entity : HCLT Netherlands
(For entry passed as on 30th June, 1999 at the time of final consolidation)
figures in NLG

S. No.	Account	Amount Dr.	Amount Cr.
1	Retained Earnings	12,293	
	Sundry Creditors (Audit Fee 1999)		12,293
2	Retained Earnings	943	
	Admn and other Expenses		943
3	*Audit fees	12,500	
	Legal and professional charges		12,500
4	**Advances from customers	45,384	
	Sundry Debtors		45,384

Remarks

* Rectification of Audit fee wrongly recorded in Legal & Prof.

** Reversal of income in respect of OAB/Omega wrongly credited to Advances from customers now rectified

Schedules forming part of the accounts

Schedule 12: Notes to the accounts

1. **Significant accounting policies**

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates.

(iii) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation.

(iv) Depreciation

Depreciation on fixed assets is provided on the straight-line method based on estimated useful lives as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. The management's estimates estimate of the useful life of the various fixed assets is as follows:

	Life (in years)
Computers and software	3
Furniture and fixtures	4

(v) Revenue recognition

Revenue from software developed on time and material basis is recognised as the services are rendered. Revenue from fixed price contracts is recognised on the basis of percentage completion method under which the sales value of performance including earnings thereon are recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upon completion of contract are recognised immediately.

(vi) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.

(vii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account.

(viii) Retirements benefits

The company and employees contribute to the social security scheme in accordance with the local statutory requirements.

2. The company has incurred significant losses in the post operation period resulting in complete erosion of net worth. The company has continuing financial support from the holding company hence, these financial statements have been prepared on the going concern basis.

3. No provision for tax has been made as the company has not earned any taxable income during the year.

4. Previous year figures have been regrouped / reclassified to conform to current year's classification.

For HCL Technologies Netherlands BV

Director **Director**

Place: Leidschendam, Netherlands

Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No.	*Not applicable*
State Code	*Not applicable*
Balance Sheet Date	*30 June 2000*

II. Capital raised during the year (Netherlands Guilders in thousands)

Public issue	Rights issue
Not applicable	*Not applicable*
Bonus issue	Private placement
Not applicable	*Not applicable*

III. Position of mobilisation and deployment of funds (Netherlands Guilders in thousands)

Total liabilities	Total assets
1,144	*1,144*

Sources of funds

Paid-up capital	Reserves and surplus
40	*Nil*
Secured loans	Unsecured loans
Nil	*1,104*
Application of funds Investments	Net fixed assets
87	*Nil*
Net current assets	Misc. expenditure
(122)	*Nil*
Accumulated losses	
1,179	

IV. Performance of company (Netherlands Guilders in thousands)

	Turnover	Total expenditure
	5,184	*5,931*
	Loss before tax	Loss after tax
	747	*747*
Earnings per share (Netherlands Guilders)		Dividend rate %
Nil		*Not applicable*

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

Product description:	*Software*
item code (ITC code):	*852490*

For HCL Technologies Netherlands BV

Director **Director**

Place: Leidschendam, Netherlands

Date: July 31, 2000

HCL Technologies GmbH, Germany

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

	(Deutsche Mark in thousands) Years Ended June 30	
	2000	**1999**
Software Services	4,554	4,222
Other Income	139	6
Profit /(Loss) before Depreciation & Taxes	(586)	(621)
Depreciation	17	8
Profit /(Loss) after Tax	(604)	(629)

PERFORMANCE:

The revenue from software and related technical services increased by 8% from DEM 4.22 millions in fiscal 1999 to DEM 4.55 millions in fiscal 2000. Losses before Depreciation and Tax reduced by 6 % from DEM 0.62 millions in fiscal 1999 to DEM 0.58 millions in fiscal 2000. Loss after depreciation and tax reduced from DEM 0.63 millions in fiscal 1999 to DEM 0.60 millions in fiscal 2000.

DIVIDEND AND TRANSFER TO RESERVES

Your directors have not recommended any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, vendors, and employees for their cooperation and assistance extended to the Company.

For and on behalf of the Board

Director

Place: Frankfurt, Germany
Date: July 31, 2000

AUDITORS' REPORT

To the Members of
HCL Technologies GmbH, Germany

We have audited the attached Balance Sheet of HCL Technologies GmbH as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

(ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

Balance Sheet as at 30 June 2000

(All amounts in Deutsche mark)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	50,000	50,000
Loan funds			
Unsecured loans	2	1,076,029	38,857
		1,126,029	**88,857**
Application of funds			
Fixed assets	3		
Gross block		45,861	33,821
Less: Accumulated depreciation		(25,385)	(8,167)
Net block		20,476	25,654
Current assets, loans and advances			
Sundry debtors	4	1,759,887	2,248,184
Cash and bank balances	5	49,891	161,959
Loans and advances	6	125,976	44,253
		1,935,754	2,454,396
Current liabilities	7	(2,130,555)	(3,087,921)
Net current liabilities		(194,801)	(633,525)
Profit and loss account		1,300,354	696,728
		1,126,029	**88,857**
Notes to the accounts	11		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies GmbH , Germany

Director **Director**

Place: Frankfurt, Germany
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in Deutsche mark)

	Schedule No.	Year ended 30 June 2000	Year ended 30 June 1999
Income			
Software services		4,553,884	4,221,907
Other income	8	139,344	5,778
		4,693,228	**4,227,685**
Expenditure			
Cost of software development	9	4,551,788	4,281,988
Administration and other expenses	10	724,269	567,177
Finance Cost		3,579	-
Depreciation		17,218	8,167
		5,296,854	**4,857,332**

Loss for the year	(603,626)	(629,647)
Balance brought forward	(696,728)	(67,081)
Balance carried forward to the balance sheet	(1,300,354)	(696,728)

Notes to the accounts 11

As per our report attached

For BSR & Co. Chartered Accountants	**For HCL Technologies GmbH , Germany**	
Rajesh Jain Partner	**Director**	**Director**
Place: New Delhi Date: August 2, 2000	Place: Frankfurt, Germany Date: July 31, 2000	

Schedules forming part of the accounts

(All amounts in Deutsche Mark)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
1 (previous year 1) equity share of DM 50,000	50,000	50,000
Issued, subscribed and paid up		
1 (previous year 1) equity share of DM 50,000, fully paid up, held by HCL Technologies Europe Limited, United Kingdom. The ultimate holding company is HCL Technologies Limited, India.	50,000	50,000
	50,000	50,000
Schedule 2: Unsecured loans		
From bank		
- overdraft	-	38,857
From HCL Technologies Europe Limited, United Kingdom - the holding company.	1,076,029	-
	1,076,029	38,857

Schedule 3: Fixed assets

	As at 1 July 1999	Additions during the year	As at 30 June 2000
Gross block			
Computers	2,744	2,400	5,144
Furniture, fixtures and other equipment	31,077	9,640	40,717
	33,821	12,040	45,861
Previous year	-	33,821	33,821
Accumulated depreciation			
Computers	584	720	1,304
Furniture, fixtures and other equipment	7,583	16,498	24,081
	8,167	17,218	25,385
Previous year	-	8,167	8,167
Net block	25,654		20,476
Previous year	-		25,654

	As at 30 June 2000	As at 30 June 1999
Schedule 4: Sundry debtors		
Unsecured - considered good		
Debts outstanding for a period exceeding six months	172,249	2,248,184
Other Debts	1,587,638	-
Unsecured - considered doubtful		
Debts outstanding for a period exceeding six months	-	10,150
Other debts	-	86,139
Less: Provision for doubtful debts	-	(96,289)
	1,759,887	2,248,184

(All amounts in Deutsche Mark)

	Year ended 30 June 2000	Year ended 30 June 1999
Schedule 5: Cash and bank balances		
Cash in hand	87	1,325
Balances with non-scheduled banks		
- In current accounts	7,947	160,634
- In deposit accounts	41,857	-
Dresdner bank AG, Germany (maximum balance outstanding during the year DM 1,048,755, previous year DM 589,826)		
	49,891	161,959
Schedule 6: Loans and advances (unsecured and considered good)		
Advances receivable in cash or in kind or for value to be received (refer note)	125,976	44,253
	125,976	44,253

Note: Loans and advances include DM-nil (previous year-nil) recoverable from HCL Technologies Europe Limited, United Kingdom, [maximum balance outstanding during the year 1,076,029 (previous year-nil)], a corporate under the same management within the meaning of Sec. 370(1B) of the Companies Act, 1956.

Schedule 7: Current liabilities		
Sundry creditors	1,918,088	2,754,176
Other liabilities	212,467	333,745
	2,130,555	3,087,921
Schedule 8: Other income		
Gain on foreign exchange fluctuation	-	3,000
Interest income	1,937	-
Excess provision for doubtful debts written back	96,289	-
Miscellaneous income	41,118	2,778
	139,344	5,778
Schedule 9: Cost of software development		
Salaries, wages, allowances and bonus (includes remuneration to director-DM 392,734 , previous year-DM 241,715)	1,022,310	631,119
Software development charges	3,529,478	3,650,869
	4,551,788	4,281,988
Schedule 10: Administration and other expenses		
Rent	68,647	71,653
Repairs and maintenance		
- Plant and machinery	7,887	5,970
- Buildings	100	3,065
- Others	-	1,002
Communication	53,957	48,500
Insurance	5,344	-
Electricity	269	-
Travel and conveyance	141,523	103,786
Business promotion	13,055	8,925
Legal and professional charges	320,830	42,902
Audit fees	18,000	10,872
Printing and stationery	3,660	6,957
Bank charges	866	2,503
Advertising and publicity	7,940	-
Recruitment expenses	10,831	103,808
Bad debts	25,034	-
Provision for doubtful debts	-	96,289
Miscellaneous expenses	46,326	60,945
	724,269	567,177

Schedule 11: Notes to the accounts

1. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates.

(iii) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation.

(iv) Depreciation

Depreciation on fixed assets is provided on the straight-line method based on estimated useful lives as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. The management's estimate of the useful life of the various fixed assets is as follows:

	Life (in years)
Computers and software	3
Furniture and fixtures	4

(v) Revenue recognition

Revenue from software developed on time and material basis is recognised as the services are rendered. Revenue from fixed price contracts is recognised on the basis of percentage completion method under which the sales value of performance including earnings thereon are recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upon completion of contract are recognised immediately.

(vi) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.

(vii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account.

(viii) Retirements benefits

The company and employees contribute to the social security scheme in accordance with the local statutory requirements.

2. The company has incurred significant losses in the post operation period resulting in complete erosion of net worth. The company has continuing financial support from the holding company hence, these financial statements have been prepared on the going concern basis.

3. No provision for tax has been made as the company has not earned any taxable income during the year.

4. Previous year figures have been regrouped / reclassified to conform to current year's classification.

For HCL Technologies GmbH, Germany

Director **Director**

Place: Frankfurt, Germany
Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No. *Not applicable* State Code *Not applicable*

Balance Sheet Date *30 June 2000*

II. Capital raised during the year (Deutsche Mark in thousands)

Public issue	Rights issue
Not applicable	*Not applicable*
Bonus issue	Private placement
Not applicable	*Not applicable*

III. Position of mobilisation and deployment of funds (Deutsche Mark in thousands)

Total liabilities	Total assets
1,126	*1,126*
Sources of funds	
Paid-up capital	Reserves and surplus
50	*Nil*
Secured loans	Unsecured loans
Nil	*1,076*
Application of funds	
Net fixed assets	Investments
20	*Nil*
Net current assets	Misc. expenditure
(195)	*Nil*
Accumulated losses	
(1,301)	

IV. Performance of company (Deutsche Mark in thousands)

Turnover	Total expenditure
4,693	*5,297*
Loss before tax	Loss after tax
(604)	*(604)*
Earnings per share (Deutsche Mark)	Dividend rate %
Nil	*Not applicable*

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

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

For HCL Technologies GmbH, Germany

Director **Director**

Place: Frankfurt, Germany
Date: July 31, 2000

HCL Technologies Schweiz AG, Switzerland

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

	(Swiss Francs in thousands)	
	Years Ended June 30,	
	2000	1999
Profit /(Loss) after Tax	(15)	(115)

DIVIDEND AND TRANSFER TO RESERVES

Your directors have not recommended any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, vendors and employees for their cooperation and assistance extended to the Company.

Place: Zurich, Switzerland
Date: July 31, 2000

For and on behalf of the Board
Director

Auditors' Report

To the Members of
HCL Techonologies Schweiz AG, Switzerland

We have audited the attached Balance Sheet of HCL Technologies Schweiz AG, Switzerland as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

(ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Place: New Delhi
Date: August 2, 2000

Rajesh Jain
Partner

Balance Sheet as at 30 June 2000

(All amounts in Swiss franc)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	100,000	100,000
Loan funds			
Unsecured loan	2	25,000	-
		125,000	100,000
Application of funds			
Current assets, loans and advances			
Bank balances	3	8,183	15,955
Loans and advances	4	56	117
		8,239	16,072
Current liabilities	5	(32,846)	(51,095)
Net current liabilities		(24,607)	(35,023)
Profit and loss account		149,607	135,023
		125,000	100,000
Notes to the accounts	8		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies Schweiz AG

Director **Director**

Place: Zurich, Switzerland
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in Swiss franc)

	Schedule No.	Year ended 30 June 2000	Year ended 30 June 1999
Income			
Miscellaneous income		13	-
		13	-
Expenditure			
Personnel expenses	6	-	58,471
Administration and other expenses	7	14,597	56,887
		14,597	115,358
Loss for the year		(14,584)	(115,358)

Balance brought forward	(135,023)	(19,665)
Balance carried forward to the balance sheet	(149,607)	(135,023)

Notes to the accounts 8

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies Schweiz AG

Director **Director**

Place: Zurich, Switzerland
Date: July 31, 2000

Schedules forming part of the accounts

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
100,000 (Previous year 100,000) equity shares of Swiss franc 1 each)	100,000	100,000
Issued, subscribed and paid up 100,000 (Previous year 100,000) equity shares of Swiss franc 1 each fully paid up	100,000	100,000
(Held by HCL Technologies Europe Limited, United Kingdom, the holding company. The ultimate holding company is HCL Technologies Limited, India).		
Schedule 2: Unsecured loan		
From HCL Technologies Europe Limited, United Kingdom - the holding company.	25,000	-
Schedule 3: Bank balances		
Balances with non-scheduled banks		
- In current accounts		
Credit Suisse, Switzerland (maximum balance outstanding during the year Swiss franc 15,955, previous year Swiss franc 79,881)	8,183	15,955
	8,183	15,955
Schedule 4: Loans and advances (unsecured and considered good)		
Advances recoverable in cash or in kind or for the value to be received	7	117
Advance tax	49	-
	56	117
Schedule 5: Current liabilities		
Sundry creditors	32,846	51,095
	32,846	51,095

	Year ended 30 June 2000	Year ended 30 June 1999
Schedule 6: Personnel expenses		
Salaries, wages, allowances and bonus	-	58,471
Schedule 7: Administration and other expenses		
Rent	2,000	19,456
Communication	837	7,720
Travel and conveyance	-	5,834
Entertainment and business promotion	-	9,613
Legal and professional charges	1,195	11,106
Audit fees	1,637	1,782
Printing and stationery	-	420
Bank charges	37	263
Rates and taxes	691	-
Miscellaneous expenses	8,200	693
	14,597	56,887

Schedule 8: Notes to the accounts

1. **Significant accounting policies**

(i) **Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) **Expenditure**

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

(iii) **Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account.

(iv) **Retirements benefits**

The company and employees contribute to the social security scheme in accordance with the local statutory requirements.

2. The company has incurred significant losses in the post incorporation period resulting in complete erosion of net worth. The company has continuing financial support from the holding company hence, these financial statements have been prepared on the going concern basis.
3. No provision for tax has been made as the company has not earned any taxable income during the year.
4. Previous period figures have been regrouped / reclassified to conform to current year's classification.

For HCL Technologies Schweiz AG

Director **Director**

Place: Zurich, Switzerland
Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. **Registration details**

Registration No. *Not applicable* State Code *Not applicable*

Balance Sheet Date *30 June 2000*

II. **Capital raised during the year (Swiss Franc in thousands)**

Public issue *Not applicable* Rights issue *Not applicable*

Bonus issue *Not applicable* Private placement *Not applicable*

III. **Position of mobilisation and deployment of funds (Swiss Franc in thousands)**

Total liabilities *125* Total assets *125*

Sources of funds

Paid-up capital *100* Reserves and surplus *Nil*

Secured loans *Nil* Unsecured loans *25*

Application of funds

Net fixed assets	Investments
Nil	*Nil*
Net current assets	Misc. expenditure
(25)	*Nil*
Accumulated losses	
150	

IV. Performance of company (Swiss Franc in thousands)

Turnover	Total expenditure
1	*15*
Loss before tax	Loss after tax
14	*14*
Earnings per share (Swiss Franc)	Dividend rate %
Nil	*Not applicable*

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

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

For HCL Technologies Schweiz AG, Switzerland

Director **Director**

Place: Zurich, Switzerland
Date: July 31, 2000

HCL Technologies Italy SLR, Italy

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

(Italian Lira in thousands)

	Years Ended June 30	
	2000	**1999**
Other Income	170	210
Profit /(Loss) Before Depreciation & Taxes	(13,476)	(18,668)
Profit /(Loss) after Tax	(13,476)	(18,668)

PERFORMANCE:

Other income reduced from ITL 0.21 millions in fiscal 1999 to ITL 0.17 millions in fiscal 2000. Loss after Depreciation and Tax reduced from ITL 18.67 millions in fiscal 1999 and to ITL 13.48 millions in fiscal 2000.

DIVIDEND AND TRANSFER TO RESERVES:

Your directors have not recommended any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, vendors and employees for their cooperation and assistance extended to the Company.

