HCL Technologies Limited

Annual Report 2007-08

Structured for Growth

CONTENTS

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Chairman & Chief Strategy Officer

MR. VINEET NAYAR
CEO & Whole-time Director

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Non-Executive Director

MS. ROBIN ABRAMS
Non-Executive Director

MR. AJAI CHOWDHRY
Non-Executive Director

MR. SUBROTO BHATTACHARYA
Non-Executive Director

MR. AMAL GANGULI
Non-Executive Director

MR. P. C. SEN
Non-Executive Director

Auditors

Price Waterhouse
Chartered Accountants
Gurgaon

Bankers

Citibank, N.A.
Global Corporate & Investment Banking
DLF Centre, 5th Floor
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DLF City, Phase – II
Gurgaon-122 002

Standard Chartered Bank
Corporate & Institutional Banking
Credit Operations, India
H -2, Connaught Circus
New Delhi–110 001

ICICI Bank Limited
ICICI Tower
NBCC Place, Bhisham Pitamah Marg
Pragati Vihar
New Delhi–110 003

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DDA Commercial Complex
Opp. Deer Park
New Delhi-110 029

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Industry Structure, Development and Outlook

Current State of Indian IT Industry

Indian IT/BPO Export revenues have more than doubled during the last 3 years. The total export revenues (excluding hardware exports of $0.5 billion) have grown by 128% from $17.7 billion in FY05 to $40.3 billion in FY08e. *There are 3 broad segments, IT Services is leading with export revenues of $23.1 Billion in FY08e (57% of total export revenues in FY08e). It is followed by BPO (27% of total export revenues in FY08e) and Products & Engineering services (16% of total export revenues in FY08e).*

Chart 1

Indian IT/BPO Exports Revenues	FY05	FY06	FY07	FY08E	3-yr Growth (FY05 to FY08E)
IT Services	10.0	13.3	18.0	23.1	131%
BPO Services	4.6	6.3	8.4	10.9	137%
Software Products and Engineering Services	3.1	4.0	4.9	6.3	103%
Total	**17.7**	**23.6**	**31.3**	**40.3**	**128%**

(Revenues Numbers in USD Billion)

Source: NASSCOM Strategic Review 2008, NASSCOM Strategic Review 2007, HCL Analysis

An analysis of IT Services Exports by different service lines shows that contribution of Custom Application development services is declining. It has declined from 49.1% in FY06 to 43.0% in FY08e. *Infrastructure Services (IS) Outsourcing (includes data centre operations, desktop management, local and wide area network operations management, help desk support, disaster recovery services and related consulting and systems integration activities) is the fastest growing service line.* IS Outsourcing exports have grown by 288% from $0.9 billion in FY06 to $3.3 billion in FY08e.

Chart 2

IT Services Exports (excluding BPO and engg. Services) by Service Line	FY06 Split	FY06 Revenues	FY08E Split	FY08E Revenues	2-yr Growth (FY06 to FY08E)
Custom Application Development	49.1%	6.5	43.0%	9.9	52%
Application Management	11.9%	1.6	15.4%	3.6	125%
IS Outsourcing	6.4%	0.9	14.3%	3.3	288%
Support & Training	9.3%	1.2	8.0%	1.8	49%
Systems Integration	2.8%	0.4	3.0%	0.7	86%
IT Consulting	2.6%	0.3	2.8%	0.6	87%
Software Testing	2.1%	0.3	1.7%	0.4	41%
Network Consulting & Integration	1.3%	0.2	1.2%	0.3	60%
Others*	14.5%	1.9	10.6%	2.4	27%
Total		**13.3**		**23.1**	**74%**

(Revenues Numbers in USD Billion)

* Others include SOA & Web Services, E-Business/E-commerce etc.

Source: NASSCOM Strategic Review 2008, NASSCOM Strategic Review 2007, HCL Analysis

An analysis of IT/BPO Exports by different verticals shows that BFSI, Hi-tech/ Telecom, and Manufacturing are the dominating verticals for Indian IT exports. Their total contribution has increased from 70.8% in FY06 to 74.5% in FY07.

Chart 3

IT/BPO Exports by Vertical	FY06 Split	FY06 Revenues	FY07 Split	FY07 Revenues	Growth (FY06 to FY07)
BFSI	38.1%	9.0	40.4%	12.6	41%
Hi-tech/Telecom	19.8%	4.7	19.1%	6.0	28%
Manufacturing	12.9%	3.0	15.0%	4.7	54%
Retail	7.6%	1.8	8.0%	2.5	40%
Construction & Utlities	4.0%	0.9	3.5%	1.1	16%
Airlines and Transportation	2.1%	0.5	3.4%	1.1	115%
Media and Entertainment	4.2%	1.0	3.3%	1.0	4%
Healthcare	3.0%	0.7	2.5%	0.8	11%
Others	8.3%	2.0	4.8%	1.5	-23%
Total		**23.6**		**31.3**	**33%**

(Revenues Numbers in USD Billion)

Source: NASSCOM Strategic Review 2008, NASSCOM Strategic Review 2007, HCL Analysis

An analysis of IT/BPO exports by geography shows that Indian vendors are focusing more and more on Europe. Their dependence on the US geography is decreasing. US contribution to Indian IT exports has declined from 66.5% in FY06 to 61.4% in FY07. On the contrary, export revenues contribution from Europe has increased from 25.1% to 30.1%.

Chart 4

IT/BPO Exports by Geography	FY06 Split	FY06 Revenues	FY07 Split	FY07 Revenues	Growth (FY06 to FY07)
US	66.5%	15.7	61.4%	19.2	22%
UK	15.3%	3.6	17.8%	5.6	54%
Continental Europe	9.8%	2.3	12.3%	3.8	66%
APAC	7.1%	1.7	6.4%	2.0	20%
RoW	1.3%	0.3	2.1%	0.7	114%
Total		**23.6**		**31.3**	**33%**

(Revenues Numbers in USD Billion)

Source: NASSCOM Strategic Review 2008, NASSCOM Strategic Review 2007, HCL Analysis

Drivers for Future Growth

The drivers for global sourcing are likely to remain strong in the near future. There are three primary drivers for global sourcing:

1. Reduction in Costs – Cost pressures will remain strong as customers demand more value and businesses are faced with increasing global competition. A potential economic slowdown in the near future could force businesses to cut costs even further.

2. Access to new Talent pools – Developed countries are already facing skill shortages in many areas such as mainframe computing, analytics, and engineering R&D which need to be filled by sourcing globally. From a medium-to-long term perspective, the ageing population in most developed countries will intensify talent crunch across business and technology.

3. Improvements in specific aspects of business other than costs – Business improvements will become increasingly critical as companies touch minimum cost thresholds but remain under pressure to continuously improve financial performance. Need for differentiation in the lines such as quality, customer satisfaction and speed-to-market will gain importance as the competition increases.

Apart from these core drivers, following 3 factors will further add to the momentum of global sourcing:

1. Increase in Technology-related spending (including the spending on technology enabled business processes).

2. Propensity to outsource IT and business processes.

3. Conduciveness of the business environment in the sourcing destinations.

Industry Outlook

- As per NASSCOM Strategic Review 2008, Worldwide IT Outsourcing Market is expected to grow from $183 Billion in 2007 to $242 Billion in 2011 at a CAGR of 7.2%. At the same time, The BPO market is expected to grow from $462 Billion in 2007 to $677 Billion in 2011 at a CAGR of 10%.

- As per NASSCOM-BAH study titled 'Globalization of Engineering Services – The next frontier for India', Worldwide Offshored Engineering Services Market will grow to $60 Billion by 2010. Out of that, India will have a share of 20-25 percent share and expected market potential for India is $12 to $16 billion.

- As per NASSCOM Strategic Review 2008, the currently low levels of market penetration reflect enough headroom for growth. The total value of technology-related services from offshore locations is expected to reach $70-76 billion in FY08. Of that, India has a share of nearly 55%. Yet, this represents less than a fifth of the current global market potential for these services, which is estimated at over $380 billion.

- US and UK markets would continue to dominate the global IT services spending with 75% share estimated for 2010. In APAC, Japan is a large untapped market for Indian IT vendors.

- To compete globally, Indian IT vendors would develop competencies in the consulting space since consulting engagements increasingly trickle down to large deals.

- The BPO and Infrastructure sectors are 3-4 times the size of application development and maintenance. They are likely to be key focus areas of growth given their ability to address the talent shortage with acceptance of graduates not limited to professionally qualified workforce.

- In the Infrastructure Management Services space, the reducing hardware costs are offset by the increasing labour costs. Clients therefore prefer IT vendors who do not take over assets but are able to deliver services remotely in low cost countries. Remote infrastructure delivery would likely form a key component of large sized outsourcing deals in future.

- In the BPO space, non voice and platform based assignments would likely dominate and the Indian IT vendors are geared well to capitalize on the opportunities having steadily built capabilities in the past few years.

- With business transformation playing an important role in sourcing deals, Outcome-based pricing/output based pricing that aligns sourcing interests is increasingly gaining acceptance. Revenues in such arrangements depend on the value provider can add. Providers are expected to put their skin into the game.

- Continued growth across product development and engineering services reflects India's increasing role in global technology IP creation; India would become a strategic hub for R&D, accounting for a growing proportion of Global Product development resources.