Place: Milan, Italy
Date: July 31, 2000

For and on behalf of the Board
Director

AUDITORS' REPORT

To the Members of
HCL Technologies Italy SLR, Italy

We have audited the attached Balance Sheet of HCL Technologies Italy SLR, Italy as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

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

For BSR & Co.
Chartered Accountants

Place: New Delhi
Date: August 2, 2000

Rajesh Jain
Partner

Balance Sheet as at 30 June 2000

(All amounts in Italian lira)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share Capital	1	20,000,000	20,000,000
Loan funds			
Unsecured loans	2	28,458	-
		20,028,458	20,000,000
Application of funds			
Current assets, loans and advances			
Cash and bank balances	3	13,141,291	14,050,736
Loans and advances	4	3,699,174	645,534
		16,840,465	14,696,270
Current liabilities	5	(28,956,984)	(13,364,935)
Net current (liabilities)/assets		(12,116,519)	1,331,335
Profit and loss account		32,144,977	18,668,665
		20,028,458	20,000,000
Notes to the accounts	7		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies Italy SLR

Director **Director**

Place: Milan, Italy
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in Italian lira)

	Schedule No.	Year ended 30 June 2000	For the period 2 July 1998 to 30 June 1999
Income			
Interest income		169,994	210,492
		169,994	210,492
Expenditure			
Administration and other expenses	6	13,646,306	18,879,157
		13,646,306	18,879,157
Loss for the year / period		(13,476,312)	(18,668,665)
Balance brought forward		(18,668,665)	-
Loss for the period carried forward to the balance sheet		(32,144,977)	(18,668,665)
Notes to the accounts	7		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi

Date: August 2, 2000

For HCL Technologies Italy SLR

Director **Director**

Place: Milan, Italy

Date: July 31, 2000

Schedules forming part of the accounts

(All amounts in Italian lira)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
20,000,000 (Previous period 20,000,000) equity shares of Italian lira 1 each	**20,000,000**	**20,000,000**
Issued, subscribed and paid up		
20,000,000 (Previous period 20,000,000) equity shares of Italian Lira 1 each, fully paid up.	20,000,000	20,000,000
(Of the above, 19,800,000 shares of Italian lira 1 each, fully paid up, are held by HCL Technologies Europe Limited, United Kingdom, the holding company. The ultimate holding company is HCL Technologies Limited, India)	**20,000,000**	**20,000,000**
Schedule 2: Unsecured loans		
From bank		
- overdraft	28,458	-
	28,458	-
Schedule 3: Cash and bank balances		
Cash in hand	51,140	1,011,391
Balances with non-scheduled banks		
- In current account		
Banca Popolare di Sondrio, Italy (maximum balance outstanding during the year Italian lira 13,090,151, previous period Italian lira 20,000,000)	13,090,151	13,039,345
	13,141,291	**14,050,736**
Schedule 4: Loans and advances (unsecured and considered good)		
Advances receivable in cash or in kind or for value to be received	-	645,534
VAT recoverable	3,699,174	-
	3,699,174	**645,534**
Schedule 5: Current liabilities		
Sundry creditors	28,956,984	13,364,935
	28,956,984	**13,364,935**
Schedule 6: Administration and other expenses		
Legal and professional charges	11,443,410	13,990,477
Audit fees	2,035,000	2,152,479
Miscellaneous expenses	167,896	2,736,201
	13,646,306	**18,879,157**

Schedule 7: Notes to the accounts

1. **Significant accounting policies**

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) Expenditure

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

2. The company has incurred significant losses in the post incorporating period resulting i complete erosion of net worth. The company has continuing financial support from the holding company hence, these financial statements have been prepared on the going concern basis.

3. No provision for tax has been made as the company has not earned any taxable income during the year.

4. Previous period figures have been regrouped/reclassified in order to conform to current year's classification.

For HCL Technologies Italy SLR

Director **Director**

Place: Milan, Italy

Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. **Registrations details**

Registration No. *Not applicable* State Code *Not applicable*

Balance Sheet Date *30 June 2000*

II. **Capital raised during the year (Italian Lira in thousands)**

Public issue	Rights issue
Not applicable	*Not applicable*
Bonus issue	Private placement
Not applicable	*Not applicable*

III. **Position of mobilisation and deployment of funds (Italian Lira in thousands)**

Total liabilities	Total assets
20,028	*20,028*
Sources of funds	
Paid-up capital	Reserves and surplus
20,000	*Nil*
Secured loans	Unsecured loans
Nil	*28*
Application of funds	
Net fixed assets	Investments
Nil	*Nil*
Net current assets	Misc. expenditure
(12,117)	*Nil*
Accumulated losses	
32,145	

IV. **Performance of company (Italian Lira in thousands)**

Turnover	Total expenditure
170	*13,646*
Loss before tax	Loss after tax
13,476	*13,476*
Earnings per share (Italian Lira)	Dividend rate %
Nil	*Not applicable*

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

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

For HCL Technologies Italy SLR, Italy

Director **Director**

Place: Milan, Italy

Date: July 31, 2000

HCL Technologies Belgium NV, Belgium

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

(Belgium Francs in thousands)

	Years Ended June 30	
	2000	**1999**
Software Services	46,211	45,800
Profit /(Loss) before Depreciation & Taxes	375	(641)
Depreciation	78	91
Provision for Tax	23	-
Profit /(Loss) after Tax	273	(732)

PERFORMANCE:

The revenue from software and related technical services increased by 8% from BEF 45.8 million in fiscal 1999 to BEF 46.2 million in fiscal 2000. Profit before Depreciation and Tax increased by BEF 1.02 million, from a loss of BEF 0.64 million in fiscal 1999 to a profit of BEF 0.38 million in fiscal 2000. Profit after tax provision increased by BEF 1.01 million, from a loss of BEF 0.73 million in fiscal 1999 to BEF 0.27 million in fiscal 2000.

DIVIDEND AND TRANSFER TO RESERVES

Your directors have not recommended any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, employees and vendors for their cooperation and assistance extended to the Company.

For and on behalf of the Board

Place: Zaventem, Belgium **Director**

Date: July 31, 2000

AUDITORS' REPORT

To the Members of
HCL Technologies Belgium NV, Belgium

We have audited the attached Balance Sheet of HCL Technologies Belgium NV, Belgium as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

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

For BSR & Co.
Chartered Accountants

Place: New Delhi **Rajesh Jain**

Date: August 2, 2000 Partner

Balance Sheet as at 30 June 2000

(All amounts in Belgium francs)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	2,750,000	2,750,000
Loan funds			
Unsecured loans	2	-	1,091,065
		2,750,000	3,841,065
Application of funds			
Fixed assets	3		
Gross block		234,667	219,378
Less: Accumulated depreciation		(169,634)	(91,410)
Net block		65,033	127,968
Current assets, loans and advances			
Sundry debtors	4	8,426,731	17,784,206
Bank balances	5	7,711,070	7,578,215
Loans and advances	6	8,826,070	3,149,930
		24,963,871	28,512,351
Current liabilities and provisions	7	(23,038,908)	(25,832,283)
Net current assets		1,924,963	2,680,068
Profit and loss account		760,004	1,033,029
		2,750,000	3,841,065
Notes to the accounts	10		

As per our report attached

For BSR & Co.
Chartered Accountants

For HCL Technologies Belgium NV

Rajesh Jain
Partner

Director **Director**

Place: New Delhi
Date: August 2, 2000

Place: Zaventem, Belgium
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in Belgium francs)

	Schedule No.	Year ended 30 June 2000	Year ended 30 June 1999
Income			
Software services		46,211,154	45,800,242
		46,211,154	45,800,242
Expenditure			
Cost of software development	8	28,847,023	38,790,229
Administration and other expenses	9	16,878,420	7,651,132
Finance cost		111,101	-
Depreciation		78,224	91,410
		45,914,768	46,532,771
Profit/(loss) before tax		296,386	(732,529)
Less: Provision for income tax		23,361	-
Profit/(loss) after tax		273,025	(732,529)
Balance brought forward		(1,033,029)	(300,500)
Balance carried forward to the balance sheet		(760,004)	(1,033,029)

Notes to the accounts 10

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner
Place: New Delhi
Date: August 2, 2000

For HCL Technologies Belgium NV

Director **Director**

Place: Zaventem, Belgium
Date: July 31, 2000

Schedules forming part of the accounts

(All amounts in Belgium francs)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
2,750 (Previous period 2,750) equity shares of Belgium franc 1,000 each	2,750,000	2,750,000
Issued, subscribed and paid up		
2,750 (Previous period 2,750) equity shares of Belgium franc 1,000 each fully paid up, held by HCL Technologies Europe Limited, United Kingdom, the holding company. The ultimate holding company is HCL Technologies Limited, India.	2,750,000	2,750,000
	2,750,000	2,750,000
Schedule 2: Unsecured loans		
From bank		
- Overdraft	-	1,091,065
	-	1,091,065

Schedule 3: Fixed assets

	As at 1 July 1999	Additions during the year	As at 30 June 2000
Gross block			
Computers	170,709	15,289	185,998
Furniture, fixtures and other equipment	48,669	-	48,669
	219,378	15,289	234,667
Previous year	-	219,378	219,378
Accumulated depreciation			
Computers	71,130	62,000	133,130
Furniture, fixtures and other equipment	20,280	16,224	36,504
	91,410	78,224	169,634
Previous year	-	91,410	91,410
Net Block	127,968		65,033
Previous year	-		127,968

Schedules forming part of the accounts

(All amounts in Belgium francs)

	As at 30 June 2000	As at 30 June 1999
Schedule 4: Sundry debtors (unsecured)		
Outstanding for less than six months		
-Considered good	8,426,731	17,784,206
-Considered doubtful	-	455,017
Less: Provision for doubtful debts	-	(455,017)
	8,426,731	17,784,206
Schedule 5: Bank balances		
Balances with non-scheduled banks in current accounts		
Bank Brussels Lambert, Belgium	7,711,070	7,578,215
(maximum balance outstanding during the year Belgium franc 16,055,073, previous year Belgium franc 10,053,776)		
	7,711,070	7,578,215
Schedule 6: Loans and advances (Unsecured and considered good)		
Advances receivable in cash or in kind or for value to be received	8,826,070	3,149,930
	8,826,070	3,149,930

Loans and advances include:

1. Belgium franc 2,444,161 (previous year - nil) recoverable from HCL Technologies GmbH, Germany [maximum balance outstanding during the year Belgium franc 2,444,161 (previous year-nil)], Belgium franc 1,094,400 (previous year-nil) from HCL Technologies Europe [maximum balance outstanding during the year Belgium franc 2,444,161 (previous year-nil)], and Belgium franc 5,014,196 (previous year-nil) recoverable from HCL Technologies America Inc., [maximum balance outstanding during the year Belgium franc 2,444,161 (previous year-nil)], corporates under the same management within the meaning of Sec. 370(1B) of the Companies Act, 1956.
2. Due from Managing director - nil (previous year - nil). Maximum balance outstanding during the year from Managing director Belgium franc 700,000 (previous year-nil).

Schedule 7: Current liabilities and provisions		
Current Liabilities		
Sundry creditors	22,069,644	24,025,639
Other liabilities	945,903	1,806,644
	23,015,547	25,832,283
Provisions		
Provision for income tax	23,361	-
	23,361	-
	23,038,908	25,832,283

	Year ended 30 June 2000	Year ended 30 June 1999
Schedule 8: Cost of software development		
Salaries, wages, allowances and bonus	22,456,121	22,163,090
(includes remuneration to directors Belgium franc 6,495,004, previous year Belgium franc 545,310)		
Software development charges	6,390,902	16,627,139
	28,847,023	38,790,229

	Year ended 30 June 2000	Year ended 30 June 1999
Schedule 9: Administration and other expenses		
Rent	448,000	267,180
Repairs and maintenance -others	1,634	8,105
Communication	628,557	724,195
Travel and conveyance	2,023,397	1,085,025
Entertainment and business promotion	-	5,520
Legal and professional charges	3,220,314	609,389
Audit fees	364,800	224,231
Printing and stationery	170,260	26,437
Bank charges	-	58,928
Management fees	10,000,000	4,103,301
Provision for doubtful debts	-	455,017
Miscellaneous expenses	21,458	83,804
	16,878,420	**7,651,132**

Schedules forming part of the accounts
Schedule 10: Notes to the accounts

1. **Significant accounting policies**

(i) **Basis of preparation**
The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.
The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) **Use of estimates**
The preparation of financial statements in conformity with the generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates.

(iii) **Fixed assets**
Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation.

(iv) **Depreciation**
Depreciation on fixed assets is provided on the straight-line method based on estimated useful lives as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. The management's estimate of the useful life of the various fixed assets is as follows:

	Life (in years)
Computers and software	3
Furniture and fixtures	4

(v) **Revenue recognition**
Revenue from software developed on time and material basis is recognised as the services are rendered. Revenue from fixed price contracts is recognised on the basis of percentage completion method under which the sales value of performance including earnings thereon are recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upon completion of contract are recognised immediately.

(vi) **Expenditure**
Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.

(vii) **Foreign exchange transactions**
Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account.

(viii) **Retirements benefits**
The company and employees contribute to the social security scheme in accordance with the local statutory requirements.

2. The company has incurred significant losses in the post operation period. The company has continuing financial support from the holding company hence, these financial statements have been prepared on the going concern basis.

3. No provision for tax has been made, as the company has not earned any taxable income during the year.

4. Previous year figures have been regrouped / reclassified to conform to current year's classification.

For HCL Technologies Belgium NV,

Director **Director**

Place: Zaventem, Belgium
Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. **Registration details**

Registration No. *Not applicable* State Code *Not applicable*

Balance Sheet Date *30 June 2000*

II. **Capital raised during the year (Belgium Francs in thousands)**

Public issue
Not applicable

Rights issue
Not applicable

Bonus issue
Not applicable

Private placement
Not applicable

III. **Position of mobilisation and deployment of funds (Belgium Francs in thousands)**

Total liabilities
2,750

Total assets
2,750

Sources of funds

Paid-up capital
2,750

Reserves and surplus
Nil

Secured loans
Nil

Unsecured loans
Nil

Application of funds

Net fixed assets
65

Investments
Nil

Net current assets
1,925

Misc. expenditure
Nil

Accumulated losses
760

IV. Performance of company (Belgium Francs in thousands)

Turnover *46,211*	Total expenditure *45,915*
Profit before tax *296*	Profit after tax *273*
Earnings per share (Belgium Franc) *99.28*	Dividend rate % *Not applicable*

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

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

For HCL Technologies Belgium NV

Director **Director**

Place: Zaventem, Belgium
Date: July 31, 2000

Directors' report

The directors present their report together with the financial report of HCL Technologies Australia Pty Limited ("the Company") for the year ended 30 June 2000 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the financial year, are:

Anil Kumar Chanana	Director since 4 November 1998
Glenn Thomas Merchant	Director since 22 April 1999

Principal activity

The principal activity of the Company during the course of the year was to provide value added software services to clients. There were no significant changes in the nature of the activities of the Company during the year.

Review and result of operations

The operating profit after income tax amounted to $305,292 (1999: loss, $8,691). The Company generated operating revenue of $17,602,072 in the current year. This was largely the result of an increase in offshore software development work. In addition, a new office was established in Canberra during the year.

Dividends

No dividend has been paid or declared since the commencement of the year and the directors do not recommend the declaration of a dividend.

Environmental regulation

The Company's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely developments

The Company will continue to pursue its policy of increasing profitability and market share during the next financial year. The Company will continue to focus on emerging technology areas such as e-commerce, Internet services and enterprise wide software development.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company during the financial year under review.

Risk management

Millennium issue

The Company is not reliant on complex computer systems and has not been affected by the impact of the Year 2000 on its business processes. All software is purchased off-the-shelf and is not modified by the Company in its use. All software has been checked with the respective supplier to be Year 2000 compliant and no matters have arisen to date that would appear to contradict these assurances. The Company's hardware has also not manifested any adverse conditions with regards to the Year 2000 issue.

Indemnification and insurance of officers and auditors

The Company has not, since the end of the previous financial year, in respect of any person who is or has been an officer or auditor of the Company:

- indemnified or made a relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Signed in accordance with a resolution of the directors:

Anil Kumar Chanana
Director

Dated at New Delhi this 19th day of July 2000.

Profit and loss statement

For the year ended 30 June 2000

	Note	2000 $	1999 $
Revenue	2	17,660,143	8,969,471
Operating profit/(loss) before income tax		498,108	(12,594)
Income tax (expense)/benefit attributable to operating profit	5	(192,816)	3,903
Operating profit/(loss) after income tax		305,292	(8,691)
Retained profits/(losses) at the beginning of the financial year		(149,479)	(140,788)
Total available for appropriation		155,813	(149,479)
Dividends provided for or paid		-	-
Retained profits/(losses) at the end of the financial year		155,813	(149,479)

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out below.

Balance sheet

As at 30 June 2000

	Note	2000 $	1999 $
Current assets			
Cash	6	1,258,175	524,840
Receivables	7	3,124,643	1,850,770
Other	8	45,755	29,765
Total current assets		4,428,573	2,405,375
Non-current assets			
Plant and equipment	9	142,013	205,503
Other	8	225,012	130,006
Total non-current assets		367,025	335,509
Total assets		4,795,598	2,740,884
Current liabilities			
Accounts payable	10	3,965,408	2,531,327
Borrowings	13	32,031	52,448
Provisions	12	523,375	156,412
Total current liabilities		4,520,814	2,740,187

	Note	2000 $	1999 $
Non-current liabilities			
Borrowings	13	63,885	110,647
Provisions	12	15,557	-
Total non-current liabilities		79,442	110,647
Total liabilities		4,600,256	2,850,834
Net assets (liabilities)		195,342	(109,950)
Shareholders' equity			
Share capital	14	39,529	39,529
Accumulated profits (losses)		155,813	(149,479)
Total shareholders' equity (deficiency)		195,342	(109,950)

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out below.

Statement of cash flows

For the year ended 30 June 2000

	Note	2000 $	1999 $
Cash flows from operating activities			
Cash receipts in the course of operations		16,239,516	7,950,364
Cash payments in the course of operations		(15,444,229)	(7,412,365)
Interest received		33,171	8,093
Interest paid		(10,729)	(17,235)
Net cash provided by operating activities	17(ii)	817,272	528,857
Cash flows from investing activities			
Proceeds from sale of plant and equipment		58,071	14,985
Payments to term deposit		(1,259)	(31,983)
Payments for plant and equipment		(73,571)	(8,054)
Net cash (used in) investing activities		(16,759)	(25,052)
Cash flows from financing activities			
Lease payments		(67,178)	(64,316)
Net cash used in financing activities		(67,178)	(64,316)
Net increase in cash held		733,335	439,489
Cash at beginning of the financial year	17(i)	524,840	85,351
Cash at end of financial period	17(i)	1,258,175	524,840

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out below.

Notes to the financial statements

For the year ended 30 June 2000

1 Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Revenue recognition

Sales revenue

Sales revenue represents revenue earned from the provision of software services to clients.

Income from software contracts, where revenue is linked to time and/or material is recognised on a periodic basis as the services are provided according to the terms of the contract. Income from fixed price contracts is recognised on the basis of the percentage of labour units incurred and their relationship to the total estimated units of labour for the contract. Adjustments to estimates of labour units required are made in the period in which such revisions become known. When the cost estimates for the total labour units indicate a loss, such loss is recognised in its entirety.

Interest

Interest revenue is recognised as it accrues.

Asset sales

The gross proceeds of asset sales are included as revenue, and profit or loss on sale recognised, when an unconditional contract of sale is signed.

(c) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the profit and loss account in the financial year in which the exchange rates change.

(d) Income tax

The Company adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

(e) Non current assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(f) Cash and short term deposits

Cash and short term deposits are carried at face value of the amounts deposited or drawn. The carrying amounts of cash and short term deposits approximate net fair value. Interest revenue is accrued at the market or contracted rates and is receivable quarterly.

(g) Receivables

Trade debtors

Trade debtors are generally settled within 60 days and are carried at amounts due. The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. In addition, a general provision of trade debtors outstanding is maintained. The carrying amount of trade debtors approximates net fair value.

(h) Plant and equipment

Acquisition

Items of plant and equipment are initially recorded at cost and depreciated as outlined below.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the Company in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives.

Costs incurred on property, plant and equipment which do not meet the criteria for capitalisation are expensed as incurred.

Depreciation

Items of plant and equipment are depreciated over their estimated useful lives. The depreciation rates and methods used for fixed assets, for the current and previous years, are as follows:

	Depreciation rate	Depreciation method
Property, plant and equipment	25-33%	Straight line

Assets are depreciated from the date of acquisition.

Leased plant and equipment

Leases of plant and equipment under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely that the Company will obtain ownership of the asset, over the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss statement.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(i) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days. The carrying amount of accounts payable approximates net fair value.

(j) Employee entitlements

Wages, salaries and annual leave

The provision of employee entitlements to wages, salaries and annual leave represents the amount that the Company has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at undiscounted amounts based on current wage and salary rates and includes related oncosts. The carrying amount of the provisions approximate net fair value.

Superannuation fund

Contributions to employee superannuation funds are charged against income as they are made.

	2000	1999
	$	$
2 Revenue		
Revenue from operating activities		
Sales revenue	17,568,901	8,946,393
Interest income	33,171	8,093
Revenue from outside operating activities		
Gross proceeds from the sale of plant and equipment	58,071	14,985
	7,660,143	8,969,471

3 Operating profit / (loss)

Operating profit / (loss) before income tax has been arrived at after charging (crediting) the following items:

	2000	1999
Interest paid or due and payable to:		
- Other persons	10,729	17,235
Depreciation of plant and equipment	81,806	87,490
Amounts set aside to provision for:		
Doubtful debts	206,993	95,057
Employee entitlements	95,954	85,042
Operating lease payments	112,209	111,581
Foreign exchange gain / (loss)	123,010	(18,372)

	2000	1999
	$	$
4 Auditors' remuneration		
Auditing services	22,000	18,000
	22,000	18,000
5 Income tax		
Income tax benefit		
Prima facie income tax expense (benefit) calculated at 36% on the operating loss	179,319	(4,534)
Increase in income tax expense due to non deductible items:		
Entertainment	3,132	2,299
Add: income tax under (over) provided in prior year	-	(1,668)
Restatement of deferred tax balances due to change in company tax rate	10,365	-
Income tax expense (benefit) on operating loss	192,816	(3,903)
Total income tax expense is made up of:		
Current income tax provision	271,009	18,068
Future income tax benefit	(93,750)	(20,303)
Deferred income tax liability	15,557	-
Under (over) provision from previous year	-	(1,668)
	192,816	(3,903)
Future income tax benefit comprises the estimated future benefit, at 34% (1999: 36%), on the following items:		
Provision for doubtful trade debtors	108,739	34,221
Other	6,973	14,332
Difference in depreciation for accounting and income tax purposes	2,992	(334)
Provisions for employee entitlements	84,347	49,804
Effect of change in tax rate	(11,281)	-
	191,770	98,023
Provision for deferred income tax comprises the estimated expense at 34% (1999: 36%), on the following items:		
Prepayments	16,472	-
Effect of change in tax rate	(916)	-
	15,557	-
6 Cash		
Cash at bank	1,257,175	524,840
Petty cash	1,000	-
	1,258,175	524,840
7 Receivables		
Current		
Trade debtors	2,868,067	1,538,682
Less: Provision for doubtful debts	302,050	95,057
	2,566,017	1,443,625
Employee advances	59,548	104,590
Amounts owing by related entities	499,078	302,555
	3,124,643	1,850,770
8 Other assets		
Current		
Prepayments	45,755	29,765
Non current		
Term deposit	33,242	31,983
Future income tax benefit	191,770	98,023
	225,012	130,006
9 Plant and equipment		
Plant and equipment, at cost	295,632	312,014

	2000	1999
	$	$
Accumulated depreciation	153,619	106,511
Total plant and equipment	142,013	205,503

10 Accounts payable

Current

Accruals	419,288	297,191
Amounts owing to related entities	3,546,124	2,234,136
	3,965,408	2,531,327

11 Foreign currencies

The Australian dollar equivalents of unhedged amounts payable and receivable in foreign currencies, calculated at year end exchange rates, are as follows:

United States Dollars

Amounts payable		
Current	1,789,953	463,427
Amounts receivable		
Current	1,199,437	561,552

12 Provisions

Current

Income tax	289,077	18,068
Employee entitlements	234,298	138,344
	523,375	156,412

Non-current

Deferred income tax	15,557	-

13 Borrowings

Current

Lease liabilities	32,031	52,448

Non-current

Lease liabilities	63,885	110,647

14 Share capital
Issued and paid up capital

39,529 ordinary shares, fully paid	39,529	39,529
Movements during the year		
Balance at beginning of year	39,529	39,529
Shares issued during the year	-	-
Balance at end of year	39,529	39,529

15 Segment information

Industry segments

The Company operates predominantly in one industry which is the software industry.

Geographical segment

The Company operates predominantly in Australia.

16 Commitments

Finance lease commitments

Finance lease rentals are payable as follows:

Not later than one year	40,457	64,811
Later than one year but not later than five years		
	74,275	117,355
Less: Future lease finance charges	18,816	19,071
	95,916	163,095
Lease liabilities provided for in the financial statements:		
Current	32,031	52,448
Non-current	63,885	110,647
	95,916	163,095

	2000	1999
	$	$

Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	76,413	94,092
Later that one year but not later than five years	23,000	92,005
	99,413	186,097

17 Commitments

(i) Reconciliation of cash

For the purposes of the Statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash	1,258,175	524,840

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit (loss) after income tax	305,292	(8,691)
Add (less) items classified as investing/financing activities:		
(Profit) on sale of non-current assets	(2,821)	(3,305)
Add (less) non-cash items:		
Depreciation	81,806	87,490
Amounts set aside to provisions	302,947	180,099
Transfer of assets from related entity	-	-
Increase in income tax payable	271,009	18,068
(Increase) in deferred tax	(78,190)	(21,970)
Net cash provided by/(used in) operating activities before change in assets and liabilities	880,043	251,691
Change in assets and liabilities during the financial year:		
(Increase) in trade debtors	(1,329,385)	(996,029)
(Increase) in employee advances	45,042	(104,590)
Increase in accruals	122,097	273,462
Increase in loans from related entities	1,311,988	1,389,630
(Increase) in loans to related entities	(196,523)	(302.555)
(Increase)/decrease in prepayments	(15,990)	17,248
Net cash provided by operating activities	817,272	528,857

18 Directors remuneration

Directors' income

The number of directors whose income from the Company or related bodies corporate falls within the following bands:

	2000	1999
$0 - $9,999	2	1
$40,000 - $49.999	-	-
$130,000 - $139,999	-	1
	$	$
Total income paid or payable, or otherwise made available, to all directors from the Company or any related party	Nil	133,264

19 Related parties

Directors

The names of each person holding the position of Director of the Company during the financial year are Messrs Anil Kumar Chanana and Glen Thomas Merchant.

Details of Directors' remuneration is set out in note 18.

Transactions with related entities

During the year the Company purchased consulting services at a cost of $8,830,994 (1999: $3,161,600) from various related entities within the HCL Technologies group of companies. Additionally the Company paid aggregate recruitment fees to the amount of $439,740 (1999: $1,058,121) to related entities. These purchases were on normal commercial terms and conditions.

Ultimate parent entity

The ultimate parent entity is HCL Technologies Limited, a Company incorporated in India.

Directors' declaration

In the opinion of the directors of HCL Technologies Australia Pty Limited:

(a) the financial statements and notes, set out above, are in accordance with the Corporations Law, including:

- (i) giving a true and fair view of the financial position of the Company as at 30 June 2000 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

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

Signed in accordance with a resolution of the directors:

Anil Kumar Chanana
Director

Dated at New Delhi this 19th day of July 2000.

Independent auditors' report to the members of

HCL Technologies Australia Pty Limited

Scope

We have audited the financial report of HCL Technologies Australia Pty Limited for the year ended 30 June 2000 consisting of the profit and loss account, balance sheet, statement of cash flows, accompanying notes, and the directors' declaration set out above. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of HCL Technologies Australia Pty Limited is in accordance with:

(a) the Corporations Law, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2000 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG

Chartered Accountants

R Amos

Partner

Dated at Sydney this 19th day of July 2000.

HCL Technologies (New Zealand) Limited

Financial Statements

As at June 30, 2000

Statutory Information

Your Directors have pleasure in presenting the Annual Report for the year ended 30th June 2000.

Due to an agreement by the shareholders, the Company has elected to apply all disclosure exemptions available to it per section 211(3) of the Companies Act 1993.

R Mahajan
Director

A K Chanana
Director

Audit Report

To the Shareholders of HCL Technologies (New Zealand) Limited

We have audited the financial statements, set out below. The financial statements provide information about the past financial performance of the company and its financial position as at 30 June 2000. This information is stated in accordance with the accounting policies.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 30 June 2000 and the results of its operations for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the company.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company as at 30 June 2000 and the results of its operations for the year ended on that date.

Our audit was completed on 2 August 2000 and our unqualified opinion is expressed as at that date.

KPMG

Wellington

Statement of financial performance for the year ended 30th June 2000

Last year		
2,532,745	***SALES***	1,611,989
881,963	Direct Wages	743,558
1,650,782	***GROSS PROFIT***	868,431
9,576	Interest Received	4,564
1,584	Exchange Gain	-
1,661,942		872,995
	Less EXPENSES	
4,835	Accident Compensation	3,505
26,035	Accountancy Fees	30,291
2,736	Advertising	589
7,000	Audit Fees	10,902
10,722	Bad Debts	-
652	Bank Fees & Charges	798
1,762	Cleaning	820
681,624	Consultancy Fee (Offshore)	255,810
90	Computer Support Services	315
4,900	Depreciation	7,336
3,872	Entertaining Expenses	5,784
-	Exchange Loss	36,450
3,496	Equipment Rental	3,717
5,594	Fringe Benefit Tax	4,717
1,184	General Expenses	3,298
1,245	GST on Fringe Benefit & Entertaining	3
5,377	Insurance	1,681
5,394	Interest	3,914
1,745	Internet Costs	5,417
7,632	Legal Fees - Deductible	-
12,275	Loss on Sale of Fixed Assets	-
273	Motor Vehicle Expenses	698
9,270	Medical Insurance	11,413
-	Office Services	455
4,396	Postage & Stationery	6,060
542	Power & Light	-
7,000	Professional Fees	-
49	Reference Materials & Publications	162
1,587	Removal Expenses	-
218,667	Recruitment Costs	318,791
47,389	Rent & Rates	33,674
1,879	Repairs & Maintenance	1,700
124,226	Salaries	195,169
2,500	Settlement-Employment Dispute	-
228,361	Share of HQ Expenses	-
47,389	Rent & Rates	33,674
1,879	Repairs & Maintenance	1.700
124,226	Salaries	195,169
2,500	Settlement-Employment Dispute	-
228,361	Share of HQ Expenses	-
1,372	Subscriptions	1,945
6,853	Taxis & Local Transport	15,929
24,380	Telephone & Tolls	27,825
78,719	Travelling Expenses	101,127
34,244	Visa & Settlement Costs	43,889
1,579,877		1,134,214
82,065	***Net Profit/(Loss) Before Taxation***	(261,219)
31,366	Provision for Taxation	-
$50,699	***Profit (loss) for the year***	($261,219

This report is to be read in conjunction with the 'notes to the Financial Statements.

Statement of Movements in Equity for the year ended 30th June 2000

1999		2000
66,850	Equity at start of year	117,549
50,699	Net surplus (deficit) for the year	(261,219)
$117, 549	Equity (Deficiency) at the end of the year	($143,670)

Statement of financial position As at 30th June 2000

Last year			
	Share capital and reserves		
46,414	10 Ordinary Shares		46,414
	Reserves -		
	Retained Earnings (Accumulated		
71,135	Losses)		(190,084)
$117,549			($143,670)
	Represented by -		
	CURRENT ASSETS		
907	ANZ Bank Account		96,029
1,615	Wellington Imprest Account		1,615
11,549	Auckland Imprest Account		-
	Auckland Imprest Account		19,166
-	ANZ Imprest - Biswajit Rath		4,993
-	Taxation refund due		7,784
203,920	Business Call Account		44,689
19,589	Advances to Overseas Employees		33,558
2,348	Advance - N Venkatesh		-
285,123	Accounts Receivable	391,990	
10,722	Less Provision for Doubtful Debts	10,722	
274,401			381,268
110,758	ANZ Bank - US Account		50,685
40,518	HCL Technologies Pty (Australia) Ltd.		-
665,605			639,787
10,406	***Fixed Assets***		13,111
676,011	***Total Assets***		652,898
	Less -		
	Current Liabilities		
15,254	Accounts Payable	51,824	
1,642	N Venkaesh Imprest	-	
57,582	NIIT Asia Pacific Ltd	-	
19,382	Provision for Taxation	-	
152,613	HCL Technologies Ltd	177,209	
222,199	HCL Technologies (Hong Kong)	258,506	
-	HCL Technologies Pty (Australia) Ltd.	200,728	
32	HCL Infosystems Ltd	-	
41,912	Other Accrued Liabilities	78,186	
36,821	GST	28,936	
10,825	Finance Lease Commitments	1,179	
558,462	***Total Liabilities***		796,568
$117,549	***Net Assets (Deficiency)***		($143,670)

R Mahajan, Director

A K Chanana, Director

This report is to be read in conjunction with the Notes to the Financial Statements.

Notes to and forming part of the financial statements for the year ended 30th June 2000

1. Statement of Accounting Policies

HCL Technologies (NZ) Limited is registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993. These Financial Statements have been prepared according to the Financial Reporting Act 1993.

The Company qualifies for certain exemptions from financial reporting standards under the framework of differential reporting because it is not publicly accountable and it's owners and governing body are the same. The Company has taken advantage of all differential accounting exemptions available to it.

The measurement base adopted is that of historical cost. Accrual accounting is used to recognise expenses and revenue when they occur.

The company operates as a Computer Consultancy. It commenced activity on 1 April 1998.

Particular Accounting Policies

Accounts Receivable - Accounts Receivable are valued at expected realisable value. No additional provision has been made for doubtful debts this year.

Fixed Assets - Fixed assets are stated at cost less aggregate depreciation, calculated on a straight line basis. Depreciation has been provided at the following rates:

Office Furniture & Equipment - Wellington	25.00%
Office Equipment - Auckland	25.00%
Leased Assets	33.33%

Goods & Services Tax - The Financial Statements have been prepared exclusive of Goods & Services Tax, with the exception of accounts payable and accounts receivable.

Leases - Finance leases, which effectively transfer to the company substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the lower of the fair value of the leased property, and the present value of the minimum lease payments. The leased assets and corresponding liabilities are amortised over the period the entity is expected to benefit from their use.

Operating Lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

Going Concern - The accounts are prepared on a going concern basis, given group support that intercompany advances will not be required to be repaid until such time as the company can meet third party obligations as and when they fall due.

Notes to and forming part of the financial statements for the year ended 30th June 2000

Foreign Currency Transactions - The company converts foreign exchange transactions at the rate applying on the date of the transaction. Where an exchange gain or loss arises, this is shown separately in the Statement of Financial Performance.

Foreign currency denominated balances at balance date are converted at the exchange rates applicable at that date.

Income Tax - Income Tax is accounted for on the basis of actual results for the year.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. Retained Profits

The profit for the year after taxation is	(261,219)
Accumulated Losses brought forward are	71,135
Giving Retained Profits carried forward of	($190,084)

3. Related Parties

The Company is a subsidiary of HCL Technologies Private Limited, and a sister company to HCL Technology Limited, HCL Technologies (Australia) Pty Limited, HCL Perot Systems Limited, and HCL Technologies (Hong Kong) Limited and a related company to HCL Infosystems Limited, all of which are related parties within the meaning of SSAP 22. The nature of related party transactions that have occurred during the accounting period are as follows:

Recruitment and Consultancy Fees were paid to related party companies. Travel and other expenses were paid on the Company's behalf by it's sister companies, and subsequently reimbursed. Funds were remitted to related companies in reduction of advances received in the prior year.

4. Fixed & Leased Assets

Last Year		Cost	Accum Depn	
462	Office Equipment - Wellington	5,484	1,219	4,265
6,499	Office Equipment - Auckland	15,156	7,786	7,370
3,445	Leased Assets	5,905	4,429	1,476
10,406		26,545	13,434	13,111

HCL Technologies (Hong Kong) Limited

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 30 June 2000.

Principal activity

The principal activity of the company is the provision of computer consulting services.

Accounts

The profit and cash flows of the company for the year ended 30 June 2000 and the state of the company's affairs at that date are set out in the accounts below.

Fixed assets

Details of movements in fixed assets during the year are set out in note 7 on the accounts.

Directors

The directors during the financial were:

Raj Kumar Mahajan
Anil Kumar Chanana

In accordance with article 106 of the company's articles of association, both existing directors retire and, being eligible, offer themselves for re-election.

No contract of significance to which the company, its holding company or any of its fellow subsidiaries was a party, in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the company, any of its holding companies or any of their subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

A. Chanana **R. K. Mahajan**
Hong Kong, 15 July 2000

Auditors' report to the shareholders of HCL Technologies (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the accounts which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 15 July 2000

Profit and loss account for the year ended 30 June 2000

(Expressed in Hong Kong dollars)

	Note	2000	1999
Turnover	2	$31,350,827	$ 8,860,094
Other revenue	3	78,025	40,467
Other net income	3	753,895	-
Consulting fees		(4,518,703)	(2,129.189)
Staff costs		(3,548,089)	6,281,625)
Depreciation		(20,961)	(17,014)
Other operating expenses		(1,207,173)	(1,990,804)
Profit/(loss) before taxation	4	$22,887,821	$ (1,518,071)
Taxation	6 (a)	-	4,631
Profit/(loss) after taxation		$22,887,821	$(1.513,440)
(Accumulated losses)/retained profits brought forward		(1,397,780)	115, 660
Retained profits/(accumulated losses) carried forward		$21,490,041	$(1,397,780)

No separate statement of recognised gains and losses has been prepared as the profit/(loss) after taxation would be the only component of this statement.

The notes attached herewith form part of the accounts.

Balance Sheet at 30 June 2000

(Expressed in Hong Kong dollars)

	Note	2000	1999
Non-current assets			
Fixed assets	7	$ 28,495	$ 43,857
Current assets			
Trade debtors		$ 2,521,214	$ 1,298,692
Other debtors, deposits and prepayments		1,385,321	182,430
Amounts due from fellow subsidiaries	9	1,071,369	922,745
Amount due from a related company	10	938,075	240,601
Amount due from immediate holding company	9	19,450,000	-
Cash and cash equivalents		758,467	532,380
		$26,124,446	$ 3,176,848
Current liabilities			
Creditors, accrued charges and provisions		$ 141,949	$ 1,234,42
Amount payable to a director		-	304,19
Amounts due to fellow subsidiaries	9	2,493,247	686,32
Amounts due to related companies	10	425,656	634,45

Loan from a fellow subsidiary	11	1,408,881	1,548,000
Taxation payable	6(b)	-	17,909
		$ 4,469,733	$ 4,425,318
Net current assets/(liabilities)		$ 21,654,713	$ (1,248,470)
Net assets		**$ 21,683,208**	**$ (1,204,613)**
Share capital	12	$ 193,167	$ 193,167
Profit and loss account		21, 490,041	(1,397,780)
		$21,683,208	**$ (1,204,613)**

Approved by the board of directors on 15 Jul 2000

The notes attached herewith form part of the accounts.