- Larger deals are likely to be unbundled resulting in reduced deal size for incumbents while still being bigger for Indian IT. This could be challenging for incumbents and serve as an opportunity for Indian IT vendors since the former may need to prove cost and delivery advantages for execution of such deals. Moreover, the earlier advantage of taking over people / assets may no longer hold good.

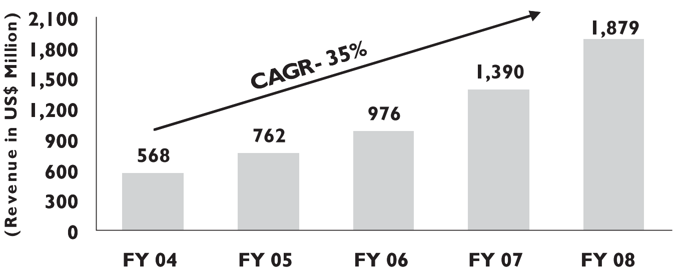
- India's attractiveness as a preferred destination for the offshore model is not expected to be much dented even against the backdrop of emerging low cost locations like Latin America, East Europe and China. India would continue to dominate with the potential skilled workforce. The talent pool is large and growing steadily; while gaps in talent suitability are challenges, they are being addressed by strong provider-level efforts on skill development. Moreover, there is no other global sourcing destination that offers a comparable suite (IT services/BPO/ engineering services/ software product licensing/ development) and scale of services.

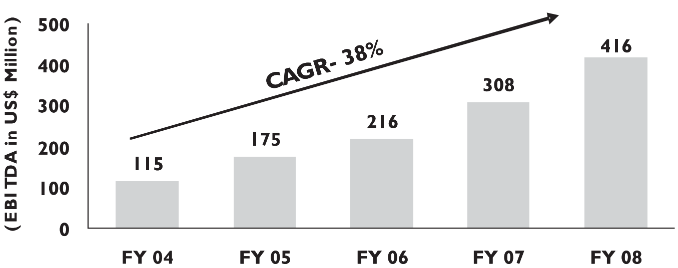
Company Overview

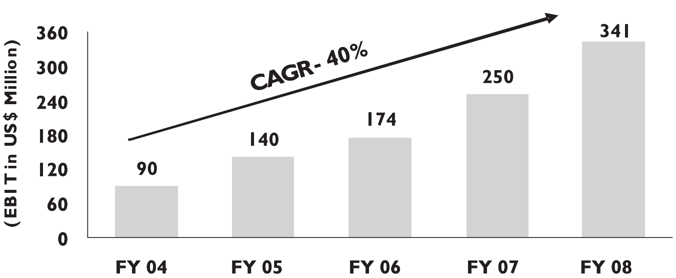
(Information provided in this section pertains to HCL Technologies Ltd and its subsidiaries on a consolidated basis)

About HCL Technologies Limited

HCL Technologies Ltd ("HCL or the Company") is one of India's leading global IT services companies providing software-led IT solutions, remote infrastructure management services and Business Process Outsourcing (BPO) services. HCL has been in operation since 1999 and focuses on transformational outsourcing, working with clients in areas that impact and re-define the core of their business. The company leverages its extensive global offshore infrastructure spread across 60 locations and its global network of offices in 18 countries to deliver solutions across select verticals like Financial Services, Retail & Consumer, Life Sciences and Healthcare, Hi-Tech, Telecom and Media & Entertainment. HCL has established key business relationships with clients across geographies belonging to Fortune 500/1000 category offering mix of IT and BPO services.

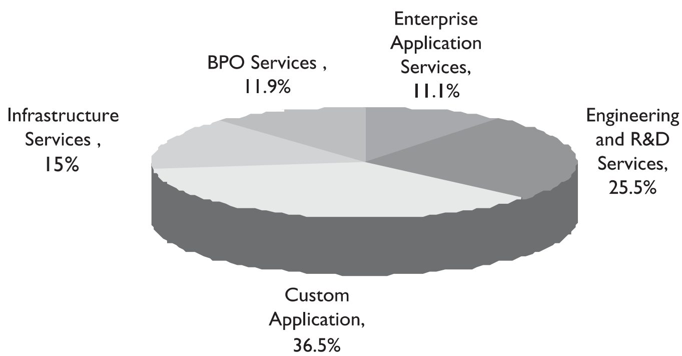






Service Offerings

HCL offers a diversified portfolio of service offerings as defined below. It is important to note that no single service line contributes more than 37% to the total revenue, while maintaining a leading edge in key verticals where the company has chosen to focus. Moreover, HCL has built sustainable business models in each of its service lines long term perspective. Today, each of these service lines has a robust and resilient business model in place.



1. Custom Application Services

Customized software and applications are transforming the way organizations are doing businesses to achieve their specific objectives. Recognizing the growing industry need of custom applications and outsourcing requirements, HCL is committed to provide world-class application development, maintenance, and consulting outsourcing-services to satisfy customers to help increase their productivity and minimize their total cost of ownership. The service line accounts for 36.5% to the total revenue.

HCL offers services ranging from custom application development, deployment, and integration to maintenance, and production support. HCL was one of the first to bring multi-service delivery capability that combines customized application services with other key services like packaged application services, remote infrastructure management, and enterprise transformation services.

The company adds value to customer's businesses enabling IT technology transformation that brings transition and transforms approach with unique combination of multi service capability, outcome based pricing, tools and methodologies like ASSET™ for transition.

With a focus on quality and keeping with the customers' information security requirements, all company software development centers are certified with ISO 9001:2000, Level 5 of Software Engineering Institute's Capability Maturity Model (CMM Level 5) standards, and British Security Standard—BS7799.

2. Engineering and R&D Services

Engineering and R&D Services account for 25.5% of the Company's revenues. HCL understands the importance of Research & Development (R&D) for its customers businesses and is committed to provide world-class R&D and Technology Services to them. HCL offers comprehensive range of R&D and Engineering services to component vendors, OEMs, ODMs and ISVs across multiple industry segments and domains. The company has a proven track record in providing "end to end solutions" that span concept to manufacture and ability to consistently deliver complex and critical products.

With its significant product engineering strength and experience, HCL provides full lifecycle product engineering services, spanning from requirements definition to prototype architecture, development, testing, and manufacturing technical help desk to field support, maintenance and upgrades.

Other services offered include unique integrated services that span hardware, software, electronic packaging, and value-added services to customers, especially in mission-critical, complex product engineering areas. Our investments in test labs (the first private sector lab in India), tools, and infrastructure coupled with our rich portfolio of reusable components help to reduce both cost and time-to-market.

HCL has initiated the first real business outcome based engagement model - Global Risk Reward Partnership (GRRP). GRRP is based on the fundamental of joint outcome ownership of a product. HCL has successfully partnered with global technology leaders to positively influence revenues of their products under a risk-reward sharing partnership.

HCL offers a unique end-to-end Software as a Service (SaaS) offering which encompasses consulting, development, hosting and management through integrated SaaS. This integrated offering speeds up the time to market by 40%. HCL's SaaS offerings leverage HCL's investments in SaaS such as 'Agora' SaaS Delivery Platform and more than a decade of SaaS experience with 80+ clients.

HCL enjoys multi-faceted relationships and high-level strategic partnerships with some of the biggest ISVs and IT and Technology firms like Microsoft, SAP, Oracle, TIBCO, etc. HCL has recently joined the SAP Global Partner – Services program where both firms teamed up for solution definition and co-develop new and extended functionalities to implement enterprise SOA based services.

3. **Enterprise Application Services (EAS)**

This service accounts for about 11.1% of the Company's revenue. HCL's Enterprise Application Services line of business is focused on providing package and platform-led services ranging from blue printing, development, deployment, global rollouts, helpdesk support, to application maintenance in areas such as ERP, CRM, SCM, and Middleware. The EAS group uses a platform-focused approach to provide technology-based business optimization.

Technology-based business optimization is the cornerstone of HCL's enterprise applications line of business that is achieved through Stage-based offerings and Process-driven optimization. Stage-based offerings are focused on application consolidation, global single instance, platform development, and service enablement, while Process-driven optimization deals with processes like partner integration, unified customer view and single sign-on to deliver business optimization.

Some of the EAS unique service offerings include State-based offerings like Upgrade Competency Center and eZ.Migrate, Integrated offerings like iERP (integrated applications, infrastructure and helpdesk support), Competency-based offerings like Middleware integration competency center for WebMethods and Tibco, SOA-driven integration etc., Platform-based services like SAP NetWeaver and Fusion Middleware and Consulting services like Application Portfolio Optimization and platform section.

4. **Enterprise Transformation Services (ETS)**

The competitive environment with increasing customer demand for innovation and higher value is transforming the current business processes in all the industries. The clients are looking for new business models that are aligned to changed business scenario to improve productivity, efficiency, market share and profitability in the market place. HCL's ETS practice offers Business Consulting services to customers to satisfy the demand of innovation and higher value of their customers.

HCL's ETS group offers services that bring Business, Technology, Application and Data Transformation to customers. Services like Application Portfolio Optimization and Management analyzes and audits the applications, and develops a business plan that aligns applications with business needs and organizational objectives.