Cash flow statement for the year ended 30 June 2000

(Expressed in Hong Kong dollars)

	2000		1999	
Net cash inflow/(outflow) from operating activities (note)		**$ 171,570**		**$ (889,154)**
Returns on investments and servicing of finance				
Interest received	$ 78,025		$ 40,467	
Net cash inflow from returns on investments and servicing of finance		78,025		40,467
Taxation				
Hong Kong profits tax paid	$ (17,909)		$ -	
Taxation paid		**(17,909)**		-
Investment activities				
Purchase of fixed assets	$ (5,599)		$ (28,408)	
Net cash outflow from investing activities		**(5,599)**		**(28,408)**
Increase/(decrease) in cash and cash equivalents		**$ 226,087**		**$ (877,095)**
Cash and cash equivalents at beginning of year		**532,380**		**1,409,475**
Cash and cash equivalents at end of year		**$ 758,467**		**$ 532,380**

Note to cash flow statement for the year ended 30 June 2000

(Expressed in Hong Kong dollars)

Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities

	2000	1999
Profit/(loss) before taxation	$ 22,887,821	$ (1,518,071)
Depreciation	20,961	17,014
Interest income	(78,025)	(40,467)
(Increase)/decrease in trade debtors	(1,222,522)	1,317,010
Increase in other debtors, deposits and prepayments	(1,202,891)	(182,430)
Increase in amounts due from fellow subsidiaries	(148,624)	(922,745)
Increase in amount due from immediate holding company	(19,450,000)	-
Increase in amounts due from a related company	(697,474)	(240,601)
(Decrease)/increase in creditors, accrued charges and provision	(1,092,476)	755,162
(Decrease)/increase in amount payable to a director	(304,198)	(304,198)
Increase in amounts due to fellow subsidiaries	1,806,918	530,414
Decrease in amount due to related company	(208,801)	(2,456,638)
(Decrease)/increase in loan from a fellow subsidiary	(139,119)	1,548,000
Net cash inflow/(outflow) from operating activities	$ 171,570	$ (889,154)

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) *Statement of compliance*

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

(b) *Basis of preparation of the accounts*

The measurement basis used in the preparation of the accounts is historical cost.

(c) *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the profit and loss account in the period in which they are incurred. In situations where it can be clearly demonstrated that an expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life. The annual rates are as follows:

Computer equipment	33%
Office equipment	25%

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

(d) *Revenue recognition*

Provided it is probable that the economic benefit will flow to the company and the revenue and cost, if applicable, can be measured reliably, revenue from the provision of consulting services is recognised when the related services are rendered.

(e) *Deferred taxation*

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(f) *Foreign currencies*

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

(g) *Operating leases*

Rental payable under operating leases are accounted for in the profit and loss account on a straight-line basis over the period of the relevant leases.

(h) *Related parties*

For the purposes of these accounts, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The company has taken advantage of the exemption from the disclosure requirements of Statement of Standard Accounting Practice 2.120 "Related party disclosures" ("SSAP 20") as it is a wholly-owned subsidiary and the consolidated accounts in which the company is included contain related party disclosures comparable to those required by SSAP 20.

2 **Turnover**

The principal activity of the company is the provision of computer consulting services. Turnover represents the invoiced value of consulting services rendered, net of discounts,

3 **Income**

	2000	1999
Other revenue		
Interest income	$ 78,025	$ 40,467
Other net income		
Net exchange gain	$ 56,421	$-
Recovery of bad debt written off	697,474	-
	$753,895	$

4 **Profit/(loss) before taxation**

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2000	1999
Operating lease rental of office premises	$ 240,000	$294,449
Auditors remuneration		
- Provision for the year	62,240	30,000
- Under/(over) provision for previous year	23,932	(60,000)

5 **Directors' remuneration**

Directors/ remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000	1999
Fees	$ -	$ -
Other emoluments	695,400	1,819,890
	$ 695,400	$1,819,890

6 **Taxation**

(a) ***Taxation in the profit and loss account represents:***

	2000	1999
Underprovision in respect of prior year	$-	$ (69)
Deferred Taxation	-	4,700
	$ -	$ 4,631

No provision for Hong Kong Profits Tax has been made as the estimated assessable profits of the company for the year are fully offset by tax losses brought forward from prior years.

(b) ***Taxation in the balance sheet represents:***

	2000	1999
Balance of Hong Kong Profits Tax provision relating to prior year	$ -	$ 17,909

(c) No provision for deferred taxation has been made as the company has a net deferred taxation asset, which comprises principally the future benefit of the accumulated tax losses carried forward which amounted to $ 201,000 (1999: $243,000), the future realisation of which is uncertain.

7 **Fixed assets**

	Office equipment	Computer equipment	Total
Cost:			
At 1 July 1999	$ 14,295	$ 49,300	$ 63,595
Additions	5,599	-	5,599
At 30 June 2000	$ 19,894	$ 49,300	$ 69,194
Aggregate depreciation:			
At 1 July 1999	$3,220	$ 16,518	$ 19,738
Charge for the year	4,530	16,431	20,961
At 30 June 2000	$ 7,750	$ 32,949	$ 40,699
Net book value:			
At 30 June 2000	$ 12,144	$ 16,351	$ 28,495
At 30 June 1999	$ 11,075	$ 32,782	$ 43,857

8 **Current assets and current liabilities**

Included under current assets and current liabilities are amounts which are expected to be recovered/settled after more than one year as follows:

	2000	1999
Other debtors, deposits and prepayments	$ 38,000	$ 38,000

All of the other current assets and liabilities are expected to be recovered/settled within one year.

9 **Amounts due to/from fellow subsidiaries and immediate holding company**

The amounts due to/from fellow subsidiaries and immediate holding company are unsecured, interest free and repayable within one year.

10 **Amounts due to/from related companies**

The amounts due to/from related companies are unsecured, interest free and repayable within one year.

11 **Loan from a fellow subsidiary**

Loan from a fellow subsidiary is unsecured, interest free and repayable within one year.

12 **Share capital**

	2000	1999
Authorised:		
3,000,000 ordinary shares of $1 each	$ 3,000,000	$ 3,000,0000
Issued and fully paid:		
193,167 ordinary shares of $1 each	$ 193,167	$ 193,167

13 **Comparative figures**

The presentation and classification of items in the accounts have been changed due to the adoption of the requirements of SSAP 1 (revised) "Presentation of financial statements". As a result, additional line items have been included on the face of the profit and loss account as required by SSAP 1 (revised), such as other revenue and analysis of expenses. Comparative figures have been reclassified to conform with the current year's presentation.

14 **Ultimate holding company**

The directors consider the ultimate holding company at 30 June 2000 to be HCL Technologies Limited, which is incorporated in India.

HCL Technologies Japan Limited

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

	(Yen in thousands) Years Ended June 30	
	2000	**1999**
Software Services	498,856	739,720
Other Income	8,718	2,681
Profit /(Loss) before Depreciation & Taxes	(72,248)	(85,775)
Depreciation	3,211	1,877
Provision for Tax	-	(1,125)
Profit /(Loss) after Tax	(75,459)	(88,777)

PERFORMANCE:

The revenue from software and related technical services reduced from JPY 740 million in fiscal 1999 to JPY 499 million in fiscal 2000. Losses before Depreciation and Tax reduced by 16 % from JPY 86 million in fiscal 1999 to JPY 72 million in fiscal 2000. The charge for depreciation was higher by JPY 1.33 million in fiscal 2000. Loss after tax provision reduced from JPY 89 million in fiscal 1999 to JPY 75 million in fiscal 2000.

During the current fiscal, net receivables reduced significantly from JPY 160.38 million in fiscal 1999 to JPY 78.09 million in fiscal 2000. DSO reduced from 79 days in 1999 to 57 days in fiscal 2000

DIVIDEND AND TRANSFER TO RESERVES:

Your directors have not declared any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, vendors and employees for their cooperation and assistance extended to the Company.

Place: New Delhi
Date: July 31, 2000

For and on behalf of the Board
Director

Auditors' Report

To the Members of
HCL Technologies Japan Limited, Japan

We have audited the attached Balance Sheet of HCL Technologies Japan Limited as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion, and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

(i) in the case of Balance Sheet, of the state of affairs of the company as at 30 June 2000; and

(ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For BSR & Co.
Chartered Accountants
Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

Balance sheet as at 30 June 2000

(All amounts in Yen)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Share holders' funds			
Share capital	1	50,000,000	50,000,000
Loan Funds			
Unsecured loans	2	53,250,000	-
		103,250,000	50,000,000
Application of funds			
Fixed assets	3		
Gross block		11,554,027	11,554,027
Less: Accumulated depreciation		(5,087,568)	(1,876,767)
Net block		6,466,459	9,677,260
Current assets, loans and advances			
Sundry debtors	4	78,094,778	160,375,669
Cash and bank balances	5	55,335,197	64,233,673
Loans and advances	6	6,240,193	28,450,152
		139,670,168	253,059,494
Current liabilities	7	(203,122,127)	(297,513,317)
Net current liabilities		(63,451,959)	(44,453,823)
Profit and loss account		160,235,500	84,776,563
		103,250,000	50,000,000
Notes to the accounts	11		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies Japan Limited

Director **Director**

Place: New Delhi
Date: July 31, 2000

HCL Technologies South Africa (Proprietary) Limited

Balance sheet

at 30 June 2000

	Note	2000 R
Capital employed		
Share capital	1	896 100
Accumulated loss		(971 284)
		(75 184)
Employment of capital		
Fixed assets	2	43 218
Net current liabilities		(118 402)
Current assets		242 838
Accounts receivable		158 509
Bank balances		84 329
Current liability		
Accounts payable	3	361 240
		(75 184)

Income statement

for the period 4 June 1999 (date of incorporation) to 30 June 2000

	Note	For the period ended 30 June 2000 R
Revenue		**86 400**
Cost of sales		77 760
Gross profit		**8 640**
Selling and administration expenses		980 914
Operating loss	4	**(972 274)**
Interest received		990
Accumulated loss at end of period	5	**(971 284)**

Cash flow statement

for the period 4 June 1999 (date of incorporation) to 30 June 2000

	Note	For the period ended 30 June 2000 R
Cash absorbed by operations	9.1	**(766 307)**
Interest received		990
Net cash outflow from operating activities		**(765 317)**
Net cash outflow from investing activities		
Investment to expand operations		**(46 454)**
Additions to fixed assets		
Net cash inflow from financing activities		
Proceeds from issue of shares		896 100
Cash and cash equivalents at the end of period		**84 329**

Notes to the financial statements

for the period 4 June 1999 (date of incorporation) to 30 June 2000

	2000 R
1. Share capital	
Authorised	
1 000 000 ordinary shares of R1 each	1 000 000
Issued	
896 100 ordinary shares of R1 each	896 100

2. Fixed assets

	Depreciation rate %	Cost R	2000 Accumulated depreciation R	Carrying value R
Computer equipment	33	43 340	3 001	**40 339**
Computer software	50	3 114	235	**2 879**
		46 454	3 236	**43 218**

The carrying value of fixed assets can be reconciled as follows:

	Additions R	Depreciation R	Carrying value at end of period R
Computer equipment	43 340	(3 001)	40 339
Computer software	3 114	(235)	2 879
	46 454	(3 236)	43 218

	USD	2000 R
3. Accounts payable		
Included in accounts payable are the following amounts owing to related parties:		
HCL Technologies Limited Bermuda	4 088	27 899
HCL Technologies Limited	5 000	215 341
		243 240

4. Operating loss		
is arrived at after taking into account		
Auditors' remuneration		63 505
Audit fee	20 000	
Other services	43 505	
Depreciation of fixed assets		3 236
Foreign exchange losses		
- realised		67 973
Operating lease charges		68 875
- property rentals	67 890	
- office equipment	985	
Share issue expenses		7 220

5. Taxation

Provision for taxation has not been made as the company has a calculated tax loss of R964 064 which is available for set off against future taxable income.

	2000 R
6. Lease commitments	
Future operating lease charges for premises	
- payable within one year	65 600

7. Financial instruments

7.1. Currency risk

The company incurs currency risk as a result of advances and charges by related parties which are denominated in US Dollars.

7.2. Credit risk

Reputable financial institutions are used for investing and cash handling purposes.

7.3. Fair values

The fair values of all financial instruments are substantially identical to carrying values reflected in the balance sheet.

8. Related parties

8.1 Parent company

The holding company of HCL Technologies South Africa (Proprietary) Limited is HCL Technologies Limited Bermuda, incorporated in Bermuda, which holds 100% of the company's ordinary shares.

8.2. Types of related party transactions

HCL Technologies South Africa (Proprietary) Limited has received advances and has been charged for costs borne by related parties on its behalf.

8.3. Material related party transactions

Advances from related parties - refer note 3

	For the period ended 30 June 2000 R
9. Note to the cash flow statement	
9.1. Cash absorbed by operations	
Operating loss before interest	(972 274)
Adjustment for -	
Depreciation	3 236
Operating loss before working capital changes	(969 038)
Increase in accounts receivable	(158 509)
Increase in accounts payable	361 240
	(766 307)

HCL Holdings GmbH, Vienna

Financial Statements
As of December 31, 1999

Balance Sheet as of December 31, 1999
Translation
(compared to prior year)

Assets	Dec. 31,1999 ATS	Dec. 31, 1998 TATS
A. Fixed Assets		
1. Financial assets		
I. Participations	28,114,288	22,419
B. Current Assets		
I. Receivables and other assets	140,500	-
1. Accounts due from affiliated companies	13,667	13
2. Other Receivable	83,458	585
II. Cash in banks	237,625	598
Total Assets	**28,351,913**	**23,017**

Equity and Liabilities	Dec. 31, 1999 ATS	Dec., 31, 1998 TATS
A. Shareholders' Equity		
1. Share Capital	6,500,000	6,500
II. Capital reserve	25,029,568	19,338
III. Accumulated loss thereof loss carried forward ATS 3, 173.658 (Previous year: TATS 2.929)	(3,450,369)	3,174
B. Accruals	50,000	271
1. Other accruals		
C. Liabilities	222,714	82
1. Other liabilities		
Total Liabilities and Equity	**28,351,913**	**23,017**

Signed by the management according to
§ 194 of the Austrian Commercial Code
Vienna, May 31, 2000

The Management

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JANUARY 1, 1999 TO DECEMBER 31, 1999
Translation
(compared to prior year)

	1999 ATS	1998 TATS
1. Other operating income		
a) Income from reversal of accruals	130.000	-
b) Other	52.360	131
2. Other operating expenses		
a) Taxes, other than income taxes	(410,527)	(6)
b) Others	(75,698)	(345)
3. Subtotal 1 to 2 (Operating profit)	**(303,865)**	**(220)**
4. Income from interest and similar items	52,154	-
5. Subtotal of item 4 (Financial result)	**52,154**	-
6. Result from ordinary operations	**(251,711)**	**(220)**
7. Taxes on income	(25,000)	(25)
8. Loss of the year	**(276,711)**	**(245)**
9. Loss carried forward	(3,173,658)	(2,929)
10. Accumulated loss	**(3,450,369)**	**(3,174)**

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 1999

(Translation)

1. **General Comments**

The financial statements as of December 31, 1999 are in compliance with the Regulations of the Austrian Commercial Code. The financial statements were prepared in accordance with (Austrian) generally accepted accounting principles underlying the general rule to give a true and fair view.

Especially, the principle of going-concern, the principle of prudence and the principle of individual valuation of assets and liabilities were considered. The principle of caution was considered by taking into account all risks recognizable and impending losses. Only profits realised at the balance sheet date have been recorded.

In order to achieve a comprehensive statement some items of the balance sheet and of the income statement were summarised. The income statement has been prepared by the cost-summary method.

2. **Group Relationship**

The Company is a 100% owned subsidiary of HCL Technologies Ltd., Bermudas and is therefore with its shareholder as well as the affiliated companies in group relationship.

HCL Technologies Limited, India prepares the widest consolidated financial statement concerning the group.

3. **Accounting Policies and Valuation Methods**

3.1 Financial assets

The "participations" refers to an investment in HCL Perot Systems N.V., Amsterdam (NL). The participations are valued at cost.

HCL Holding GmbH, Austria holds 50% of the issued share capital of NLG 8.015.000. The result of the above mentioned company of the year ended at June 30, 1999 shows a profit.

3.2 Capital reserve

The shareholder, Vama Sundari Investment Private Limited, has waived receivables against HCL Holdings GmbH. This transaction has to be shown as capital reserve.

3.3 Other accruals

Other accruals were calculated according to the legal requirements to provide for all foreseeable risks and all liabilities uncertain in the amount.

3.4 Liabilities

Liabilities are valued at their repayment amount.

4. Additional Information

During the financial year no persons were employed by the company.

in the business year the Company was represented by the following managing directors:

- Mr. Sivaprasad Sivasubramaniam Nadar, New Delhi, India
- Mr. Subroto Bhattacharya, Noida, India (until November 30, 1999)
- Mr. Anil Kumar Chanana, New Delhi, India (from December 1, 1999)

5. **Composition of and comments on the Balance Sheet**

5.1 Balance sheet

5.1.1. Classification and development of fixed assets

	Acquisition cost								
	Balance 01/01/1999 ATS	Additions ATS	Disposals ATS	Reclassification ATS	Balance 31/12/1999 ATS	Accumulated Depreciation ATS	Net book value 31/12/1999 ATS	Netbook value 31/12/1999 ATS	Depreciation in the reporting period ATS
1. Financial assets									
1. Participations	22.418.662	5.695.626	-	-	28.114.288	-	28.114.288	22.418.662	-

The investment in the HCL Perot Systems N.V., Amsterdam increased to 50% shareholding

5.2. Liabilities

5.2.1. Other liabilities

Liabilities are valued at the amount repayable.

6. **Composition of and comments on profit and loss account**

6.1 Other operating income, others

The other operating income refers to differences in exchange rates.

6.2. Other operating expenses, others

Composition:

	1999 ATS	1998 ATS
Legal and tax advice rates	71.032	328
Bank charges	4.666	17
Total	75.698	345

Intelicent Inc.

(FORMERLY HCL JAMES MARTIN & CO. INC.)