HCL offers end-to-end data warehouse & Business Intelligence (DW/BI) services at all levels of enterprise through unique Data Transformation Methodology (DTM) and reduces the complexity of data view across various data types and complex business processes.

Quality Process Consulting services offer process improvement services that span the entire continuum ranging from Process definition, implementation & training to Process assessments for model and non-model based improvement initiatives.

HCL's Technology Transformation Services are designed to ensure that IT systems are optimized and managed to transform business functions and ensure operational efficiency.

5. **Infrastructure Management Services (IMS)**

HCL is the pioneer of Infrastructure Management Services (IMS) in India since 1993 and today, it is one of the fastest growing service line at HCL. HCL's IMS pioneering leadership has been recognized by various independent analyst and media firms. This year HCL's IMS was acknowledged by Brown & Wilson Global User Survey 2008 as World's No. 1 Infrastructure Outsourcing Vendor. HCL has been rated as leader in Global Delivery Infrastructure Management Wave, June 07.

A focused player in the IT services arena, HCL's Infrastructure Management Services seek to provide simplified infrastructure solutions through delivering high-performance management services for complex, distributed infrastructure environments encompassing the Internet, Client and legacy based infrastructures.

HCL's IMS accounts for about 15% of the Company revenues. It has, over the past few years, evolved into an "End-to-End" Remote Infrastructure Services provider.

HCL has grown from being a pure play IT Operations player to offering "Design - Implement - Operate" services across the IT Infrastructure Lifecycle.

HCL addresses the growing demand for the cost-effective management of technology infrastructure across geographically dispersed locations. With a mission to develop innovative solutions for enterprises worldwide, the company has developed and pioneered a unique model for Remote IT infrastructure management that enables customer organizations to achieve superior infrastructure performance and significantly reduced costs.

HCL's Remote Infrastructure Management (RIM) services provide a single window that cater all IT infrastructure needs and aim at transforming the IT infrastructure of customers that not only ensure a well managed Infrastructure support services but also provide competitive advantage by delivering more value to the end user.

The company's IMS services include, End User Computing, Datacenter, Network Services, Information Security Services, Pioneer IOMC and emerging areas like IT Service Management. These services are delivered through an ISO 9002, ISO 27001 and ISO 20000 certified Operations Management Center to 70+ G1000 companies from various industries such as manufacturing, hi-tech, retail, banking and finance, pharma and automobiles.

6. <u>Business Process Outsourcing (BPO)</u>

HCL's BPO services contribute to about 11.9% of the company's revenue. HCL BPO focuses on a combination of voice and non voice based processes that relate to:

- Business Generation (Contact Scoring/Customer acquisition/Post Sales Service) ,
- Operations Management (Technical desk support/ Procurement Services/Transaction Processing / Collection Services etc) and,
- Management Support (Primary/Secondary Research/ Data Analysis and Modeling)

The driving objective is to enhance business performance of clients while at the same time cost optimization through matured off shoring processes. HCL BPO has made significant investments in its service delivery capabilities like technology, human resources, intellectual property and capacity. The suite of BPO services is configured to address the generic and specific requirements of existing and potential client base. HCL BPO has vertical driven business strategy spanning verticals such as Telecom, BFSI, Retail and Hi Tech. The division boasts of global delivery centers in India and abroad compliant with ISO 27001 security standards as also ISO 9001-2000 standards in addition to other quality accreditations and standards.

<u>The HCL Strategy</u>

Differentiation Strategy

During the early phase of the Transformation journey, HCL spotted an inflection point in the industry driven by a need for transformation, dissatisfaction with large deals, an insatiable desire to optimize and reduce cost, performance based pay and increased adoption of Global Delivery in emerging areas. This meant a shift in focus from pure cost considerations to innovation, value creation and flexibility for clients premised on trust, transparency and flexibility in relationships.

The initial years of transformation was focused on key initiatives like "Employee First", Multi Service offerings, Innovative Pricing models etc. HCL has also established a strong foundation of Collaborative Transformation as a way of business. HCL's unique business approach has resulted in creation of a "Differentiated Positioning" in the market place. This strategy has helped HCL to grow not only its existing relationships but also resulted in new wins of transformational deals in different markets. Today HCL leads in execution of large integrated multi service transformational deals.

HCL continues to be a "Thought Leader" by gauging and anticipating inflection points early in the industry and changing the paradigm in a rapidly dynamic IT environment.

The HCL differentiation strategy is four fold:

Employee First	**Execution of Integrated Services designed to align IT with Business**
Blue Ocean Strategy	**Trust, Transparency and Flexibility**

The 'Employee First' philosophy at HCL

At the core of HCL's Employee First philosophy is the concept of talent transformation—recognition and enablement of competencies, as opposed to skilling employees in necessary technical, business and behavioral areas. HCL follows a five fold path of individual enlightenment – Support, Knowledge, Empowerment, Transformation and Recognition. Technology is heavily used in this path resulting in the enlightenment of nearly 50,000 employees. The strategy is based on the fact that employee enlightenment transpires to customer enlightenment.

HCL's Employee First philosophy has been captured by the Harvard Business School in a case study and is now being taught to future business leaders in their 'Strategy and Leadership' classes.

Blue Ocean Strategy

In 2005, HCL adopted a "Blue Ocean" approach by gauging early-on that the new generation outsourcers needed more transformational gains, value and innovative business models.

HCL has a four Pronged Blue Ocean Strategy all of which have legitimacy with proof points:

1. Pricing Innovation: **Output Based Pricing Model**
2. Technology Disruption: **Business led Transformation**
3. Market Creation: **Building new service markets**
4. Service Innovation: **Through heavy investments in IP and Solution Accelerators**

HCL is uniquely positioned with its perfect blend of onshore presence and offshore economics. Building competitive advantage also demands a shift from the earlier fee-driven/ service provider model to a new age outcome-based/partnership model. At HCL, IT driven business innovation, emergence of new disruptive technologies, business models, and widespread acceptance of global delivery models are some of the transformational forces at work today.

HCL being a disruptive force in technology is one amongst the leading organizations that offer SOA driven integration to global organizations. HCL's SOA driven integration solutions for business processes are aided by IP and Frameworks to enable automated offshore development to continuously optimize the customer's business processes.

HCL's investment in this arena has won several accolades for the company. Crossfit™, an automation SOA testing framework has won the Technology Innovation award at the Financial Services Outsourcing Annual Summit 2008.

Execution of Integrated Services designed to align IT with Business

HCL's integrated service offerings, backed by its investments in innovative IPs & Frameworks, help customers to align their application and IT portfolio with Business objectives. These frameworks not only strengthen HCL's execution capabilities but also provide a single window to client to monitor the progress of their projects. ASSET™ is once such framework that provides a comprehensive and re-usable end-to-end framework to professionally Advice, Plan, Execute and Manage transition in large deals.

HCL brings unique strengths to organizations engaged in a significant business transformation exercise to create new competitive advantages. For such organizations, HCL has one of the most mature portfolio of services among all offshore providers—across Application Services, Core Infrastructure support, Business Process Outsourcing, as also R&D and Technology services. Multi-integrated solutions enable customers achieve significant optimization not only within one area but also at interface points (viz integrated help-desk for applications and infrastructure).

Trust, Transparency and Flexibility

At HCL, all relationships –be it with employees, customers, partners or stakeholders – need to be built on the foundation of trust, transparency and flexibility. HCL's Employee First philosophy has led to empowered employees in the organization. This has been reflected in a Survey of more than 250 Customers and 830 respondents with Excellent feedback scores of Flexibility (5.95) Trustworthy (6.31) and Loyalty (6.21) - on a scale of 7. HCL's clients increasingly feel, "the employees stand out as more empowered when compared to like companies" and "Deliver on promise, even if circumstances are tough."

Growth Strategy

HCL is a dominant player in its own niche and is uniquely positioned as a co-sourcing vendor because of the experience it has created for its clients. The unique positioning lends HCL to be different in its Business Model from other Indian IT Services players.

During the last 3 years, HCL has focused on the following 5 strategies for growth:

1. Create **"New markets",** which it could lead. Establish growth by being **"first to market".**
2. Create "**Diversity in Service lines**" and *not be dependent* on one Service line alone.
3. Secure "**higher proportion of annuity revenues"** through focus on Operations, Output-based Pricing, Risk-Reward model and Long Term contracts.
4. Create "**Differentiators**" through investments in **"Disruptive Technologies"** such as SOA, BI and APO.
5. Focus on doing **more (work) for less (clients)** rather than less for more.

The creation of unique positioning of HCL through its "Run the business" approach has been well received in the market by Fortune-1000 clients. HCL has also made significant investments in tools/ processes/ methodologies/ business models to gain competitive advantage in the market. HCL has proven its superior delivery and execution capabilities by successfully moving large engagements to a steady state. Today, HCL works with Fortune 100, Fortune Global 500 and Fortune 1000+ clients globally. The Company has done well in maintaining and growing its large existing customer relationships as also securing new clients that has brought overall consistency in its growth.

Going forward, HCL will continue to focus on the aforementioned strategies.

Opportunities, Threats, Risks & Concerns

Opportunities

The Indian ITES and IT-BPO industry has come a long way from early years in 2000 and has been successful in establishing its credentials in delivering value based superior IT services to clients across the world through its global delivery model. The resilience of Indian the IT industry has been proved in facing challenging times faced last year and that emanated primarily from a slowing US economy coupled with developments like the sub prime crisis, elections in US, appreciating Indian Rupee against US Dollar, high inflation rate in India and a challenging business environment with IT MNC'c increasing their presence in India. The downtrend in the US helped HCL to push forward with our sweet spot, although the overall strategy was to de-risk US and move towards Europe and Asia, we saw high growth potential in US.

The industry is now poised for next phase of growth with global IT environment pointing towards increasing propensity for outsourcing / offshoring to countries like India. According to Nasscom, India continues to be the "nerve center" for global sourcing with over two-third of the Fortune 500 and majority of Global 2000 firms leveraging global sourcing delivery. Positive market indicators and strong track record supports the industry optimism in achieving its aspired target of USD 73-75 bn in overall software and services revenues by FY 2010. The global regional spending patterns are also showing an increased importance of Europe and Asia Pacific regions in growth contribution while the share of US reflecting marginal decline.

Within the overall industry environment as it unfolds, HCL is strategically geared to steer its growth. HCL has always been the thought leader in gauging the inflection points in the industry trends. It is always prepared to capitalize on the potential opportunities made available by the external environment.

HCL has adopted the Blue Ocean approach of doing business and has been successful in reaping the benefit of its business strategy. HCL's Blue Ocean approach to business paid rich dividends and we were ranked No. 1 ahead of all global players in Remote Infrastructure Management (RIM) by the Black Book of Outsourcing and awarded the Highly Commended Vendor title by the National Outsourcing Association in Europe. HCL becomes SAP Global Services partner to deliver joint business value through Customer Centric Ecosystem. This milestone partnership based on Blue Ocean thinking is aimed at enabling customers to access the business benefits of SAP's enterprise service-oriented architecture (enterprise SOA) and draw upon HCL's strengths in emerging geographies, strong domain experience, risk taking and service innovation capabilities.

It has successfully identified newer markets, verticals and services to drive its business growth. HCL's Multi-service; Multi-year; Multi-million dollar deals drove growth in 2007-08 and contributed significantly to HCL's top line and bottom line.

The domain focused approach of the Company has yielded rich dividends strengthening the vertical strategy. HCL has penetrated verticals like Media Publishing and Entertainment, Life Sciences and Healthcare that are not the conventional segments to offshore business process. The successes in its approach in these verticals would be replicated in other micro verticals and geographies also.

HCL has differentiated itself in the market place in being "first to market" its unique offerings. HCL has delivered and executed innovative Multi Service engagements of larger size and successfully able to move forward from "Transition" phase to "Steady" phase thereby establishing HCL's superior delivery and execution capabilities.

HCL has been in the forefront of developing and deploying the new breed of technologies for its customers with ensuing value proposition.

Threats

Market-place & Competition

The industry is becoming increasingly converging in terms of players having wider portfolio of service offerings as well as varied business models with similar set of value propositions to be offered to customers. This entail a more challenging environment with increased competition and customer demands for value creation in IT Infrastructure and IT Applications.

Increasingly, the Indian IT service provides have not only to compete among themselves in the global market but have to face stiff competition from the multinational IT vendors who have made significant investments in India in setting captive global offshore delivery centers.

Other low-cost countries

Further, various other countries are competing with India in offering superior service quality and delivery capabilities through low cost options. The countries like China, Poland, Brazil, Philippines etc are fast catching up in offering significant cost advantages to customers through offshore options.

Increased customer demand for value enhancement

The evolving dynamics in the market place necessitates that players continue to differentiate themselves in being able to offer superior value by maximizing the client's Return on Investments (ROI) on IT deployment while retaining cost competitiveness.

The portfolio of service mix has to be constantly reviewed in line with the evolving business needs of the clients. This necessitates that players should be able to continuously anticipate the future technological trends and make suitable investments in R&D, Intellectual Property based products & tools as also investment in HR Assets i.e. training initiatives etc. in acquiring, developing & re-skilling the human resources

Risks and Concerns

Operating Business Environment Risk

The business environment deteriorated sharply in the past year particularly in US primarily due to the subprime banking crisis emanating in US and its spiral-down effect to other parts of the world. Most of the IT service providers derive significant business from the Banking, Financial Services & Insurance (BFSI) vertical and consequent upon the US slowdown led by financial sector, the service providers are facing challenging times with the clients adopting a "Wait and Watch" approach before finalizing their respective IT spends.

Inflationary trend in agro-commodities and crude oil has also caused deterioration of global macroeconomic environment and spending pattern

HCL Strategy

HCL is well diversified geographically, to reduce its dependence on any particular market. Moreover, it has a vertically focused business approach and offers combination of service mix reducing its dependence on any particular service. The Company's business is spread over five distinct service lines and no single business line contributed more than 37% of the total revenue. Similarly, our revenue from biggest industry vertical (BFSI) is also within 30% of overall revenue which is well lower than few of our competitors. This diversification strategy seems to have paid-off wherein slow-down of BFSI sector caused by sub-prime had very limited impact on HCL's revenue projections.

The Company is confident that the long term potential for the industry is quite favorable in view of global tech spending forecasts remaining strong, aided by growth momentum witnessed in Europe, Asia Pacific and Rest of the World.

Competition Related Risks

The Company faces competition not only from the India based IT services providers but increasingly from the multinational IT vendors who are expanding their presence in the country owing to attractiveness of the Offshoring model.

HCL Strategy

HCL's differentiation strategy incorporating its unique business approach has led to its emerging as a "Thought Leader" in the rapidly dynamic IT industry. HCL's differentiation strategy is four fold which includes Employee First initiative, Blue Ocean strategy, Execution of Integrated Services designed to align IT with Business and Trust, Transparency & Flexibility.

Employee Related Risks

Managing attrition rates and availability of talented and skilled pool of manpower are the two key challenges that are facing the industry today. The other key industry challenge is the acute shortage of talented and experienced manpower caused by lucrative employment opportunities offered by Indian and foreign IT vendors.

HCL Strategy

HCL has put in place its "Employee First" initiative that is now in its third year of successful implementation. The focus on employees as key resources led to introduction of several employee friendly policies that has helped HCL in containing its attrition rates from 20.4% in 2005 to 15.2% in 2008. Success of this program is being hailed globally by leading media houses and global forums. Now, this is being taught as a case study in Harvard and London Business School. HCL has been taking adequate steps to improve and augment the supply of experienced manpower. The Company has concrete plans to move its future expansion into tier II cities and set up campuses close to the locations of high intensity qualified pool of resources. It has partnered with select local engineering colleges/institutes and imparts quality and contemporary technical education.

HCL makes continuous investments for in-house training and development initiatives for upgradation of skills and re-skilling of employees. This not only ensures that the Company has in-house availability of talented pool of resources but also the motivation of employees is maintained at high level by skill enhancement.

<u>Technology Risks</u>

HCL operates in an ever evolving and dynamic technology environment and it is of utmost importance that the Company continuously reviews and upgrades its technology resources and processes lest it faces technology obsolescence.

HCL Strategy

The Company keeps itself abreast and updated on the contemporary developments in technology landscape through participation in key technology forums, in-house training and development initiatives and its intensive focus on core research & development activities. The Company is not dependent on any single technology or platform. HCL has developed competencies in various technologies, platforms and operating environment and offers the wide range of technology options to clients to choose from for their needs.

Further, HCL has a dedicated Engineering Excellence Group (EEG) which offers consulting to various delivery teams in developing best practices, development of reusable code and registering patents for methodologies and tools developed.

<u>Exchange Rate Risks</u>

One single macroeconomic development that engaged the attention of the entire industry last year was the relentless appreciation of Indian Rupee against the US Dollar. The industry is predominantly export driven and the magnitude of appreciation was to the tune of 12-14% and upset the industry cost dynamics. It was at this stage that the maturity and resilience of the industry was tested to manage the situation through variety of measures i.e. Cost-cutting initiatives and Risk Mitigation i.e. hedging etc.

HCL Strategy

As a risk containment strategy for its foreign currency exposures, HCL has taken forward covers to hedge its receivables and forecast revenues against the foreign currency fluctuations. The Company does not speculate in foreign currency. Another key pointer is gradual shift in geographical dependence away from US and increased focus on Europe, Asia Pacific and rest of the world for generating business. This not only insulates from dependency on a single chosen economy but also ensures that the revenue streams are denominated in multiple currencies thereby de-risking the currency risk.

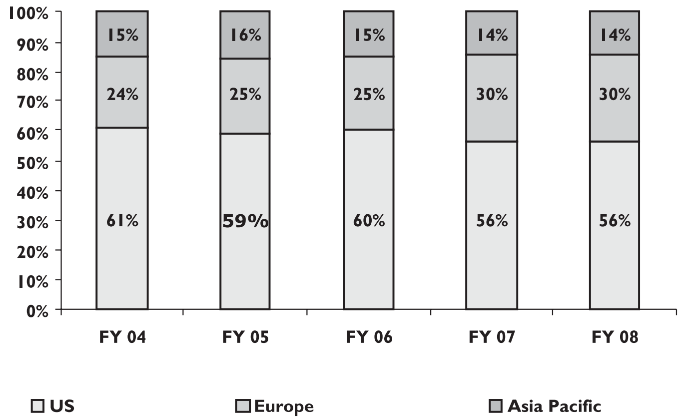
<u>Business Concentration Risks</u>

Geographical concentration

HCL has fairly well diversified portfolio of services spread over various geographies across multiple verticals. This has ensured adequate de-risking of the business model and protects HCL from any adverse development in any geography, vertical or for any service line. Enclosed below are the details of HCL's business concentration based on geography and verticals. In addition, the client portfolio of HCL is also adequately diversified and does not carry any concentration risks.