Independent auditors' report

To the Board of Directors and Stockholder

Intelicent Inc. *(formerly 'HCL James Martin & Co. Inc.)'*

We have audited the accompanying consolidated balance sheets of Intelicent Inc. and its subsidiary as of June 30, 1999 and 2000 and the related statements of operations, stockholder's equity and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Intelicent Inc. and its subsidiary as of June 30, 1999 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

KPMG

New Delhi, India

July 25, 2000

CONSOLIDATED BALANCE SHEETS

(In thousands)

	As of June 30 1999	As of June 30 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 981	$ 24
Accounts receivable		
-Group companies	531	507
-Others, net	3,913	982
Deferred income taxes	-	1,214
Employee receivables	143	83
Other current assets	515	227
Total current assets	**6,083**	**3,037**
Property and equipment, net	353	163
Intangible assets, net	88	-
Deferred income taxes, net of current portion	354	77
Other assets	13	12
Total assets	**$ 6,891**	**$ 3,289**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND STOCKHOLDER'S EQUITY

(In thousands, except number of shares)

	As of June 30 1999	As of June 30 2000
Current liabilities:		
Accounts payable		
-Group Companies	$ 973	$ 329
-Others	67	388
Deferred income taxes	43	60
Accrued employee costs	790	344
Current portion of capital lease obligations	32	13
Short term borrowings from group companies	500	750
Other amounts due to group companies	-	96
Other current liabilities	861	265
Total current liabilities	**3,266**	**2,245**
Capital lease obligations	27	-
Total liabilities	**3,293**	**2,245**
Stockholder's equity:		
Common stock, $1 par value- 10,000,000 shares authorized; 6,100,614 and 6,000,000 shares issued and outstanding as of June 30, 1999 and 2000, respectively	6,101	6,000
Additional paid-in-capital	252	108
Accumulated deficit	(2,755)	(5,064)
Total stockholder's equity	**3,598**	**1,044**
Total liabilities and stockholder's equity	**$ 6,891**	**$ 3,289**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Years ended June 30 1999	Years ended June 30 2000
Revenues	$ 18,527	$ 13,296
Less: Stock based sales incentive	-	108
Net Revenue	18,527	13,188
Cost of revenues	9,971	7,487
Gross profit	**8,556**	**5,701**
Operating expenses		
Sales and marketing	1,746	1,760
General and administrative	4,990	6,376
Depreciation and amortization	1,431	339
Total operating expenses	8,167	8,475
Income / (loss) from operations	**389**	**(2,774)**
Interest expense	39	92
Interest and other income, (net)	122	94
Income / (loss) before taxes	**472**	**(2,772)**
Income tax (expense) benefit	(415)	838
Net income (loss)	**$ 57**	**$ (1,934)**
Basic and diluted net loss per share	-	0.32
Weighted average number of common shares	**6,016,769**	**6,051,042**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands) Years ended June 30	1999	2000
Cash flows from operating activities		
Net income (loss)	$ 57	$ (1,934)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,431	339
Deferred income taxes	395	(920)
Stock based sales incentive	-	108
Stock compensation arising out of re-purchase of shares and options	-	421
Changes in assets and liabilities, net		
Accounts receivable	166	2,084
Other assets	(882)	1,219
Accounts payable	151	(323)
Accrued employee costs	385	(446)
Other liabilities	137	(222)
Net cash provided by operating activities	**1,840**	**326**
Cash flows from investing activities		
Purchase of property and equipment	(238)	(61)
Net cash used in investing activities	**(238)**	**(61)**

(In thousands) Years ended June 30	1999	2000
Cash flows from financing activities		
Payments of capital lease obligations	(27)	(27)
Net proceeds from bank line of credit	(375)	-
Repayment of long term debt	(600)	-
Proceeds from issuance of common stock	353	-
Re-purchase of stock options	-	(651)
Repurchase of private placement of shares	-	(544)
Net cash used in financing activities	(649)	(1,222)
Net increase (decrease) in cash and cash equivalents	**$ 953**	**$ (957)**
Cash and cash equivalents		
Beginning of the year	$ 28	$ 981
End of the year	$ 981	$ 24
Supplementary cash flow information		
Cash paid for interest	$ 36	$ 44
Cash paid for income taxes	$ 38	$ 82

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

(In thousands, except number of shares)

	Common stock		Additional	Accumulated	Total
	No. of shares	Amount	paid-in-capital	deficit	Shareholders Equity
Balance as of June 30, 1998	**6,000,000**	**6,000**	-	**(2,812)**	**3,188**
Common stock issued	100,614	101	252	-	353
Net income				57	57
Balance as of June 30, 1999	**6,100,614**	**$ 6,101**	**$ 252**	**$ (2,755)**	**$3,598**
Repurchase of privately placed stock	(100,614)	(101)	(252)	(76)	(429)
Repurchase of stock options	-	-	-	(346)	(346)
Compensation related to stock based sales incentive	-	-	108	-	108
Tax benefit on employee stock option	-	-	-	47	47
Net income	-	-	-	(1,934)	(1,934)
Balance as of June 30, 2000	**6,000,000**	**$ 6,000**	**$ 108**	**$ (5,064)**	**$ 1,044**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are stated in United States Dollars)

1. ORGANIZATION AND NATURE OF OPERATIONS

Intelicent, Inc. (the "Company") (formerly known as HCL James Martin & Co. Inc.) was incorporated in Virginia on March 27, 1996, and commenced operations on July 1, 1996. The Company was incorporated as a 60:40 joint venture between the HCL Group ("HCL"), and James Martin & Co. Inc. ("JM & Co"). In February 1999, the interest of JM & Co was purchased by HCL. The Company's primary business is to provide information technology consulting services.

2. SIGNIFICANT EVENTS

In June 2000, the Company and HCL Technologies America Inc. ("a company under common control") have entered into an agreement whereby the Company shall be merged into HCL Technologies America Inc. with effect from July 1, 2000. Thereafter, HCL Technologies America Inc. will continue to carry on the existing business of Intelicent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Principles of consolidation*

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States to reflect the financial position and results of operations of the Company along with its subsidiary in Mexico.

(b) *Use of estimates*

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

(c) *Exchange rate translation*

The consolidated financial statements are reported in United States dollars ("US dollars"). The functional currency of the Company's foreign subsidiary is its local currency. The translation of the functional currency into US dollars is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using a monthly weighted average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as a separate component of stockholder's equity.

Monetary assets and liabilities in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. The gains or losses resulting from such foreign currency transactions are included in other income.

(d) *Revenue recognition*

Revenues for time and material services are recognized as and when the services are provided. Fixed price contract revenue is recognized using the percentage of completion method of accounting, under which sales value of performance, including earnings thereon is determined by relating the actual man-hours of work performed to date to the estimated total man hours for each contract. Any anticipated losses upon contract completion are recognized immediately.

Warranty costs on sale services provided are accrued based on management estimates and historical data.

(e) *Cash and cash equivalents*

Cash equivalents represent highly liquid investments with an original maturity of ninety days or less.

(f) *Property and equipment*

Property and equipment including assets under capital lease agreements are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method and is charged to income over the estimated useful lives of the respective assets. Assets under capital leases are amortized over the shorter of their useful life or the lease tenure.

(g) *Intangible assets*

Intangible assets represent identified intangible assets such as customer relationships, existing contracts, an assembled work force and product trademarks. Values have been assigned to the identified intangible assets based on an evaluation by management. The intangible assets are amortized on a straight-line basis over the periods estimated to be benefited.

(h) *Income taxes*

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are recognized in full, subject to a valuation allowance that reduces the amount recognized to that which is more likely than not to be realized.

(i) *Impairment of long-lived assets*

The Company reviews long-lived assets for impairment, whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The carrying values of long-lived assets are assessed for recoverability by reference to the estimated future undiscounted cash flows associated with them. Where this assessment indicates a deficit, the assets are written down to the market value. For assets that do not have a readily determinable market value, the assets are written down to their fair value, calculated by reference to their estimated future discounted cash flows.

(j) *Software*

Software product development costs are expensed as incurred until technological feasibility is achieved. Costs of enhancements to software products do not represent significant modifications to the underlying software, and are accordingly recorded as a period expense.

Software acquired or internally developed for meeting the needs of the Company is capitalized or expensed in accordance with Statement of Position 98-1. The capitalized costs of such software are amortized over the estimated useful life of the software.

(k) *Earnings per share*

In accordance with Statement of Financial Standards ("SFAS") No. 128, Earning Per Share, basic earnings per share are computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where results would be anti-dilutive.

(l) Accounting for stock options

The Company uses the intrinsic value based method of Accounting Principles Board ('APB') Opinion No.25 to account for its employee stock-based compensation plan. The Company has therefore adopted the pro forma disclosure provisions of SFAS No.123, 'Accounting for Stock-Based Compensation'.

(m) Financial instruments and concentration risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Trade receivables are not collateralized. To manage its credit risk, the Company performs ongoing credit evaluations of its customers and maintains reserves for credit losses.

(n) Reclassifications

Certain prior period amounts have been reclassified to conform to the current year's presentation.

4. STOCKHOLDER'S EQUITY

At initial capitalization of the Company, HCL contributed a $3,600,000 non-interest bearing note receivable for a 60% interest in the Company, and JM & Co. contributed its systems redevelopment business division, including the System Redevelopment Methodology ("TSRM") contained in software format, existing contracts, trademarks and certain employees, for a 40% interest in the Company and a $1,100,000 liability to JM & Co. The liability was to be paid by the Company as cash flow permitted, based on an agreed schedule during the two-year period ended June 30, 1998. The payment schedule was subsequently revised to be repaid by June 30, 1999. Accordingly, the entire liability of $1,100,000 was paid during the year ended on June 30, 1999. The Company assigned a fair value of $3,500,000 to the non-cash assets contributed, with $3,150,000 allocated to the TSRM software and the remainder allocated to other intangible assets.

Cash capital contributions of approximately $2,975,000 and $625,000 were received against the $3,600,000 note receivable from HCL during the years ended June 30, 1997 and 1998, respectively.

5. PROPERTY AND EQUIPMENT

As of June 30, 1999 and 2000 property and equipment comprise the following (in thousands):

	Estimated useful lives (in years)	1999	2000
Computer equipment	3	$ 388	$ 395
Software	3 to 3.5	3,223	3,277
Furniture and fixtures	4	146	146
		3,757	3,818
Accumulated depreciation and amortization		(3,404)	(3,655)
Property and equipment, net		$ 353	$ 163

Computer equipment includes equipment under capital leases aggregating to $372,700 as of June 30, 1999 and 2000. Accumulated depreciation and amortization includes accumulated amortization for software of approximately $3,058,000 and $3,205,905 as of June 30 1999 and 2000 respectively.

Depreciation expense for the year ended June 30, 1999 and 2000 is $1,431,000 and $338,508 including $1,244,000 and $146,029 respectively, for amortization of software and $75,400 and $44,653 respectively, on assets under capital leases.

In 1999, the Company had written down the value of the TSRM software by $550,000 on account of impairment. The impairment, which has been measured by considering future cash flows, was adjusted through the statement of operations. The impairment cost was included in the depreciation expense for the year ended June 30, 1999.

6. ALLOWANCE FOR ACCOUNTS RECEIVABLES

The Company maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors utilized by management in determining the adequacy of the allowance include the present and prospective financial condition of the debtor and the aging of the trade receivables. Allowance for uncollectible receivables aggregated $25,249 and $97,439 as of June 30, 1999 and 2000, respectively. The charge to the statement of income with respect to uncollectible receivables was $60,100 and $72,190 for the years ended June 30, 1999 and 2000, respectively.

7. LEASES

The Company acquired $92,200 of equipment under capital lease obligations during the year ended June 30, 1999. Interest paid for capital lease obligations during the years ended June 30, 1999 and 2000, was approximately $10,100 and $3,851, respectively.

Future lease commitments as of June 30, 2000 are as follows (in thousands):

2001	$ 13
Total minimum payments	13
Less: Amount representing future interest	-
Present value of minimum payments	13
Less: Current portion	13
Long term capital lease obligations	$ -

The Company has taken operating leases on certain office space, computer equipment, and furniture from JM & Co. For the years ended June 30, 1999 and 2000, total rent expense under the operating leases was $313,200 and $362,357, respectively.

Future lease rentals as of June 30, 2000 are as follows (in thousands):

2001	$ 254
2002	12
	$ 266

8. INTANGIBLE ASSETS

Intangible assets consist of customers relationships, existing contracts, an assembled work force and product trademarks associated with the TSRM business division contributed to the Company. The intangibles are being amortized over a period of 4 years. For each of the years ended June 30, 1999 and 2000, amortization expense was $87,500 and $88,984 respectively. At June 30, 1999 and 2000, accumulated amortization for intangible assets was approximately $262,000 and $350,000 respectively.

9. SIGNIFICANT CUSTOMERS

Historically, the Company has derived a significant portion of its revenues from a relatively limited number of clients. In the years ended June 30, 1999 and June 30, 2000 the Company has derived almost 56% and 62 % of its revenues respectively from its four largest customers.

10. LINE OF CREDIT

The Company had a working line of credit agreement with Silicon Valley Bank. Under the agreement, the Company could borrow the lesser of $2,500,000 ($2,000,000 till October 26, 1999) or 80% (75% until October 27, 1999) of eligible billed domestic trade accounts receivable. The agreement required repayment in 36 equal monthly installments and the borrowings bore interest at the rate of prime plus 1.5 percent and were collateralized by a first position lien and security interest on all business assets and guaranteed by HCL. The line of credit arrangement has ceased to exist with effect from June 2, 2000 and the Company has repaid all dues including the unpaid interest dues by June 9, 2000. The effective interest rate was 8.5% per annum.

11. INCOME TAXES

The income tax benefit for the years ended June 30, 1999 and 2000, consists of the following (in thousands):

	1999	2000
Current tax expense	$ 20	$ 82
Deferred tax expense	395	(920)
Total income tax expense (benefit)	$ 415	$ (838)

The income tax benefit for the years ended June 30, 1999 and 2000, varied from the amount computed by applying the U.S. Federal income tax rate of 34 percent to the income (loss) before income taxes as follows (in thousands):

	1999	2000
Income tax benefit (expense) at federal statutory rate	$ 160	$ (942)
State income tax benefit (expense), net	19	(181)
Non deductible amortization expense	467	55
Change in valuation allowance	-	116
Other	(231)	114
Income tax expense (benefit)	$ 415	$ (838)

The components of the Company's net deferred tax asset as of June 30, 1999 and 2000, consist of the following (in thousands):

	1999	2000
Net operating loss carry forwards	$354	$1,067
Allowance for doubtful debts	-	40
Accrued employee costs	-	107
Stock based sales incentive	-	44
Amortization of Intangible assets	-	149
Less: Valuation allowance	-	(116)
Net deferred tax asset	$354	$1,291

The Company's current deferred tax liability as of June 30, 1999 and 2000 are as follows (in thousands):

	1999	2000
State taxes	$ (43)	$ (60)

The net deferred tax asset is presented in the balance sheet as follows (in thousands):

	1999	2000
Current deferred tax asset	$	$ 1,214
Non current deferred tax asset	354	77
Total deferred tax assets	354	1,291
Current deferred tax liability	43	60
Net deferred tax assets	$ 311	$ 1,231

Pursuant to the scheme of proposed merger of Intelicent Inc. into HCL Technologies America Inc., the operating losses of Intelicent will be absorbed/ adjusted against the operating profits of HCL Technologies America Inc. in future. Management believes it is more likely than not that the entire net deferred tax asset will be realized in future by HCL Technologies America Inc.. Accordingly, the Company has not recorded a valuation allowance against the remaining deferred tax asset.

12. GROUP COMPANY TRANSACTIONS

System Redevelopment Services

During the normal course of business, the Company performs system redevelopment services directly for and subcontracts systems redevelopment services from the group companies. In addition, the Company subcontracts certain system redevelopment work to group companies. During the years ended June 30, 1999 and 2000, revenues from services performed for group companies were approximately $3,096,000 and $511,320, respectively. Costs of services received from group companies were approximately $503,000 and $936,897 during the years ended June 30, 1999 and 2000, respectively.

Leases

The Company subleases certain office space, computer equipment, and furniture from JM & Co. (a related party until February 1999). The details of these expenses are given in note 7.

Loans

The Company has borrowed short-term loans from HCL Technologies America Inc. (a company under common control) during the years ended June 30, 1999 and June 30, 2000. The details are hereunder (in thousands):

	Years ended 1999	2000
Borrowings outstanding at the beginning of the year	-	$500
Short term borrowings during the year	$500	$750
Repayments during the year	-	$(500)
Borrowings outstanding at year end	$500	$750
Rate of interest	8%	8%

13. EMPLOYEE BENEFIT PLANS

In July 1996, the Company adopted a Savings and Investment Plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all full-time employees who are at least 21 years of age. Participants may contribute up to 15% of pretax compensation, subject to certain limitations. For participants with at least one year of service, with Intelicent, or an affiliated company, the Company will match 50 percent of the participants' annual contribution up to a maximum of $5,000. For the years ended June 30, 1999 and 2000, the Company contributed $66,700 and $127,349, respectively, to the plan.

14. STOCK OPTION PLAN

The Company had adopted a stock option plan in August 1997. Under the plan, the Company may grant options to its employees and directors. Options granted will be exercisable at the fair market value of the Company's common stock at the date of the grant and expire ten years after the date of the grant. The vesting period of these options is 3 years. The Company has followed APB Opinion No.25 in accounting for the options issued under the plan. Details of options issued and outstanding under the plan are as follows:

As of June 30	1999		2000	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
Outstanding at the beginning of the year	237,500	$ 1.00	642,500	$ 1.63
Granted during the year	616,500	$ 1.82	78,500	$ 5.81
Forfeited during the year	(206,500)	$ 1.52	(258,962)	$ 2.53
Exercised during the year	-	$ -	-	$ -
Re-purchased during the year	(5,000)	$ 1.00	(145,039)	$ 1.99
Cancelled	-	$ -	(316,999)	$ 1.06
Outstanding at the end of the year	642,500	$ 1.63	-	-
Exercisable at the end of the year	124,333	$ 1.24	-	-
Weighted average fair value of the grants during the year	-	$ 1.82	-	$ 5.81

During the year ended June 30, 2000, the Company re-purchased 145,039 options for cash consideration. The Company has followed "FASB Interpretation No. 44–Accounting For Certain Transactions Involving Stock Compensation" in accounting for the re-purchase of options. Accordingly, the consideration paid to the employees for the re-purchase of options within six months from the dates of their vesting aggregating to $346,249 has been accounted for as stock compensation and the consideration paid for the re-purchase of options after six months from the dates of their vesting aggregating to $ 305,124 has been added to the accumulated deficit.

During the year ended June 30, 2000, the HCL Group adopted a scheme whereby options granted in Intelicent Inc. were surrendered by the employees and such surrendered options were immediately cancelled. Simultaneously, fresh options were granted to purchase shares in HCL Technologies Limited.

Since the options granted in Intelicent Inc. have either been re-purchased or cancelled, the proforma disclosure provisions of SFAS No. 123 have not been adopted.

15. PRIVATE PLACEMENT OF SHARES TO THE EMPLOYEES

In May 1999, the Company had privately issued 100,614 equity shares to its employees at a price of $3.70 per share and raised $ 372,272 in cash. The offering price was established on the basis of an independent fair market valuation of the Company's shares and accordingly no compensation cost was recognized at the time of issue of these shares. During the year ended June 30, 2000, the Company has re-purchased the entire lot of 100,614 shares issued to the employees at various prices.

The Company has followed "FASB Interpretation No. 44–Accounting For Certain Transactions Involving Stock Compensation" in accounting for the re-purchase of shares. Accordingly, the difference between the issue price and the re-purchase reconsideration aggregating to $ 116,377 has been accounted as stock compensation in cases where shares have been re-purchased within six months from the date of issue and the difference aggregating to $ 75,600 has been added to accumulated deficits wherever the shares have been re-purchased after six months from the date of issue.

16. STOCK BASED SALES INCENTIVE

During the year ended June 30, 2000, the Company along with its ultimate parent Company has entered into a software consulting and engineering service agreements obligating the customers either to commit and/or project revenues over a period of 5 years. On achievement of the revenues and/or on fulfillment of necessary conditions, the ultimate holding Company has agreed to grant stock options to these customers, with shares for the option plan to be currently provided through its principal shareholder.

The rights to acquire shares are normally exercisable in increments at a price either being agreed in advance or to be determined as a future date, after a specified minimum volume of services has been availed by the customer. These rights vest over a period ranging from 1 to 5 years and are exercisable within 10 years from the date of vesting.

The Company accounts for these options in accordance with the Emerging Issues Task Force Abstract No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ('E 96-18'). Pursuant to EITF 96-18, the Company has valued the rights using the Black-Scholes option-pricing model. The cost is being amortized ratably over the applicable service period. During the year ended June 30, 2000, the Company has amortized a total of $108,000 as sales incentive representing the pro-rata cost of stock options over the service period.

17. YEAR 2000

To date, the Company has not encountered any material Year 2000 issues concerning its respective computer programs. The Company's plan for the Year 2000 included replacing or updating existing systems (which were not year 2000 compliant), assessing the Year 2000 preparedness of computers and counter-parties and formulating a contingency plan to ensure business continuity in the event of unforeseen circumstances. All costs associated with carrying out the Company's plan for Year 2000 problem have been expensed as incurred.

DIRECTORS' REPORT

To the Members,

The Directors of your company have pleasure in presenting the Seventh Annual Report of the Company together with the Audited Accounts for the year ended June 30th, 2000.

Financial Highlights

The Financial performance of your company for the year ended 30th June 2000 is summarised as follows :

Rupees in Lacs

	Year ended 30th June, 2000	Period ended 30th June 1999 (Six months)
Turnover	11639.07	5075.88
Profit before Depreciation, Interest & Tax	2814.78	661.79
Profit before Depreciation & Taxes	2544.05	484.14
Profit before Tax	1940.47	401.78
Profit after Tax	1470.17	391.55

Operations Review

The year under review was an eventful year for COMNET as your Company attained new heights and the diversification steps taken by the company into different areas / technologies of networking solutions during 1998 & 1999 paid rich dividends. The Profit before Interest Depreciation & Tax (PBIDT) grew by 113%, the Profit Before Depreciation and Taxes (PBDT) increased by 163%. Profit Before Tax (PBT) grew by 141% and inspite of a large incidence of Income Tax this year, the Profit After Tax (PAT) grew by 88%. Such a large scale growth in bottom line has been made possible through (A) An improvement in revenue mix with service and software going up from 42% to 56% and; (B) A rigid control on "Administration and other expenses" which have been contained at the previous year level. The philosophy of the company has always been the stress on the bottom line and this has been truly reflected in the results of the current year.

Future Outlook

To survive a new-age battlefield, the Indian business enterprise needs to evolve an e-strategy. The road map to e-enablement entails evolving of f. step approach:

1. Create a reliable and flexible network
2. Ensure that the network is secure
3. Monitor and manage the network round the clock; and
4. Add e-commerce application to the network.

Your company has been following the same road map in diversifying its service offerings. Having achieved considerable progress in the area of Enterprise Networking and e-secure, your company has already taken initiatives in the area of monitoring and management of Information Technology Networks and has also undertaken development of networking related softwares. We are pleased to inform you that your company has received encouraging response in both these areas and visions itself to grow these businesses by leaps and bounds as it has done in the case of Enterprise Networking and e-secure. Having proven its presence in all four layers as stated above your company is seen by the customers as a One-stop-shop in e-enablement.

As a subsidiary of global enterprise i.e. HCL Technologies Ltd. your company has gained larger access into the global market and has already started making inroads in the global e-business. You will be pleased to know that your company has established units in the Software Technology Parks in the five cities in India.

Finance

We are pleased to inform that your company has been successful in making itself a "Zero Debt Company" through its internal accruals.This has been achieved despite pressing need to maintain higher working capital level to cater to increased business volume. Company's present business requires extensive usage of Non-fund based banking facilities like Letter of Credit and Bank Guarantees. Our bankers have always supported us in extending these increased requirements at very competitive rates.

Directors

Shri Vineet Nayyar retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment. Board recommends his reappointment.

Shri Ajai Chowdhry resigned from the Board during the year.

Board wishes to place on record its appreciation for the valuable services provided by Shri Ajai Chowdhry to the growth of the Company.

Auditors

M/s BSR & Co., Chartered Accountants, New Delhi retires at the conclusion of the forthcoming Annual General Meeting and, being eligible offers themselves for reappointment.

Personnel

The Board wishes to place on record their appreciation of the contribution made by all the employees to the operations and achievements of the Company during the year under review. Information required Under Section 217(2A) of the Companies Act, 1956 as amended by the Companies Act, 1988 read with the Companies (Particulars of Employees) Rules, 1975 is appended hereto and forms part of this report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

The information required Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to this matter is appended hereto and forms part of this Report.

Acknowledgement

The Directors wish to thank the Government Authorities, Financial Institutions, Bankers and Shareholders for their co-operation and assistance extended to the Company.

For and on behalf of the Board

Place : Noida

Chairman

Date : 17th July, 2000

Information relating to conservation of Energy, Technology Absorption and Foreign Exchange earning / outgo, forming part of the Directors' Report in terms of section 217 (1) (e) of the Companies Act, 1956.

A. Conservation of Energy

The Company's operations do not involve energy consumption.

B. Technology Absorption

The companies operations are not based on any outside technology.

C. Total Foreign Exchange **(Rs. In lacs)**

	Year Ended 30, June 2000	Period ended June 30, 1999 (Six Months)
Earned :	257.22	18.45
Used :	124.00	98.86

AUDITORS' REPORT

To the Members of

HCL Comnet Systems and Services Limited

We have audited the attached Balance Sheet of HCL Comnet Systems and Services Limited as at 30 June 2000 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to the comments in the Annexure referred to in paragraph 1 above:

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

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

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

   (d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

   (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

   (i) in the case of Balance Sheet, of the state of affairs of the Company as at 30 June 2000; and

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

For BSR & Co.
Chartered Accountant

Place: San Diego
Date: July 7, 2000

Rajesh Jain
Partner

Annexure to the Auditors' Report

(Referred to in paragraph 1 of our report of even date)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on verification were material and have been properly dealt with in the books of account.

2. The fixed assets of the Company have not been revalued during the year.

3. The stocks of finished goods have been physically verified by the management during the year. In respect of stock lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of such verification is reasonable.

4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.

6. On the basis of our examination of stock records, we are of the opinion that, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.

7. The Company has not taken or granted any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, or from the companies under the same management as defined by sub-section (1B) of section 370 of the Companies Act, 1956.

8. The Company has not granted any loans or advances in the nature of loans except loans to employees, who are repaying principal and interest thereon, wherever applicable, as stipulated. In one of the cases, where principal amount is not being paid as stipulated, reasonable steps have been taken by the Company for recovering the principal.

9. In our opinion, and according to the information and explanations given to us, having regard to the explanations that certain items finished goods, plant and machinery, equipment and other assets purchased are specific to the Company's technical requirements, in respect of which comparable alternative quotations are not considered necessary, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of finished goods, plant and machinery and other assets and for the sale of goods.

10. In our opinion and according to the information and explanations given to us, the transactions for sale of goods and services made in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods or services. The Company has no transactions for purchase of goods made in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956.

11. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stocks. Adequate provision has been made in these accounts for the loss on the items so determined.

12. The Company has not accepted any deposits from the public.

13. The Company's operations do not generate any scraps or by-products.

14. The Company has an internal audit system. In our opinion, the scope of work needs to be strengthened to be commensurate with its size and nature of its business.

15. As informed to us, the provisions of clause 4A(xvi) regarding maintenance of cost records are not applicable to the Company.

16. The Company regularly deposited Provident Fund and Employees State Insurance dues with the appropriate authorities during the year.

17. As informed to us, no undisputed amounts payable in respect of income-tax, wealth tax, sales tax and customs duty were outstanding, as at 30 June 2000, for a period more than six months from the date they became payable.

18. According to information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practice.

19. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

20. In respect of Company's service activities, we further report as follows:

20.1 in our opinion, the Company has a reasonable system of recording receipts, issues and consumption of material and stores commensurate with its size and nature of its business. The Company does not have a system of allocation of materials consumed to the relative jobs.

20.2 as the services rendered are billed to customers at pre-determined rates, the allocation of man-hours utilised to the relative jobs has not been considered necessary by the Company.

20.3 in our opinion, there is a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and nature of its business, for issue of stores to jobs.

21. In respect of Company's trading activities, damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on items so determined.

Place : San Diego
Date : July 7, 2000

For BSR & Co,
Chartered Accountants
Rajesh Jain
Partner

Balance Sheet as at 30 June 2000

(All amounts in Indian rupees)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	128,093,690	127,630,890
Reserves and surplus	2	195,500,000	195,500,000
		323,593,690	323,130,890
Loan funds			
Secured loans	3	-	153,202,368
Unsecured loans	4	177,733	5,177,733
		323,771,423	**481,510,991**
Application of funds			
Fixed assets	5		
Gross block		245,302,880	219,402,618
Less: Accumulated depreciation		(79,005,553)	(34,532,127)
Net block		166,297,327	184,870,491
Capital work in progress		773,004	93,500
Capital goods in transit		8,164,593	-
		175,234,924	184,963,991
Current assets, loans and advances			
Inventories	6	115,253,811	66,176,222
Sundry debtors	7	382,785,466	212,029,179
Cash and bank balances	8	99,900,714	89,410,848
Loans and advances	9	55,515,506	48,336,217
		653,455,497	415,952,466
Less: Current liabilities and provisions	10	(549,847,048)	(311,349,969)
Net current assets		103,608,449	104,602,497
Profit and loss account		44,928,050	191,944,503
		323,771,423	**481,510,991**
Notes to the accounts	17		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: San Diego
Date: July 7, 2000

For HCL Comnet Systems and Services Limited

Vineet Nayyar
Director

Vineet Nayar
Wholetime Director

Verinder Khashu
Company Secretary

Sandip Gupta
Associate Vice President (Finance)

Place: Noida
Date: July 4, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in Indian rupees)

	Schedule No.	Year ended 30 June 2000	For the period 1 January 1999 to 30 June 1999
Income			
Sales and services	11	1,144,375,138	471,081,038
Other income	12	19,531,366	34,220,313
		1,163,906,504	**505,301,351**
Expenditure			
Cost of sales	13	494,519,958	260,634,228
Personnel expenses	14	96,561,941	39,319,365
Administration and other expenses	15	291,346,349	139,168,669
Finance charges	16	27,073,240	17,764,482
Depreciation		60,357,693	8,236,906
		969,859,181	**465,123,650**
Profit before tax		**194,047,323**	**40,177,701**
Provision for income tax		(47,000,000)	-
Provision for wealth tax		(30,870)	(44,599)
		147,016,453	40,133,102
Earlier years income tax paid		-	(977,615)
Profit after tax		**147,016,453**	**39,155,487**
Balance brought forward		(191,944,503)	(231,099,990)
Balance carried forward to the balance sheet		**(44,928,050)**	**(191,944,503)**
Notes to the accounts	17		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: San Diego
Date: July 7, 2000

For HCL Comnet Systems and Services Limited

Vineet Nayyar
Director

Vineet Nayar
Wholetime Director

Verinder Khashu
Company Secretary

Sandip Gupta
Associate Vice President (Finance)

Place: Noida
Date: July 4, 2000

Schedules forming part of the accounts

(All amounts in Indian rupees)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
20,000,000 (Previous period 20,000,000) equity shares of Rs.10 each	**200,000,000**	**200,000,000**
Issued, subscribed and paid up		
12,809,369 (Previous period 12,763,089) equity shares of Rs 10 each, fully paid up	128,093,690	127,630,890
[Out of the above, 12,793,904 equity shares, (previous period nil) are held by HCL Technologies Limited, the holding company]		
	128,093,690	**127,630,890**

Schedule 2: Reserves and surplus

	As at 1 July 1999	Additions	Deductions	As at 30 June 2000
Share premium account	195,500,000	-	-	195,500,000
	(195,500,000)			(195,500,000)

Note

Previous period figures are in brackets.

	As at 30 June 2000	As at 30 June 1999
Schedule 3: Secured loans		
From financial institutions		
Term loan	-	76,000,000
From banks		
Term loan	-	8,965,498
Foreign currency loan	-	67,857,817
Others	-	323,336
Interest accrued and due	-	55,717
	-	153,202,368

Notes

1 Term loans from a financial institutions and a bank are secured by equitable mortgage of the Company's property at Mumbai and all movable properties except book debts subject to prior charge by hypothecation of tangible current assets in favour of Company's working capital for fund and non fund facilities.The term loans are also secured by personal guarantee of two directors.

2 Short term loans, cash credit and non fund based facilities for working capital from the banks are secured by hypothecation and/ or pledge of entire tangible current assets of the Company, book debts and other receivables in respectof six banks and in addition, second charge on movable properties including plant and machinery in favour of two banks. Both fund and non fund base facilities are guaranteed by two directors in favour of one bank and by one director in favour of an another bank.

3 The charge ranks pari passu respectively amongst the lenders stated in 1 & 2 above.

Schedule 4: Unsecured loans

Inter corporate deposit	-	5,000,000
Interest accrued and due	177,733	177,733
	177,733	5,177,733

Schedule 5: Fixed assets

	As at 1 July 1999	Additions during the year	Disposal/ adjustments	As at 30 June 2000
Gross block				
Building	62,211,530	-	-	62,211,530
Plant and machinery	89,837,997	63,285,040	45,683,684	107,439,353
Office equipment	50,570,445	17,129,945	11,591,220	56,109,170
Furniture and fixtures	9,717,522	2,506,465	1,229,132	10,994,855
Motor vehicles	7,065,122	2,360,317	877,467	8,547,972
	219,402,616	85,281,767	59,381,503	245,302,880
Previous period	213,719,937	22,771,348	17,088,666	219,402,619
Accumulated depreciation				
Building	3,509,887	3,559,402	-	7,069,289
Plant and machinery	13,867,222	24,234,859	9,704,616	28,397,465
Office equipment	12,522,669	25,527,838	5,106,287	32,944,220
Furniture and fixtures	3,359,689	4,321,312	859,603	6,821,398
Motor vehicles	1,272,661	2,714,282	213,762	3,773,181
	34,532,128	60,357,693	15,884,268	79,005,553
Previous period	27,432,768	8,236,906	1,137,546	34,532,128
Net block	184,870,488			166,297,327
Previous period	186,287,169			184,870,491

	As at 30 June 2000	As at 30 June 1999
Schedule 6: Inventories		
Project items	70,222,988	54,283,836
Work in progress	103,371	934,681
Goods in transit	44,927,452	10,957,705
	115,253,811	66,176,222

Schedule 7: Sundry debtors (Unsecured)

Considered good		
Outstanding for more than six months	55,069,344	19,029,294
Other debts (refer note)	327,716,122	192,999,885
Considered doubtful		
Outstanding for more than six months	6,464,925	35,005,619
Other debts	3,938,754	1,917,000
Less: Provision for doubtful debts	(10,403,679)	(36,922,619)
	382,785,466	212,029,179

Note

Includes Rs. 20,011,015 recoverable from HCL Technologies America Inc. (previous period Rs Nil), a company under the same management within the meaning of section 370(1-B) of the Companies Act, 1956.

Schedule 8: Cash and bank balances

Cash in hand	252,905	244,113
Cheques in hand	20,019,946	1,556,609
Balances with scheduled banks		
- On current accounts	63,750,162	41,149,156
- On fixed deposit accounts (refer note)	15,877,701	46,460,970
	99,900,714	89,410,848

Note

Includes Rs. 15,877,701 (previous period Rs 39,960,970) pledged with banks in respect of guarantees issued by them.

Schedule 9: Loans and advances
(unsecured and considered good unless otherwise stated)

Advances receivable in cash or in kind or value to be received		
- Considered good (refer note)	55,192,967	36,344,105
- Considered doubtful	2,261,635	2,261,635
Interest accrued but not due	322,539	1,406,908
Advance income tax (net of provision for income-tax)	-	10,585,204
	57,777,141	50,597,852
Less: Provision for doubtful advances	(2,261,635)	(2,261,635)
	55,515,506	48,336,217

Note

Includes due from officers of the company Rs. 428,725 (Previous period Rs 595,381).
Maximum amount due at any time during the year Rs. 1,149,496 (Previous period Rs 1,480,547).

	As at 30 June 2000	As at 30 June 1999
Schedule 10: Current liabilities and provisions		
Current liabilities		
Sundry creditors		
- Due to small scale industrial undertakings (refer note)	2,353,353	608,995
- Others	242,434,936	136,523,957
Other liabilities	5,251,242	2,966,948
Interest accrued but not due	1,106,011	5,952,930
Unaccrued income	155,973,687	134,610,957
Advances from customers	119,215,145	14,562,457
Unclaimed dividend	106,653	106,653
	526,441,027	295,332,897
Provisions		
Income tax (net of advance tax)	18,102,523	-
Wealth tax	30,870	81,895
Warranty	2,790,000	13,578,661
Retirement benefits	2,482,628	2,356,516
	23,406,021	16,017,072
	549,847,048	311,349,969

Note

Includes Rs.182,866 in respect of interest on delayed payments to small scale industrial undertakings.

Schedule 11: Sales and services

	Year ended 30 June 2000	For the Period 1 January 1999 to 30 June 1999
Network-project items	581,311,639	270,777,962
Network-installation, usage and other services	473,683,916	200,303,076
Software and related technical services	89,379,583	-
	1,144,375,138	471,081,038
Schedule 12: Other income		
Interest [Tax deducted at source Rs. 105,607 (Previous period Rs.28,123)]	1,733,067	1,505,870
Insurance claim received	427,617	798,234
Rent	-	114,118
Liabilities/provisions/credit balances written back	15,172,738	27,712,719
Miscellaneous income	2,197,944	4,089,372
	19,531,366	34,220,313
Schedule 13: Cost of sales		
Opening stock	54,283,836	96,114,970
Add: Purchases	510,459,110	218,803,094
Less: Closing stock	(70,222,988)	(54,283,836)
	494,519,958	260,634,228
Schedule 14: Personnel expenses		
Salaries, wages and bonus	87,063,395	35,727,402
Contribution to provident and other funds	4,627,792	2,014,424
Staff welfare	4,870,754	1,577,539
	96,561,941	39,319,365
Schedule 15: Administration and other expenses		
Rent	17,623,310	6,905,420
Electricity and water	2,849,426	984,559
Warranty	-	13,578,661
Insurance	5,823,883	1,658,053
Repairs and maintenance		
- Plant and machinery	275,625	280,000
- Others	29,035,207	9,662,368
Communication	15,123,059	5,649,120
Travel and conveyance	34,975,681	13,189,846
Business promotion	823,167	853,694
Legal and professional charges	20,610,571	4,982,473
Lease rent	2,234,496	1,819,760
Printing and stationery	3,133,749	1,442,292
Rates and taxes	3,418,502	502,385
Advertising and publicity	3,221,165	414,596
Books and periodicals	189,903	98,211
Recruitment, training and development	12,063,602	3,152,306
Miscellaneous expenses	4,606,714	3,213,742
Fixed assets scrapped/ written off	42,542,617	15,785,066
Bad debts	2,311,291	1,199,346
Provision for doubtful debts	18,944,560	19,830,316
License and transponder fees	61,638,454	24,465,218
Loss on sale of assets	270,486	-
Exchange loss (net)	1,773,120	5,170,332
Freight and cartage	6,169,590	-
Commission on sales	1,688,171	4,330,905
	291,346,349	139,168,669
Schedule 16: Finance charges		
Interest - term loans	6,975,861	7,758,578
- others	11,120,864	6,113,189
Bank charges	8,976,515	3,892,715
	27,073,240	17,764,482

Schedule 17: Notes to the accounts

1. **Significant accounting policies**

(i) **Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

(ii) **Use of estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates.