HCL Strategy

HCL derives 56% of business from US and rest 44% from non US. Last year the slowdown was mostly felt in US, but the business momentum from other non US geographies ensured that Company's overall growth objective was attained. In similar way, The Company's is well diversified through vertical services lines.



Industry vertical concentration

While the BFSI remained the most challenged vertical against the backdrop of US slowdown, HCL's broad based vertical approach ensured that business impact is minimized through enhanced contribution from other verticals.

HCL Strategy

HCL's has been successful in client engagements in newer growth verticals like life sciences and media publishing & entertainment. These verticals are not conventionally large outsourcers of business applications and therefore present good growth potential. HCL has replicated its successful business engagements in these verticals in newer geographies and has been successful in gaining clients in this space.

Investment Portfolio Risks

The Company has consistently carried a high level of surplus cash and active treasury investments. The primary area of risk for the Company's market exposures are related to the interest rate risk on its investment securities.

HCL Strategy

All surplus funds are invested in avenues upon review by the investment committee. The guiding principles of all investment decisions are safety of investments, followed by liquidity and returns. The company invests its surplus funds in fixed deposits with reputed banks and debt based mutual funds. The company does not invest in equity or equity related instruments.

Internal Control systems and their adequacy.

The company has put in place an adequate system of internal control commensurate with its size and nature of business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the company and ensuring compliance with corporate policies.

The company has a dedicated Internal Audit team which ensures that:

- Adequate processes, systems, internal controls are implemented and these controls are commensurate with the size and operations of the company.
- Transactions are executed in accordance with policies and authorization.
- Resources have been deployed as per the business plan, policies and authorization.

Further, management has supplemented the efforts of Internal Audit team by having a dedicated Risk Management team. This team is responsible for HCL's Corporate Governance program including Enterprise Risk Management Program, Assurance on continuity of Internal Control procedures and Legal compliances.

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

The company's audit committee comprising of 4 independent directors, which is a sub-committee of the board, reviews adherence to internal control systems, internal audit reports, risk management and legal compliances. This committee reviews all quarterly and yearly results of the company and recommends the same to Board for their approval.

FINANCIAL PERFORMANCE

The financial performance of the Company as per Indian GAAP is discussed hereunder in two parts:

1. HCL Technologies Limited (Consolidated) which includes the performance of its subsidiaries and joint venture.
2. HCL Technologies Limited (Standalone) which excludes the performance of its subsidiaries and joint venture.

The Financial Statements have been prepared in compliance with the requirements of the Companies Act 1956, and Indian Generally Accepted Accounting Practices (GAAP).

HCL Technologies Limited (Consolidated)

The Management Discussion and Analysis in this paragraph relates to the consolidated financial statements of HCL Technologies Limited and its subsidiaries. The discussion should be read in conjunction with the financial statements and related notes to the consolidated accounts of HCL Technologies Limited for the year ended 30 June 2008.

RESULTS OF OPERATIONS (CONSOLIDATED)

(Rs. in Crores)

Particulars	For the Year Ended June 30,2008 Amount	% Income	For the Year Ended June 30, 2007 Amount	% Income	% Growth Increase
Revenue	7,562.8	97.5%	6,068.7	93.0%	24.6%
Other Income	192.7	2.5%	455.9	7.0%	-57.7%
Total Income	**7,755.5**	**100.0%**	**6,524.6**	**100.0%**	**18.9%**
Cost of Revenue	4,190.5	54.0%	3,357.5	51.5%	24.8%
Administration and other expenses	2,065.6	26.6%	1,477.3	22.6%	39.8%
Interest	17.7	0.2%	8.0	0.1%	120.6%
Depreciation	298.8	3.9%	253.9	3.9%	17.7%
Total Expenditure	**6,572.6**	**84.7%**	**5,096.6**	**78.1%**	**29.0%**
Profit before tax	**1,182.9**	**15.3%**	**1,428.0**	**21.9%**	**-17.2%**
Provision for tax	129.0	1.7%	104.1	1.6%	24.0%
Minority Interest	2.4	0.0%	5.6	0.1%	-56.4%
Profit after tax	1,051.4	13.6%	1,318.3	20.2%	-20.2%

Fiscal Year 2008 compared with 2007

Revenues:-

Revenues during 2008 have grown by 24.6% as compared to fiscal 2007. During 2008, the rupee has appreciated by 7.5% against US$ (Average US$/INR rate during 2008 & 2007 were 40.5 & 43.8 respectively) .Excluding the impact of strengthening of INR against US$, in dollar terms, revenues during 2008 have grown by 34.7 %.

The Company derives its revenue from three segments viz information technology (software), infrastructure management and business process outsourcing services. Among the three segments, revenues from Infrastructure Management Services have registered the highest growth rate of 34.2%. Segment wise details are given below:

(Rs. in Crores)

Particulars	For the Year Ended June 30,2008 Amount	% of Revenue	For the Year Ended June 30, 2007 Amount	% of Revenue	Growth % Increase
Information Technology (Software)	5,517.6	73.0%	4,413.6	72.7%	**25.0%**
Infrastructure Management Service	1,142.6	15.1%	851.2	14.0%	**34.2%**
Business Process Outsourcing	902.5	11.9%	803.9	13.2%	**12.3%**
Total Service Revenue	**7,562.8**		**6,068.7**		**24.6%**

Geographical & Business Segment wise Composition of revenue is given below:-

(Rs. in Crores)

Geographical Mix	For the Year Ended June 30,2008 Amount	% of Revenue	For the Year Ended June 30, 2007 Amount	% of Revenue	Growth % Increase
US	4,073.7	53.9%	3,315.6	54.6%	**22.9%**
Europe	2,285.3	30.2%	1,817.8	30.0%	**25.7%**
Rest of the world	1,203.8	15.9%	935.3	15.4%	**28.7%**
Total Service Revenue	**7,562.8**		**6,068.7**		**24.6%**

The Contribution of US geography to the total revenue of the Company has gone down from 54.6% in fiscal 2007 to 53.9% while the contribution of Europe has increased from 30% in fiscal 2007 to 30.2% in the current fiscal year, demonstrating a lower dependence on the US. The top 5 customers accounts for 26.7% of the Company's revenue.

Cost of Revenues:-

(Rs. in Crores)

Particulars	For the Year Ended June 30,2008 Amount	% of Revenue	For the Year Ended June 30, 2007 Amount	% of Revenue	Growth % Increase
Cost of Goods Sold	194.4	2.6%	190.7	3.1%	**1.9%**
Personnel Expenses	3,662.4	48.4%	2,872.2	47.3%	**27.5%**
Software development expenses - external	312.7	4.1%	274.1	4.5%	**14.1%**
License and transponder fee	21.0	0.3%	20.5	0.3%	**2.7%**
Total	**4,190.5**		**3,357.5**		**24.8%**

The cost of revenues increased by 24.8% from Rs. 3,357.5 crores in 2007 to Rs. 4,190.5 crores in 2008. This increase is mainly on account of increased personnel costs. Personnel costs increased to Rs. 3,662.4 crores in 2008 from Rs. 2,872.2 crores in 2007, an increase of 27.5%. Personnel costs include a non cash stock option charge of Rs. 105.0 crores during the year ended June 30 2008 (Rs. 125.9 crores for the year ended June 30 2007).

Personnel costs have been driven up primarily by an increase in the number of employees during the year from a total of 42,017 at the end of fiscal 2007 to 50,741 at the end of fiscal 2008. Personnel costs as a percentage of revenues have increased from 47.3% to 48.4% .The increase is primarily due to the strengthening of INR against the USD which had a negative impact on revenues.

Administration and other expenses:-

(Rs. in Crores)

Particulars	For the Year Ended June 30,2008 Amount	% of Revenue	For the Year Ended June 30, 2007 Amount	% of Revenue	Growth % Increase
Rent	211.5	2.8%	126.7	2.1%	**67.0%**
Power & Fuel	100.5	1.3%	77.0	1.3%	**30.6%**
Travel and conveyance	653.5	8.6%	612.4	10.1%	**6.7%**
Communication costs	103.2	1.4%	106.8	1.8%	**-3.4%**
Recruitment Training & Development	73.1	1.0%	50.7	0.8%	**44.1%**
Exchange differences	288.0	3.8%	-	-	**-**
Others	635.8	8.4%	503.7	8.3%	**26.2%**
Total	**2,065.6**		**1,477.3**		**39.8%**

During 2008, the company has incurred exchange loss of Rs. 288.0 crores due to significant appreciation of USD against INR on account of mark to market of forward covers, cancellation of forward covers and reinstatement of foreign currency assets and liabilities. While during the year ended 30 June 2007, the company has incurred exchange gain of Rs. 346.5 crores (reported under Other Income) due to significant depreciation of USD against INR on account of mark to market of forward covers and reinstatement of foreign currency assets and liabilities. (Refer note 1(e) of schedule 19 of Consolidated Balance sheet).