(iii) **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.

(iv) **Depreciation**

Depreciation on fixed assets is provided on the straight-line method based on estimated useful lives, as estimated by the management. 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 estimates of the useful life of the various fixed assets is as follows:

Life	(in years)
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4
Computers and software	3
Furniture and fixtures	4
Hard furnishing to employees	3
Vehicles	5
VSAT equipment on hire	5

(v) Inventories

Inventories is valued at lower of cost and net realisable value, the cost being calculated on the basis of weighted average price method.

(vi) Revenue recognition

Sales are recorded on despatch of goods to customer and exclude sales tax. Income from services is recognised as follows:

- Revenue from installation services is recognised on the completion of installation activity in accordance with the terms of the customer agreement.
- Revenue from network access charges like bandwidth charges, DOT/ WPC charges are recognised based on the activation of satellite equipment on a pro-rata basis over the period of contract.
- Revenue from maintenance services are recognised on a pro-rata basis over the period of contract.

Anticipated losses, if any, upto the completion of contract are recognised immediately. Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction.

(vii) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. The leave encashment and gratuity of the company is provided on the basis of an actuarial valuation.

(viii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year-end rates and resultant gains/ losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Gains/ losses on the translation of foreign exchange liabilities incurred to acquire fixed assets are adjusted in carrying cost of such fixed assets. The cost of forward exchange contract is amortised over the period of the contract.

(ix) Retirements benefits

Contributions to provident fund are deposited with a recognised provident fund. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

(x) Warranty

Provision for warranty is calculated on the basis of unexpired warranty period of VSAT's installed during the year, which is calculated on the basis of annual maintenance cost of VSAT's.

(xi) Taxation

1. Provision for tax is made on the basis of taxable income for the previous year ended on 31 March and estimated taxable income for the three months ended 30 June. Taxable income for the three months ended 30 June is dependent upon the estimated results of subsequent nine months ending on 31 March of the following fiscal year.

2. During the year ended 30 June 2000, the Company revised the estimated useful life of the fixed assets. Accordingly, depreciation on fixed assets has been provided on the straight-line method, based on useful lives as estimated by the management, which have been disclosed in note 1(iv) of schedule 17 forming part of accounts. In the earlier years depreciation was calculated on the straight-line method at the rates prescribed in schedule XIV to the Companies Act, 1956 except for hard furnishing (31.6% and 33.33%) and leased out VSAT equipment (19 & 23%). As a result of the change in estimated useful lives, depreciation for the year is higher and the net block and profit for the year is lower by Rs. 41,285,517.

3. Additions to fixed assets include exchange difference capitalised amounting to Rs. 356,362 (Previous period: deletions to fixed assets amounting to Rs. 33,705).

4. During the year ended 30 June 2000, plant and machinery amounting to Rs. 34,247,884 (net block) have been written off in the books of account, as in opinion of the management, these assets do not have any further economic useful life. (Previous period Rs. 15,785,066).

5. The discrepancies noticed on physical verification of fixed assets amounting to Rs. 8,293,635 (net block), have been written off in the books of account. (Previous period Nil).

6. The future lease obligations in respect of assets taken on lease are Rs. 674,578. (Previous period Rs. 6,694,192).

7. The estimated value of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 26,396,121 (Previous period Rs. 20,900,000).

8. Claims against the company not acknowledged as debts – Rs 704,115 (previous year – nil).

		Year ended 30 June 2000	For the period 1 January 1999 to 30 June 1999
9.	Managerial remuneration		
	Salary	2,538,000	1,656,500
	Contribution to provident and other funds	86,400	60,508
	Other perquisites	875,954	178,531
		3,500,354	**1,895,539**
	Note: Managerial remuneration excludes provision for leave encashment and gratuity.		
10.	Payment to auditors		
	Statutory audit	400,000	350,000
	Tax audit	200,000	150,000
	Other services	1,350,000	-
	Out of pocket expenses (excluding service tax)	36,900	-
		1,986,900	**500,000***
	* paid to previous auditors.		
11.	CIF value of imports		
	Trading goods	228,492,548	116,757,504
	Capital goods	48,537,429	1,188,649
		277,029,977	**117,946,153**
12.	Expenditure in foreign currency (on cash basis)		
	Travel	1,112,260	2,772,928
	Annual maintenance contracts	10,776,513	7,113,721
	Others	511,369	-
		12,400,142	**9,886,649**
13.	Earnings in foreign currency		
	Income from software and technical services	22,861,583	-
	Sale of material	1,986,886	-
	Commission	873,948	1,845,782
		25,722,417	**1,845,782**

14. Particulars of purchases, sales and closing stock of goods dealt in by the company:
(as certified by the management)

	Opening Stock		Purchases		Sales		Closing Stock	
	Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)
Satellite Communication Equipment								
Basic VSAT Equipment	23	14,028,041	499	196,725,083	402		120	+35,985,273
	(52)	(35,779,453)	(83)	(97,134,608)	(112)		(23)	(14,028,041)
						246,611,606		
						(141,783,183)		
Antenna	25	1,542,655	684	32,256,807	631		78	3,358,580
	(66)	(4,336,335)	(59)	(8,263,892)	(100)		(25)	(1,542,655)
Data Communication Equipment								
Hub	107	2,908,913	59	2,118,837	148		18	596,521
	(106)	(2,954,203)	(132)	(2,108,825)	(131)		(107)	(2,908,913)
Router	13	454,344	135	1,879,651	141	186,089,514	7	333,776
	(17)	(2,625,023)	(22)	(3,775,755)	(26)	(76,539,675)	(13)	(454,344)
Others		409,894		142,847,110				4,588,169
		(6,289,377)		(59,863,344)				(409,894)
Radio Communication Equipment								
Radio Equipment	111	3,455,400	638	15,110,227	626		123	2,773,067
	(354)	(2,063,860)	(370)	(22,732.154)	(613)		(111)	(3,455,400)
						17,864,993		
						(25,833,805)		
Others		469,086		2,261,615				-
		(292,745)		(839,996)				(469,086)
Customer care organisation								
Eicon Cards	-	-	685	32,270,357	672	42,472,139	13	1,383,375
	(6)	(406,025)	(132)	(9,069,230)	(138)	(11,525,567)	-	-
Others		30,121,017		5,925,055		-		19,082,960
		(41,367,949)		(5,628,306)		(5,785,247)		(30,121,017)
Others		894,486		70,985,119		88,273,387		2,121,267
		-		(9,386,984)		(10,145,257)		(894,486)
		54,283,836		510,459,110		581,311,639		70,222,988
		(96,114,970)		(218,803,094)		(270,777,962)		(54,283,836)

Notes:
Previous period figures are given in brackets.
Quantities have been shown wherever determinable.

15. Previous period figures have been reclassified / re-grouped to conform to current year's classification.

16. Current year figures are not comparable with that of the previous period as the previous period was for less than twelve months.

For HCL Comnet Systems and Services Limited

Vineet Nayyar
Director

Vineet Nayar
Wholetime director

Verinder Khashu
Company Secretary

Sandip Gupta
Associate Vice President (Finance)

Place: Noida
Date: July 4, 2000

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No. 55-56665 State Code 55

Balance Sheet Date *30 June 2000*

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

Public issue	Rights issue
Not applicable	*Not Applicable*
Bonus issue	Private placement
Not Applicable	*463*

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

Total Liabilities	Total Assets
323,772	*323,772*
Sources of Funds	
Paid-Up capital	Reserves & Surplus
128,094	*195,500*
Secured loans	Unsecured loans
Nil	*178*
Application of Funds	
Net Fixed Assets	Investments
175,235	*Nil*
Net Current Assets	Misc. Expenditure
103,609	*Nil*
Accumulated Losses	
44,928	

IV. Performance of company (Rupees in thousands)

Turnover	Total expenditure
1,163,906	*969,859*
Profit before tax	Profit after tax
194,047	*147,016*
Earnings per share (Rs)	Dividend rate %
11.48	*Nil*

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

Product description:	VSAT terminals
Item code (ITC code):	8525201110
Product description:	Satellite communication equipment
Item code (ITC code):	851750

For HCL Comnet Systems and Services Limited

Vineet Nayyar	**Vineet Nayar**
Director	Whole time Director
Verinder Khashu	**Sandip Gupta**
Company Secretary	Associate Vice President (Finance)

Place: Noida

: July 4, 2000

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the **Fifth Annual Report** of the Company together with the Audited Accounts of the Company for the year ended **June 30, 2000**.

FINANCIAL HIGHLIGHTS **(Rs. in millions)**

	(For the year ended) **30/6/2000**	(For the period ended) **30/6/1999**
Turnover	68	36
Profit before Taxation	22	28
Provision for Taxation	01	0
Profit after Tax	21	28
Profit brought from earlier years	28	0
Profit transfered to Balance Sheet	49	28

Operations Review

During the year under review the turnover of the company rose to Rs. 68 millions as against Rs. 36 millions in the previous financial period registering a growth of 87%. The Profit for the year ended 30th June, 2000 is Rs. 21 millions as against Rs. 28 millions in the previous period. In order to further strengthen financial & liquidity position of the company, your directors wish to plough back the entire profits in to the business operations and hence do not recommend dividend for the year under review.

Directors

During the year under review M/s. Ajai Chowdhry, Rita Gupta and Neelesh Agarwal, Directors resigned from the Board of Directors of the Company effective May 24,2000 Your Directors place on record their appreciation for the valuable services rendered by them during their tenure as Directors of the Company.

During the year under review M/s. Anil Chanana, Sujit Baksi and Rajiv Sodhi were co-opted as Additional Directors of the Company on March 1,2000 and they hold office upto the ensuing Annual General Meeting. The Company has received notices under Section 257 of the Companies Act 1956,proposing their candidature for being appointed as Directors of the Company.

Fixed Deposit

Company has not invited / repaid any fixed deposit during the year under review.

Auditors

M/S BSR & Co., Chartered Accountants, retire as Auditor of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if reappointed.

Particulars of Employees

There are no employees of the Company drawing remuneration as per the limits prescribed by **Section 217(2A)** of the Companies Act,1956.

Conservation of Energy, Technology Absorption And Foreign Exchange Earnings/Outgo

As the Company has no manufacturing operations, there are no particulars to be furnished with regard to conservation of Energy / Technology absorption. Foreign exchange earnings aggregated to Rs. 66 million (previous year Rs. 36 million) and expenditure in foreign currency aggregated to Rs. 41 million (previous year Rs. 6 million).

Acknowledgment

The Directors wish to record their appreciation for the services rendered by various employees and agencies in connection with the working of the Company .

For Intelicent India Limited

New Delhi **Director** **Director**

Date : July 31, 2000

Auditors' Report

To the Members of
Intelicent India Limited
[formerly HCL James Martin (India) Limited]

We have audited the attached Balance Sheet of Intelicent India Limited [formerly HCL James Martin (India) Limited] as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to the comments in the Annexure referred to in paragraph 1 above:
   (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 the books;
   (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and
   (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
      (i) in the case of Balance sheet, of the state of affairs of the Company as at 30 June 2000; and
      (ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **BSR & Co.**
Chartered Accountants

Place: New Delhi **Rajesh Jain**
Date: August 2, 2000 Partner

Annexure to the Auditors' report

(Referred to in paragraph 1 of our report of even date.)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. As informed to us, the fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.

3. The Company has not taken or granted any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or from companies under the same management as defined by sub-section (1-B) of section 370 of the Companies Act, 1956.

4. The Company has not granted any loans or advances in the nature of loans.

5. In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business, for purchase of equipment and other assets. There are no sale of goods.

6. There are no transactions of purchase of goods and materials or sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.

7. The Company has not accepted any deposits from the public.

8. The Company's operations do not generate any scrap or by-products.

9. As the paid up capital and average annual turnover did not exceed the stipulated minimum at the commencement of the financial year, the internal audit requirements are not yet applicable to the Company.

10. The Company being a service company, the provisions of clause 4A(xvi) regarding maintenance of cost records are not applicable.

11. As informed to us, the provisions relating to Provident Fund and Employees State Insurance are not yet applicable to the Company.

12. According to information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax and customs duty outstanding, as at 30 June 2000, for a period exceeding six months from the date they became payable.

13. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practice.

14. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

15. In respect of Company's service activities, we further report as follows:

15.1 as informed to us, the service activities of the Company do not involve consumption of any materials or stores.

15.2 since the services rendered are billed to customers at pre-determined rates, the allocation of man-hours utilised to the relative jobs has not been considered necessary by the Company.

16. As is apparent, the other clauses of the Order are not applicable to the Company.

For **BSR & Co.**
Chartered Accountants

Place: New Delhi
Date: August 2, 2000

Rajesh Jain
Partner

Balance Sheet as at 30 June 2000

(All amounts in Indian Rupees)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	1,060,700	1,060,700
Share application money pending allotment	2	8,323	8,323
Reserves and surplus	3	49,317,380	28,318,879
		50,386,403	**29,387,902**
Application of funds			
Fixed assets			
Gross block	4	572,963	407,491
Less : Accumulated depreciation		(369,535)	(321,823)
Net block		203,428	85,668
Current assets, loans and advances			
Sundry debtors	5	45,939,477	36,274,800
Cash and bank balances	6	15,630,916	1,058,082
Loans and advances	7	13,125	-
		61,583,518	37,332,882
Less: Current liabilities and provisions	8	(11,463,330)	(8,104,355)
Net current assets		50,120,188	29,228,527
Miscellaneous expenditure (to the extent not written off or adjusted)	9	62,787	73,707
		50,386,403	**29,387,902**
Notes to the accounts	13		

As per our report attached

For BSR & Co.
Chartered Accountants

For Intelicent India Limited

Rajesh Jain
Partner

Anil Chanana
Director

Rajiv Sodhi
Director

Place: New Delhi
Date: August 2, 2000

Place: New Delhi
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in Indian Rupees)

	Schedule No.	Year ended 30 June 2000	For the period 1 April 1998 to 30 June 1999
Income			
Software services		65,759,044	36,274,800
Other income	10	1,957,333	-
		67,716,377	**36,274,800**
Expenditure			
Cost of software development	11	42,756,748	7,012,398
Administrative and other expenses	12	3,102,496	743,041
Depreciation		47,712	75,863
Miscellaneous expenditure written off		10,920	13,650
		45,917,876	**7,844,952**
Profit before taxation		21,798,501	28,429,848
Less: Provision for income tax		(800,000)	-
Profit after tax		20,998,501	28,429,848
Balance bought forward		28,318,879	(110,969)
Balance carried forward to balance sheet		**49,317,380**	**28,318,879**

Notes to the accounts 13

As per our report attached

For BSR & Co.

Chartered Accountants

Rajesh Jain

Partner

Place: New Delhi

Date:

For Intelicent India Limited

Anil Chanana Director

Rajiv Sodhi Director

Place: New Delhi

Date:

Schedules forming part of the accounts

(All amounts in Indian Rupees)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
1,000,000 (previous period 1,000,000) equity shares of Rs. 10 each	10,000,000	10,000,000
Issued, subscribed and paid-up		
106,070 (previous period 106,070) equity shares of Rs 10 each, fully paid up [Includes 106,000 held by HCL Capital Private Limited, Bermuda, formerly HJM Holdings Private Limited, Bermuda, the holding company. The ultimate holding company is HCL Technologies Limited.]	1,060,700	1,060,700
	1,060,700	**1,060,700**
Schedule 2 : Share application money pending allotment		
Received from HCL Capital Private Limited, Bermuda, formerly HJM Holdings Private Limited, Bermuda, the holding company	8,323	8,323
	8,323	**8,323**
Schedule 3: Reserves and surplus		
Profit and loss account	49,317,380	28,318,879
	49,317,380	**28,318,879**

(All amounts in Indian Rupees)

	As at 30 June 2000	As at 30 June 1999
Schedule 5: Sundry debtors		
Unsecured, considered good		
Outstanding for less than six months [Due from body corporate under the same management - Intelicent Inc. Rs. 20,821,452 (Previous period Rs. 36,274,800)]	45,939,477	36,274,800
	45,939,477	**36,274,800**
Schedule 6: Cash and bank balances		
Balance with scheduled banks		
- in current accounts	1,780,916	1,058,082
- in deposit accounts	13,850,000	-
	15,630,916	**1,058,082**
Schedule 7: Loans and advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	13,125	-
	13,125	-
Schedule 8: Current liabilities and provisions		
Current liabilities		
Sundry creditors	10,744,372	7,713,305
Other liabilities	-	391,050
Provision		
Income tax (net of advance tax Rs. 81,042, previous period - nil)	718,958	-
	11,463,330	**8,104,355**
Schedule 9 : Miscellaneous expenditure		
(to the extent not written off or adjusted)		
Opening balance	73,707	87,357
Less : written off during the year/ period	(10,920)	(13,650)
	62,787	**73,707**
Schedule 10 : Other income		
Interest on fixed deposits (Tax deducted at source on above Rs. 81,042, previous year - nil)	504,967	-
Exchange gain	1,401,366	-
Excess provision written back	51,000	-
	1,957,333	-

Schedule 4: Fixed Assets

(All amounts in Indian Rupees)

	Gross Block			Depreciation			Net block	
	As at 1 July 1999	Additions	As at 30 June 2000	As at 1 July 1999	Depreciation for the year	As at 30 June 2000	As at 30 June 2000	As at 30 June 1999
Computers	392,377	165,472	557,849	320,878	45,147	366,025	191,824	71,499
Furniture	15,114	-	15,114	945	2,565	3,510	11,604	14,169
	407,491	**165,472**	**572,963**	**321,823**	**47,712**	**369,535**	**203,428**	**85,668**
Previous period	392,377	15,114	407,491	245,960	75,863	321,823	85,668	146,417

Schedule 11 : Cost of software development

Personnel expenses		
Salaries, wages and other allowances	2,191,024	562,398
Staff welfare	7,615	-
Software development charges	40,558,109	6,450,000
	42,756,748	**7,012,398**

Schedule 12 : Administration and other expenses

Travelling and conveyance	1,634,038	251,868
Printing and stationery	30,159	30,513
Auditors' remuneration	200,000	51,500
Rent	737,947	273,000
Communication	196,118	82,560
Entertainment and business promotion	126,350	-
Bank charges	14,049	-
Repairs and maintenance - others	48,960	-
Miscellaneous expenses	114,875	53,600
	3,102,496	**743,041**

Schedules forming part of the accounts

Schedule 13: Notes to accounts

1. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with the Indian Generally Accepted Accounting Principles, 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. All income and expenditure having a material bearing on the financial statements are recognised on an accrual basis.

(ii) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, and estimated useful life of fixed assets. Actual results could differ from these estimates.

(iii) Revenue recognition

Revenue from software developed on time and material basis is recognised in accordance with the terms of agreement. Revenue from fixed price contracts is recognised in accordance with the percentage completion method under which the sales value of performance including earnings thereon are recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upon completion of contract are recognised immediately.

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

(iv) Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Provisions are made for future unforeseeable factors, which may affect the ultimate profit on fixed price software development contracts. The cost of services for software development is charged to revenue in the same year.

(v) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation.

(vi) Depreciation

Depreciation on fixed assets has been provided on written down value basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

(vii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Exchange gain/loss relating to fixed assets are adjusted in the cost of concerned fixed assets.

(viii) Miscellaneous expenditure

Preliminary expenses are being written off over a period of 10 years from the year of incorporation.

	Year ended 30 June 2000	For the period 1 April 1998 to 30 June 19[illegible]
2. Auditors' remuneration		
Statutory audit (*includes Rs. 1,500 paid to erstwhile auditors)	150,000	51,500*
Tax audit	50,000	-
	200,000	**51,500**
3. Earnings in foreign currency		
Software development	65,759,044	36,274,800
Interest	302,359	-
	66,061,403	**36,274,800**
4. Expenditure in foreign currency		
Consultancy charges	40,558,109	6,450,000
	40,558,109	**6,450,000**
5. C.I.F. Value of imports		
Capital goods	165,472	-
	165,472	**-**

6. Previous period figures have been regrouped/ rearranged wherever necessary to conform with current year's classification.

7. Previous period figures are not comparable with that of current ye[ar] as previous period was for more than twelve months.

For Intelicent India Limited

Anil Chanana	**Rajiv Sodhi**
Director	Director

Place: New Delhi

Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No:	69891	State Code: 55
Balance Sheet date:	30 June 2000	

II. Capital raised during the year (Rs. in thousands)

Public Issue	Rights issue
Not applicable	*Not applicable*
Bonus Issue	Private placement
Not applicable	*Not applicable*

III. Position of mobilisation and development of funds (Rs. in thousands)

Total Liabilities	Total Assets
50,386	*50,386*
Sources of funds	
Paid up Capital*	Reserves & Surplus
1,069	*49,317*
Secured Loans	Unsecured loans
NIL	*NIL*

* includes Rs. 8,323 on account of share application money pending allotment

Application of funds	
Net fixed Assets	Investments
203	*Not applicable*
Net current Assets	Misc. Expenditure
50,120	*63*
Accumulated Losses	
Not applicable	

IV. Performance of company (Rs. in thousands)

Turnover (includes other income)	Total expenditure
67,716	*45,918*
Profit Before Tax	Profit After Tax
21,798	*20,998*
Earnings per share	Dividend Rate %
197.96	-

Intelicent India Limited
[formerly HCL James Martin (India) Limited)]
Balance Sheet Abstract and Company's General Business Profile

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

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

For Intelicent India Limited

il Chanana	**Rajiv Sodhi**
.ector	Director

Place: New Delhi
Date: July 31, 2000

HCL Capital Private Limited, Bermuda

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

	(*US Dollars in thousands*) Years Ended June 30,	
	2000	**1999**
Profit /(Loss) after Tax	(6)	(2)

CHANGE OF NAME:

During the year, your Company changed its name from HJM Holdings Pvt. Ltd. to HCL Capital Pvt. Ltd.

DIVIDEND AND TRANSFER TO RESERVES:

Your directors have not recommended any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if re-appointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, vendors, and employees for their cooperation and assistance extended to the Company.

For and on behalf of the Board

Place: New Delhi
Date: July 31, 2000

Director

AUDITORS' REPORT

To the Members of
HCL Capital Private Limited, Bermuda
(formerly HJM Holdings Private Limited, Bermuda)

We have audited the attached Balance Sheet of HCL Capital Private Limited, Bermuda (formerly HJM Holdings Private Limited, Bermuda) as at 30 June 2000 and the Profit and Loss Account for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

 (i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

 (ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Place: New Delhi
Date: August 2, 2000

Rajesh Jain
Partner

Balance Sheet as at 30 June 2000

(All amounts in USD)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	12,000	-
Share application money pending allotment	2	-	12,000
Loan funds			
Unsecured loan	3	39,000	38,000
		51,000	**50,000**
Application of funds			
Investments	4	25,000	25,000
Current assets, loans and advances			
Cash at bank	5	18,264	23,579
		18,264	23,57[illegible]
Less: Current liabilities	6	1,000	1,0[illegible]
Net current assets		17,264	22,579
Profit and loss account		8,736	2,421
		51,000	**50,000**
Notes to the accounts	8		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Capital Private Limited, Bermuda

Director **Director**

Place: New Delhi
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in USD)

	Schedule No.	Year ended 30 June 2000	For the period 17 February 1999 to 30 June1999
Income			
Interest income		618	-
		618	[illegible]
Expenditure			
Administration and other expenses	7	6,933	2,421
		6,933	**2,421**
Loss for the year/period		(6,315)	(2,421)
Balance brought forward		(2,421)	-
Balance carried forward to the balance sheet		**(8,736)**	**(2,421)**
Notes to the accounts	8		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Capital Private Limited, Bermuda

Director **Director**

Place: New Delhi
Date: July 31, 2000

Schedules forming part of the accounts

(All amounts in USD)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share Capital		
Authorised		
12,000 (previous period 12,000) equity shares of USD 1 each	12,000	12,000
Issued, subscribed and paid up		
12,000 (previous period nil) equity shares of USD 1 each, fully paid up, held by HCL Technologies (Bermuda) Limited, Bermuda, formerly HCL Technologies Limited, Bermuda, the holding company. The ultimate holding company is HCL Technologies Limited, India.	12,000	-
	12,000	-
Schedule 2 : Share application money pending allotment		
Received from HCL Technologies (Bermuda) Limited, Bermuda, formerly HCL Technologies Limited, Bermuda, the holding company	-	12,000
	-	12,000
Schedule 3 : Unsecured loans		
HCL Technologies (Bermuda) Limited, Bermuda, formerly HCL Technologies Limited, Bermuda - holding company	39,000	38,000
	39,000	38,000
Schedule 4 : Investments		
Long term investment - in shares		
Trade and unquoted		
106,070 (previous period 106,070) equity shares of Rs 10 each, fully paid up, in Intelicent India Limited, formerly known as HCL James Martin (India) Limited.	25,000	25,000
	25,000	25,000
Schedule 5: Bank balance		
Balance with a non - scheduled bank - on current account Bank of Bermuda (maximum balance outstanding during the year USD 25,022, previous period USD 50,000)	18,264	23,579
	18,264	23,579
Schedule 6: Current liabilities		
Sundry creditors	1,000	1,000
	1,000	1,000
Schedule 7: Administration and other expenses		
Legal and professional charges	5,933	1,421
Auditor's remuneration - statutory audit fees	1,000	1,000
	6,933	2,421

Schedule 8: Notes to the accounts

1. **Significant accounting policies**

(i) **Basis of preparation**

The financial statements are prepared under the historical cost convention on an accrual basis, in accordance with the Indian Generally Accepted Accounting principles, 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. All income and expenditure having a material bearing in the financial statements are recognised on the accrual basis.

The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) **Expenditure**

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

(iii) **Investments**

Investments are classified into long term and current investments. Long-term investments are stated at cost and provision is made to recognise any decline other than temporary in the value of such investments. Current investments are stated at the lower of cost and the fair value, and provision is made to recognise any decline in the carrying value.

(iv) **Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Gains/losses on the translation of foreign exchange liabilities incurred to acquire fixed assets are included in the carrying cost of such fixed assets.

2. No provision for tax has been made as the Company has not earned any taxable income during the period.

3. Previous period figures have been regrouped / reclassified to conform to current year classifications.

For HCL Capital Private Limited, Bermuda

Director **Director**

Place: New Delhi

Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No.	*Not applicable*	State Code	*Not applicable*
Balance Sheet Date	*30 June 2000*		

II. Capital raised during the year (USD in thousands)

Public issue	Rights issue
Not applicable	*Not applicable*
Bonus issue	Private placement
Not applicable	*12*

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

Total liabilities *51*	Total assets *51*
Sources of funds	
Paid-up capital *12*	Reserves and surplus *Nil*
Secured loans *Nil*	Unsecured loan *39*
Application of funds	
Net fixed assets *Nil*	Investments *25*
Net current assets *17*	Misc expenditure *Nil*
Accumulated losses 9	

IV. Performance of Company (USD in thousands)

Turnover *1*	Total expenditure *7*
Loss before tax *6*	Loss after tax *6*
Earnings per share (in USD) *Nil*	Dividend rate % *Not applicable*

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

Product description: Item code (ITC code):	Investment *Not applicable*

For HCL Capital Private Limited, Bermuda

Director **Director**

Place: New Delhi

Date: July 31, 2000

HCL Technologies (Bermuda) Limited

DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Annual Report of the Company together with the Audited Accounts for the year ended 30th June 2000.

FINANCIAL HIGHLIGHTS:

(US Dollars in thousands)

	Year Ended June 30	
	2000	**1999**
Other Income	99	471
Operating Expenditure	1,769	1,347
Profit/ (Loss)	(1,670)	(876)

SUBSIDIARIES:

a) During the year, your Company transferred its 100% ownership of HCL Technologies Europe Limited, UK and its subsidiaries to HCL Technologies America Inc. HCL Technologies Europe Limited has subsidiaries in Sweden, Germany, Netherlands, Switzerland, Belgium and Italy.

b) HCL Austria became a subsidiary of your Company in the current fiscal year. HCL Austria has a 50% interest in HCL Perot Systems, a joint venture with Perot Systems, a leading IT outsourcing and systems integration Company with major clients in the banking, energy, healthcare, insurance, manufacturing, retail and telecommunications industry in North America and Europe.

c) During the current fiscal, HCL South Africa was set up as a wholly owned subsidiary of your Company to undertake business in South Africa.

INVESTMENT IN TECHNOLOGY LED FUNDS:

During the year, the Company took limited partnership interest in technology led funds and invested $8.83 million during the fiscal 2000. The Company has also made a strategic investment of $2 million in Harmony Software Inc., a start up venture in the IT sector

DIVIDEND AND TRANSFER TO RESERVES:

Your directors have not recommended any dividend for the fiscal 2000. There has been no transfer to reserves during the year 2000.

AUDITORS:

M/s BSR & Co., Chartered Accountants continue to remain in office as Auditors of the Company and have confirmed their eligibility and willingness to accept office, if reappointed.

ACKNOWLEDGMENTS:

The Directors wish to thank the government authorities, customers, employees and vendors for their cooperation and assistance extended to the Company.

For and on behalf of the Board
Director

Place: New Delhi
Date: July 31, 2000

AUDITORS' REPORT

To the Members of
HCL Technologies (Bermuda) Limited, Bermuda
(formerly HCL Technologies Limited)

We have audited the attached Balance Sheet of HCL Technologies (Bermuda) Limited, (formerly HCL Technologies Limited) as at 30 June 2000 and the Profit and Loss Account of the company for the year ended on that date, annexed thereto.

We report as follows:

(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 the books;

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

(d) in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable; and

(e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

(i) in the case of Balance sheet, of the state of affairs of the company as at 30 June 2000; and

(ii) in the case of Profit and Loss Account, of the loss of the company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

Balance Sheet as at 30 June 2000

(All amounts in USD)

	Schedule No.	As at 30 June 2000	As at 30 June 1999
Sources of funds			
Shareholders' funds			
Share capital	1	1,531,170	1,368,832
Share application money pending allotment	2	15,870,000	1,250,000
Reserves and surplus	3	8,918,836	7,831,174
		26,320,006	10,450,006
Loan funds			
Unsecured loans	4	11,595,905	4,212,000
		37,915,911	**14,662,006**
Application of funds			
Investments	5	34,180,242	19,788,988
Current assets, loans and advances			
Cash and bank balances	6	221,578	70,948
Loans and advances	7	824,640	1,811,498
		1,046,218	1,882,446
Current liabilities	8	(500,288)	(8,529,373)
Net current assets/(liabilities)		545,930	(6,646,927)
Profit and loss account		3,189,739	1,519,945
		37,915,911	**14,662,006**
Notes to the accounts	11		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies (Bermuda) Limited

Director **Director**

Place: New Delhi
Date: July 31, 2000

Profit and Loss Account for the year ended 30 June 2000

(All amounts in USD)

	Schedule No.	Year ended 30 June 2000	Year ended 30 June 1999
Income			
Interest		36,000	471,498
Excess provision written back		63,400	-
		99,400	**471,498**
Expenditure			
Personnel expenses	9	207,873	400,653
Administration and other expenses	10	847,183	947,066
Interest		714,138	-
		1,769,194	**1,347,719**
Loss for the year		(1,669,794)	(876,221)
Balance brought forward		(1,519,945)	(643,724)
Balance carried forward to the balance sheet		**(3,189,739)**	**(1,519,945)**
Notes to the accounts	11		

As per our report attached

For BSR & Co.
Chartered Accountants

Rajesh Jain
Partner

Place: New Delhi
Date: August 2, 2000

For HCL Technologies (Bermuda) Limited

Director

Director

Place: New Delhi
Date: July 31, 2000

Schedules forming part of the accounts

(All amounts in USD)

	As at 30 June 2000	As at 30 June 1999
Schedule 1: Share capital		
Authorised		
3,000,000 (previous year 3,000,000) equity shares of USD 1 each	**3,000,000**	**3,000,000**
Issued, subscribed and paid up		
1,531,170 (previous year 1,368,832) equity shares of USD 1 each, fully paid up, held by HCL Technologies Limited, India, the holding company.	1,531,170	1,368,832
	1,531,170	**1,368,832**
Schedule 2: Share application money pending allotment		
From HCL Technologies Limited, India, the holding company	15,870,000	1,250,000
	15,870,000	**1,250,000**
Schedule 3: Reserves and surplus		
Share premium		
Opening Balance	7,831,174	-
Add: Received during the year	1,087,662	7,831,174
	8,918,836	**7,831,174**
Schedule 4: Unsecured loans		
From the holding company	3,850,000	3,850,000
From subsidiaries	7,745,905	12,000
From others	-	350,000
	11,595,905	**4,212,000**

Note: Due for repayment within one year USD 2,500,000 (previous year - USD 347,000)

(All amounts in USD)

Schedule 5: Investments	As at 30 June 2000	As at 30 June 1999
Long term investments- in shares Trade and unquoted		
In subsidiaries		
5,500,101 (previous year 5,500,101) equity shares of USD 1 each, fully paid up, in HCL Technologies America Inc., United States of America	6,399,939	6,399,939
6,000,000 (previous year 6,000,000) equity shares of USD 1 each, fully paid up, in Intelicent Inc., United States of America	12,600,067	12,600,067
Nil (previous year 165,000) equity shares of GBP 1 each, fully paid up, in HCL Technologies Europe Limited, United Kingdom	-	271,882
39,500 (previous year 39,500) equity shares of AUD 1 each, fully paid up, in HCL Technologies Australia Pty. Limited, Australia	25,000	25,000
193,167 (previous year 193,167) equity shares of HKD 1 each, fully paid up, in HCL Technologies (Hong Kong) Limited, Hong Kong	25,000	25,000
10 (previous year 10) equity shares of NZD 1 each, fully paid up, in HCL Technologies (New Zealand) Limited, New Zealand	25,000	25,000
1,000 (previous year 1000) equity shares of JPY 50,000 each, fully paid up in HCL Technologies Japan Limited, Japan	430,100	430,100
12,000 (previous year 12,000) equity shares of USD 1 each, fully paid up, in HCL Capital Private Limited, (formerly HJM Holdings Private Limited, Bermuda)	12,000	12,000
6,500,000 (previous year Nil) equity shares of ATS 1 each, fully paid up, in HCL Holdings GmbH , Austria.	3,710,000	-
896,100 (previous year Nil) equity shares of Rand 1 each, fully paid up, in HCL Technologies South Africa (Proprietary) Limited.	126,912	-
In others		
1,538,462 Series C Preferred Stock of $1.30 each, fully paid up, in Harmony Software Inc., United States of America	2,000,000	-
Long term investments in Venture Capital funds Trade and unquoted		
Investment in Diamond Head Ventures L.P., United States of America, as a Limited Partner	750,000	-
Investment in Carlyle Internet Partners Europe L.P., United States of America, as a Limited Partner	664,389	-
Investment in Carlyle Asia Ventures Partners L.P., United States of America, as a Limited Partner	629,507	-
Investment in Arena Capital Investment Fund L.P., United States of America, as a Limited Partner	5,833,705	-
Investment in Viventures, France, as a Limited Partner	948,623	-
	34,180,242	**19,788,988**

Schedules forming part of the accounts

(All amounts in USD)

	As at 30 June 2000	As at 30 June 1999
Schedule 6: Cash and bank balances		
Balances with non scheduled banks		
- on current accounts		
Bank of Bermuda, Bermuda (maximum balance outstanding during the year USD 21,299, previous year USD 101,297)	6,665	21,309
Silicon Valley Bank, United States of America (maximum balance outstanding during the year USD 5,255,919, previous year USD 5,100,000)	214,913	49,639
	221,578	**70,948**
Schedule 7: Loans and advances		
Unsecured, considered good		
Advances receivable in cash or in kind or for value to be received	285,640	571,498
Loans to subsidiary companies	539,000	1,240,000
	824,640	**1,811,498**
Schedule 8: Current liabilities		
Sundry creditors	500,288	8,529,373
	500,288	**8,529,373**
Schedule 9: Personnel expenses		
Salaries, wages, allowances and bonus	201,798	393,378
Staff welfare	6,075	7,275
	207,873	**400,653**
Schedule 10: Administration and other expense		
Insurance	-	33,620
Recruitment costs	90,773	54,277
Communication	20,413	13,117
Travel and conveyance	134,548	126,736
Audit fee	7,500	4,000
Legal and professional charges	163,545	675,523
Bank charges	448	345
Miscellaneous expenses	158,074	39,448
Loss on sale of investment to a subsidiary	271,882	-
	847,183	**947,066**

Schedule 11: Notes to the accounts

1. **Significant accounting policies**

(i) **Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles, accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing in the financial statements are recognised on the accrual basis.

The financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Companies Act, 1956.

(ii) **Expenditure**

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

(iii) **Investments**

Investments are classified into long term and current investments. Long-term investments are stated at cost and provision is made to recognise any decline other than temporary in the value of such investments. Current investments are stated at the lower of cost and the fair value.

(iv) **Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Foreign currency assets and liabilities are translated at year end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account.

2. No provision for tax has been made as the company has not earned any taxable income during the year.

3. Previous year figures have been regrouped/reclassified in order to conform to current year's classification.

For HCL Technologies (Bermuda) Limited

Director **Director**

Place: New Delhi

Date: July 31, 2000

Balance Sheet Abstract and Company's General Business Profile*

I. Registration details

Registration No. *Not applicable* State Code *Not applicable*

Balance Sheet Date *30 June 2000*

II. Capital raised during the year (USD in thousands)

Public issue	Rights issue
Not applicable	*Not applicable*
Bonus issue	Private placement
Not applicable	*162,338*

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

Total liabilities	Total assets
37,916	*37,916*
Sources of funds	
Paid-up capital	Reserves and surplus
*17,401**	*8,919*
Secured loans	Unsecured loans
Nil	*11,596*

*includes 15,870 on account of share application money pending allotment.

Application of funds	
Net fixed assets	Investments
Nil	*34,181*
Net current assets	Misc. expenditure
546	*Nil*
Accumulated losses	
3,189	

IV. Performance of company (USD in thousands)

Turnover	Total expenditure
99	*1,769*
Loss before tax	Loss after tax
1,670	*1,670*
Earnings per share (USD)	Dividend rate %
Nil	*Nil*

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

Product description:	Investment
Item code (ITC code):	Not applicable

For HCL Technologies (Bermuda) Limited

Director **Director**

Place: New Delhi

Date: July 31, 2000

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