Excluding the exchange loss of Rs. 288.0 crores, administration and other expenses increased by 20.3% from Rs.1,477.3 crores in 2007 to Rs. 1,777.6 crores in 2008. This increase is mainly on account of increase in rent, project related travel costs, power & fuel and other establishment costs. Rental expenses have increased on account of additional facilities taken on lease for expansion and also due to levy of service tax on rental payments during the current fiscal year. In line with the opinion expressed by the Expert Advisory Committee of the Institute of Chartered Accountants of India, from the current year, the Company has started amortizing lease rentals on a straight line basis during the entire lease term.

Interest:-

Interest cost during the year ended June 30 2008 is Rs. 17.7 crores against Rs. 8.0 crores during the previous year. This represents interest on fund borrowed from banks to meet working capital requirements at various locations and interest on assets taken on finance lease.

Profit before tax:-

Profit before tax decreased by 17.2% during the fiscal from Rs. 1,428.0 crores in 2007 to Rs. 1,182.9 crores in 2008. During the current year, the Company has incurred an exchange loss of Rs. 223.2 crores (net of gain of Rs. 64.8 crores reported in revenue) against an exchange gain of Rs. 346.5 in 2007. Excluding exchange gain and loss, profit before taxation increased to Rs. 1,406.0 crores in 2008 from Rs. 1,081.5 crores an increase of 30.0%.

Taxation:-

The net tax expense for 2008 was Rs. 129.0 crores compared to Rs. 104.1 crores in 2007.

A substantial portion of the profits of the Company's India operations is exempt from income tax, these profits being attributable to export operations of undertakings situated in Software Technology Parks (STP). Under the tax holiday, the taxpayer can utilize an exemption from income tax for a period of any ten consecutive years beginning from the financial year when the unit started operations. The tax holiday on all facilities under STPs expires in stages by 2010. The profits arising out of the domestic business are subject to corporate income tax at the rate of 30% plus applicable surcharge and education cess. The Company is in the process of developing three campuses at Noida, Chennai & Bangalore in its Special Economic Zone (SEZ) approved facilities. A portion of the facilities at Noida campus and certain facilities in leased premises have become operational during the financial year 2007-08 as SEZ units and are entitled to applicable tax benefits. Income from units in SEZ is fully exempt from tax for the first 5 years, 50% exempt for the next five years and 50% exempt for subsequent five years subject to fulfilling certain conditions.

Net profit:-

The Company's profit after tax decreased to Rs. 1,051.4 crores in fiscal 2008 from Rs. 1,318.3 crores in fiscal 2007, a decrease of 20.2%.

Fixed Assets:-

Gross block of fixed assets as at the end of fiscal 2008 stood at Rs. 2,538.5 crores as compared to Rs. 1,984.8 crores as at the end of fiscal 2007 and capital work in progress (including capital advances) stood at Rs. 430.3 crores against Rs. 218.4 crores at the end of fiscal 2007.

Capital work in progress includes payment of Rs. 85.6 crores for 170 acres of land allotted to the Company in Nagpur in an approved SEZ location. Company is in the process of taking possession of this land.

The Company is in the process of developing facilities in its campuses at NOIDA, Chennai & Bangalore. These campuses are spread over a combined area of 121 acres. Currently, approximately 16000 seats are under development. A portion of the facilities at NOIDA campus has become operational during the financial year 2007-08 as SEZ unit. All the three campuses are approved SEZ locations. Expenditure incurred till end of fiscal 2008 for these facilities under construction is appearing under capital work in progress.

Cash Flows:-

Cash generated from operations provides the major source of funds for the growth of the business. Net cash provided by operating activities increased to Rs. 1,349.2 crores in the year 2008 from Rs.1,079.8 crores in year 2007. This cash generated has been utilized in the purchase of fixed assets worth Rs. 554.2 crores and payment of dividend of Rs. 621.3 crores (including dividend distribution tax).

Also during the current year, the Company through its 100% subsidiary has acquired 100% equity stake in Capital Stream Inc., a company based in United States of America, at a net consideration of Rs. 153.6 crores and has also paid a sum of Rs. 14.7 crores for acquiring minority stake in a majority owned subsidiary.

Treasury Operations:-

The guiding principle of the Company's treasury investment is safety, liquidity and return. The Company has efficiently managed its surplus funds through careful treasury operations.

The Company deploys its surplus funds primarily in debt mutual funds and bank fixed deposits with a limit on investments with individual fund/bank. Breakup of investments in different portfolio is given below:-

(Rs. in Crores)

Particulars	2008	2007
Debt Mutual Funds	1,364.5	1,541.3
Bonds	12.0	12.0
Fixed Deposits with Banks	540.2	275.2
Total	**1,916.8**	**1,828.5**

Return from Investments is given below:-

(Rs. in Crores)

Other Income	2008	2007
Interest Income	59.2	13.5
Dividend from Investments	10.2	9.1
Profit on sale of Investments	114.7	79.2
Total	**184.1**	**101.7**

To take advantage of the lower tax rate applicable to long-term capital gains, the Company invests in growth funds and has unrealized capital gains of Rs. 83.8 crores and Rs. 79.7 crores as at the end of fiscal year 2008 and 2007.

HCL Technologies Limited (Standalone):-

The Consolidated Financial Statements brings out comprehensively the performance of the Company and are more relevant for understanding the Company's Performance.

The discussion in the paragraph 1 which follows should be read in conjunction with the financial statements and related notes relevant to HCL Technologies Limited (Standalone) for the year ended 30 June 2008.

RESULTS OF OPERATIONS (STANDALONE)

(Rs. in Crores)

Particulars	For the Year Ended June 30, 2008 Amount	% Income	For the Year Ended June 30, 2007 Amount	% Income	Growth % Increase
Revenue	4,615.4	96.4%	3,768.6	89.6%	22.5%
Other Income	170.4	3.6%	439.4	10.4%	-61.2%
Total Income	**4,785.8**	**100.0%**	**4,208.0**	**100.0%**	**13.7%**
Cost of Revenue	2,448.2	51.2%	2,005.9	47.7%	22.0%
Administration and other expenses	1,225.4	25.6%	833.3	19.8%	47.1%
Interest	19.1	0.4%	13.0	0.3%	47.1%
Depreciation	217.9	4.6%	178.2	4.2%	22.3%
Total Expenditure	**3,910.6**	**81.7%**	**3,030.4**	**72.0%**	**29.0%**
Profit before tax	**875.2**	**18.3%**	**1,177.7**	**28.0%**	**-25.7%**
Provision for tax	94.6	2.0%	75.9	1.8%	24.7%
Profit after tax	**780.6**	**16.3%**	**1,101.8**	**26.2%**	**-29.1%**

FISCAL 2008 COMPARED TO FISCAL 2007

Revenues:-

Revenue during the fiscal 2008 has grown by 22.5% as compared to fiscal 2007. During 2008, the rupee has appreciated by 7.5% against US$ (Average US$/INR rate during 2008 & 2007 were 40.5 & 43.8 respectively). Excluding the impact of strengthening of INR against US$, in dollar terms, revenue during 2008 have grown by 32.4 %.

Company derives its revenues from two segments viz Information Technology (Software) and Business Process Outsourcing Services. Segment wise details are given below:

(Rs. in Crores)

	For the Year Ended June 30,2008		For the Year Ended June 30, 2007		Growth
Particulars	Amount	% of Revenue	Amount	% of Revenue	% Increase
Information Technology (Software)	4,012.0	86.9%	3,240.8	86.0%	**23.8%**
Business Process Outsourcing	603.4	13.1%	527.8	14.0%	**14.3%**
Total Service Revenue	4,615.4		3,768.6		22.5%

Cost of Revenues:-

(Rs. in Crores)

	For the Year Ended June 30,2008		For the Year Ended June 30, 2007		Growth
Particulars	Amount	% of Revenue	Amount	% of Revenue	% Increase
Personnel Expenses	1,726.4	37.4%	1,448.6	38.4%	**19.2%**
Software development expenses	721.8	15.6%	557.3	14.8%	**29.5%**
Total	2,448.2		2,005.9		22.0%

The cost of revenues increased by 22.0% from Rs. 2,005.9 crores in fiscal 2007 to Rs. 2,448.2 crores in fiscal 2008. This increase is mainly on account of increased personnel costs. Personnel costs increased to Rs. 1,726.4 crores in 2008 from Rs. 1,448.6 crores in 2007, an increase of 19.2%. Personnel costs include a non cash stock option charge of Rs. 105.0 crores during the year ended June 30 2008 against Rs. 125.9 crores for the year ended June 30 2007. Personnel costs have been driven up primarily by an increase in number of employees during the year from total of 32,660 at the end of fiscal 2007 to 37,757 at the end of fiscal 2008.

The Company also subcontracts certain projects to subsidiaries or hires consultants from third parties. These costs increased to Rs. 693.1 crores in fiscal 2008 from Rs. 557.3 crores in fiscal 2007, an increase of 24.4%.

Administration and other expenses:-

(Rs. in Crores)

	For the Year Ended June 30,2008		For the Year Ended June 30, 2007		Growth
Particulars	Amount	% of Revenue	Amount	% of Revenue	% Increase
Rent	160.2	3.5%	88.5	2.3%	**81.0%**
Power & Fuel	83.5	1.8%	63.4	1.7%	**31.6%**
Travel and conveyance	305.6	6.6%	327.7	8.7%	**-6.8%**
Communication costs	65.4	1.4%	68.9	1.8%	**-5.1%**
Recruitment Training & Development	49.9	1.1%	36.0	1.0%	**38.5%**
Exchange differences	277.5	6.0%	-	-	**-**
Others	283.4	6.1%	248.7	6.6%	**14.0%**
Total	1,225.4		833.3		47.1%

During 2008, the company has incurred exchange loss of Rs. 277.5 crores due to significant appreciation of USD against INR on account of mark to market of forward covers, cancellation of forward covers and reinstatement of foreign currency assets and liabilities. While during the year ended 30 June 2007, the company has incurred exchange gain of Rs. 345.3 crores (reported under Other Income) due to significant depreciation of USD against INR on account of mark to market of forward covers and reinstatement of foreign currency assets and liabilities. (Refer note 1(j) of schedule 16 of Balance sheet).

Excluding the exchange loss of Rs. 277.5 crores, administration and other expenses increased by 13.8% from Rs. 833.3 crores in 2007 to Rs. 947.9 crores in 2008. This increase is mainly on account of increase in rent, project related travel costs, power & fuel and other establishment costs. Rental expenses have increased on account of additional facilities taken on lease for expansion and also due to levy of service tax on rental payments during the current fiscal year. In line with the opinion expressed by the Expert Advisory Committee of the Institute of Chartered Accountants of India, from the current year, the Company has started amortizing lease rentals on a straight line basis during the entire lease term.

Profit before tax:-

Profit before tax decreased by 25.7% during the fiscal from Rs. 1,177.7 crores in 2007 to Rs. 875.2 crores in 2008. During the current year, the Company has incurred an exchange loss of Rs. 212.7 crores (net of gain of Rs. 64.8 crores reported in revenue) against an exchange gain of Rs. 345.3 crores in 2007. Excluding exchange gain and loss, profit before taxation increased to Rs. 1,087.9 crores in 2008 from Rs. 832.4 crores an increase of 30.7%

Taxation:-

The net tax expense for 2008 was Rs. 94.6 crores compared to Rs. 75.9 crores in 2007.

A substantial portion of the profits of the Company's India operations is exempt from income tax, these profits being attributable to export operations of undertakings situated in Software Technology Parks (STP). Under the tax holiday, the taxpayer can utilize an exemption from income tax for a period of any ten consecutive years beginning from the financial year when the unit started operations. The tax holiday on all facilities under STPs expires in stages by 2010. The profits arising out of the domestic business are subject to corporate income tax at the rate of 30% plus applicable surcharge and education cess. The Company is in the process of developing three campuses at Noida, Chennai & Bangalore in its Special Economic Zone (SEZ) approved facilities. A portion of the facilities at Noida campus and certain facilities in leased premises have become operational during the financial year 2007-08 as SEZ units are entitled to applicable tax benefits. Income from units in SEZ is fully exempt from tax for the first 5 years, 50% exempt for the next five years and 50% exempt for the next five years subject to fulfilling certain conditions.

Net profit:-

The Company's profit after tax decreased to Rs. 780.6 crores in fiscal 2008 from Rs.1,101.8 crores in fiscal 2007, a decrease of 29.1% .

Fixed Assets:-

The Company has made additions of Rs. 281.4 crores during 2008 in the gross block of fixed assets which comprises computers, software, other equipments and investment in facilities. Gross block of fixed assets as at the end of fiscal 2008 stood at Rs. 1,599.6 crores and capital work in progress (including capital advances) stood at Rs. 419.0 crores.

Capital work in progress includes payment of Rs. 85.6 crores for 170 acres of land allotted to the Company in Nagpur in an approved SEZ location. Company is in the process of taking possession of this land.

The Company is in the process of developing facilities in its campuses at NOIDA, Chennai & Bangalore. These campuses are spread over a combined area of 121 acres. Currently, approximately 16000 seats are under development. A portion of the facilities at NOIDA campus has become operational during the financial year 2007-08 as SEZ units. All the three campuses are approved SEZ locations. Expenditure incurred till end of fiscal 2008 for these facilities under construction is appearing under capital work in progress.

Cash Flows:-

Cash generated from operations provides the major source of funds for the growth of the business. Net cash provided by operating activities increased to Rs. 1,056.8 crores in the year 2008 from Rs. 997.9 crores in year 2007. This cash generated has been utilized in the purchase of fixed assets worth Rs. 463.3 crores and payment of dividend of Rs. 621.3 crores (including dividend distribution tax).

Treasury Operations:-

The guiding principle of the Company's treasury investment is safety, liquidity and return. The Company has efficiently managed its surplus funds through careful treasury operations.

The Company deploys its surplus funds primarily in debt mutual funds and bank fixed deposits with a limit on investments with individual fund/bank. Breakup of investments in different portfolio is given below:-

(Rs. in Crores)

Particulars	2008	2007
Debt Mutual Funds	1,220.1	1,414.4
Bonds	12.0	12.0
Fixed Deposits with Banks	524.0	275.0
Total	**2,321.4**	**2,263.8**

Return from Investments is given below:-

(Rs. in Crores)

Other Income	2008	2007
Interest Income	51.3	9.0
Dividend from Investments	7.2	4.1
Profit on sale of Investments	107.2	77.7
Total	**165.7**	**90.9**

To take advantage of the lower tax rate applicable to long-term capital gains, the Company invests in growth funds and has unrealized capital gains of Rs.77.1 crores and Rs. 75.7 crores as at the end of fiscal year 2008 and 2007.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting this Sixteenth Annual Report together with the Audited Accounts for the year ended June 30, 2008.

FINANCIAL RESULTS

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

(Rs. in crores)

	Year ended June 30, 2008	Year ended June 30, 2007
Income		
Revenues	7,562.78	6,068.74
Other income	192.72	455.85
	7,755.50	**6,524.59**
Expenditure		
Cost of revenues	4,190.54	3,357.46
Administration and other expenses	2,065.56	1,477.29
Finance costs	17.70	8.03
Depreciation and amortization	298.84	253.86
	6,572.64	**5,096.64**
Profit before tax and minority interests	**1,182.86**	**1,427.95**
Provision for tax	(129.03)	(104.08)
Profit before minority interests	**1,053.83**	**1,323.87**
Share of minority shareholders	(2.42)	(5.56)
Net Profit	**1,051.41**	**1,318.31**

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

(Rs. in crores)

	Year ended June 30, 2008	Year ended June 30, 2007
Income		
Revenues	4,615.39	3,768.62
Other income	170.40	439.42
	4,785.79	**4,208.04**
Expenditure		
Cost of revenues	2,448.18	2,005.91
Administration and other expenses	1,225.42	833.26
Finance charges	19.07	12.97
Depreciation	217.87	178.21
	3,910.54	**3,030.35**
Profit before tax	**875.25**	**1,177.69**
Provision for tax	(94.60)	(75.87)
Profit after tax	**780.65**	**1,101.82**
Balance in Profit and Loss Account brought forward	1,570.44	1,185.99
Amount available for appropriation	**2,351.09**	**2,287.81**
Appropriations		
Proposed final dividend [including Rs. 0.03 crores (previous year Rs. 0.45 crores) paid for previous year]	199.94	133.19
Corporate dividend tax on proposed final dividend [including Rs. 0.01 crores (previous year Rs. 0.06 crores) paid for previous year]	33.97	22.62
Interim dividend	398.64	392.40
Corporate dividend tax on interim dividend	67.75	58.98
Transfer to general reserve	78.06	110.18
Balance carried forward to the balance sheet	**1,572.73**	**1,570.44**
Total	**2,351.09**	**2,287.81**

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 78.06 crores to the General Reserve. An amount of Rs. 1,572.73 crores is proposed to be carried forward in the Profit & Loss Account.

OVERVIEW

During the financial year 2007-08, on a stand-alone basis, your Company's revenues stood at Rs. 4,615.39 crores registering a growth of 22.47% over the previous year and on a consolidated basis, the Company's revenues for the year 2007-08 stood at Rs. 7,562.78 crores registering a growth of 24.62 % over the previous year.

A detailed analysis on the Company's performance is included in the Management's Discussion and Analysis Report titled as "Management's Discussion and Analysis", which forms part of this Annual Report.

DIVIDEND

Your directors are pleased to recommend a final dividend of Rs. 3 per share for the financial year ended June 30, 2008, subject to approval of the shareholders at the ensuing Annual General Meeting. During the year under review, your directors had declared and paid three interim dividends as per the details given hereunder:

S. No.	Interim dividend paid during the year ended June 30, 2008	Rate of dividend	Amount of dividend paid Rs./crores	Distribution tax paid by the Company Rs./ crores	Total Outflow Rs./crores
1	1st Interim Dividend	Rs. 2/- per share	132.76	22.56	155.32
2	2nd Interim Dividend	Rs. 2/- per share	132.86	22.58	155.44
3	3rd Interim Dividend	Rs. 2/- per share	133.03	22.61	155.64

The total amount of dividend (including interim dividends) paid / payable for the year ended June 30, 2008 shall be Rs. 598.55 crores as against Rs. 525.17 crores paid for the previous year. Dividend distribution tax paid / payable by the Company for the year ended June 30, 2008 would amount to Rs. 101.71 crores.

SUBSIDIARIES FORMED DURING THE YEAR

HCL Technologies (Shanghai) Limited

During the year under review, the Company has incorporated its wholly owned subsidiary viz. HCL Technologies (Shanghai) Limited. Through this entity the Company established its first sales and delivery center in Shanghai with an initial investment of Rs. 2.77 crores (USD 0.7 million).

Capital Stream Inc.

During the year under review, the Company acquired all of the outstanding capital stock of Capital Stream Inc., a company incorporated in USA for a cash consideration of Rs. 160 crores (USD 39.03 million). Capital Stream Inc. is engaged in providing comprehensive end to end solutions for the automation of front office functions of commercial lending institutions. This transaction was structured as reverse merger.

EXISTING SUBSIDIARIES/ JOINT VENTURES - FURTHER INVESTMENT/ AMALGAMATION/ CLOSURE DURING THE YEAR

HCL EAI Services Inc.

In order to consolidate its position in Enterprise Application Integration ("EAI") space, the Company has acquired the balance 49% stake in its Joint Venture Company viz. HCL EAI Services Inc., a California corporation for a consideration of Rs.13.32 crores (USD 3.49 million) through its downstream subsidiary HCL America Inc., a company incorporated in USA. With this acquisition, HCL EAI Services Inc. has become 100% subsidiary of your Company.

Further w.e.f. July 01, 2008, HCL EAI Services Inc. has been amalgamated with HCL America Inc.

HCL Jones Technologies (Bermuda) Limited

In June 2002, the Company entered into an agreement with Jones Apparel Group Inc. ("Jones"), under which two new Companies were established in Bermuda and Delaware. The Company held 51% stake in the said Joint Venture.

In December 2007, the Company and Jones had entered into an agreement ("Termination Agreement") to terminate the Joint Venture agreement entered in June 2002. As a part of the termination agreement, a subsidiary of the Company has obtained binding commitments for the provision of IT services to Jones, with an aggregate contract value of Rs. 96.8 crores (USD 22.5 million) upto 2012.

Further, pursuant to this termination, the Joint Venture Company in Bermuda viz. HCL Jones Technologies (Bermuda) Limited will be wound up.

HCL Enterprise Solutions Limited

HCL Enterprise Solutions Limited was incorporated in Mauritius in regard to the Joint Venture entered into by the Company with Computech Corporation. The Company has acquired 100% stake in the said Joint Venture, the last tranche acquired in February, 2005. Since the business pertaining to the said Joint Venture has been fully integrated within the Company, it was therefore decided to wind up this entity. Accordingly an application for winding up has been moved with the relevant authorities in Mauritius.

BRANCHES FORMED DURING THE YEAR

In order to scale the operations in new geographies, the Company has set up four branches at the following locations:

Dublin, Ireland
Zurich, Switzerland
Tel- Aviv, Israel
Prague, Czech Republic

SUBSIDIARIES - FINANCIALS

The Company has 30 subsidiaries as on June 30, 2008. The Company has been granted exemption for the year ended June 30, 2008 by the Ministry of Corporate Affairs from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under section 212 of the Companies Act, 1956.

As per the terms of the exemption letter, a statement containing brief financial details of the Company's subsidiaries for the year ended June 30, 2008 is included in the Annual Report.

As required under the Listing Agreements with the Stock Exchanges, consolidated financial statements of the Company and its subsidiaries are attached.

CHANGES IN CAPITAL STRUCTURE

Issue of shares under Employee Stock Option Plans

During the year ended June 30, 2008, the Company allotted 2,657,156 equity shares of Rs. 2/- each fully paid up under its Employees Stock Option Plans ("ESOP").

ISSUED AND PAID-UP SHARE CAPITAL

As on June 30, 2008, the issued and paid-up share capital of the Company was Rs.133,26,80,544/- (previous year : Rs.132,73,66,232/-) comprising 66,63,40,272 (previous year: 66,36,83,116) equity shares of Rs. 2/- each fully paid-up.

STOCK OPTIONS PLANS

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

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

SHARES UNDER COMPULSORY DEMATERIALIZATION

The equity shares of your Company are included in the list of specified scrips where delivery of shares in dematerialized (demat) form is compulsory effective from July 24, 2000, if the same are traded on a stock exchange , which is linked to a depository. As of June 30, 2008, 99.92% shares were held in demat form.

CORPORATE GOVERNANCE

The report of Board of Directors of the Company on Corporate Governance is given as a separate section titled 'Corporate Governance Report 2007-08', which forms part of this Annual Report.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

The Management's Discussion and Analysis is given separately and forms part of this Annual Report.

INSIDER TRADING REGULATIONS

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Code of Conduct for prevention of insider trading and the Code for corporate disclosures are in force.

DIRECTORS' RESPONSIBILITY STATEMENT

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

DIRECTORS

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

Mr. Vineet Nayar is appointed as an additional Director of the Company w.e.f. August 01, 2008. Pursuant to the Provisions of section 260 of the Companies Act, 1956, Mr. Vineet Nayar holds the office upto the date of the ensuing Annual General Meeting and is eligible for appointment as Director of the Company. Subject to the approval of the shareholders in the ensuing Annual General Meeting, he has been appointed as a Whole-time Director of the Company for a period of five years w.e.f. August 01, 2008.

AUDITORS

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

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

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

FIXED DEPOSITS

Your Company has not accepted any fixed deposits.

DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of this report.

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Noida (U.P.), India — **SHIV NADAR**
01 August 2008 — Chairman and Chief Strategy Officer

ANNEXURE TO THE DIRECTORS' REPORT

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

a) Conservation of Energy

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

b) Research and Development ("R&D")

i) Specific areas in which R&D was carried out

Your Company continued its R&D efforts to build competence in the emerging Internet, Telecom and Embedded Technology areas thereby ensuring a continuous movement up the value chain. Since business and technologies are changing constantly, continuous investments in research and development need to be made.

ii) Benefits derived as a result of above R&D

As a result of research efforts, your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

iii) Future plan of action

Your Company will continue to focus on R&D activities and will make investments therein from time to time.

iv) Expenditure on R&D for the years ended June 30, 2008 and 2007 are as follows:

(Rs. in crores)

Particulars	2008	2007
Revenue expenditure	19.44	12.07
Capital expenditure	-	-
Total R&D expenditure	**19.44**	**12.07**
R&D expenditure as a percentage of revenues	**0.42%**	**0.32%**

c) Technology absorption, adaptation and innovation

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

d) Foreign exchange earnings and outgo

Your Company is an export-oriented unit and the majority of the Information Technology (IT) services and Business Process Outsourcing (BPO) services by the Company are for clients outside India.

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

(Rs. in crores)

Particulars	2008	2007
Foreign exchange earnings	**4,545.89**	**3,726.09**
Foreign exchange outgo		
- Expenditure in foreign currency	1,043.99	913.58
- CIF value of imports	67.78	50.84
- Dividend remitted in foreign currency	98.36	98.40
	1,210.13	**1,062.82**

For and on behalf of the Board of Directors

Noida (U.P.), India
01 August 2008

SHIV NADAR
Chairman and Chief Strategy Officer

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

i) The financial statements have been prepared in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to the Company. There have been no material departures from prescribed accounting standards while preparing these financial statements;

ii) The Board of Directors has selected the accounting policies described in the notes to the accounts, which have been consistently applied, except where otherwise stated. The estimates and judgments relating to the financial statements have been made on a prudent basis, in order that the financial statements reflect in a true and fair manner, the state of affairs of the Company as at June 30, 2008 and the profit of the Company for the year ended on that date;

iii) The Board of Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) The annual accounts have been prepared on the historical cost convention, as a going concern and on the accrual basis.

For and on behalf of the Board of Directors

Noida (U.P.), India
01 August 2008

SHIV NADAR
Chairman and Chief Strategy Officer

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

DETAILS ON STOCK OPTION PLANS

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

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

Each option granted under the 1999 Plan, 2000 Plan and 2004 Plan, entitles the holder to four equity shares of the Company at an exercise price, which is approved by the Compensation Committee.

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

S. No.	Description	1999 Plan	2000 Plan	2004 Plan
1	Total number of options granted (gross)	26,600,874	17,747,401	4,476,172
2	The pricing formula	Market price/ internal valuation	Market price	Market price/ price determined by Compensation Committee
3	Number of options vested	15,950,147	7,537,378	939,643
4	Number of options exercised	12,089,057	4,425,075	635,137
5	Total number of shares arising as a result of exercise of options	48,356,228	17,700,300	2,540,548
6	Number of options lapsed	11,689,387	9,230,885	515,492
7	Variation in terms of options	None	None	None
8	Money realized by exercise of options (Rs. crores)	384.02	243.59	3.11
9	**Total number of options in force as on June 30, 2008**	**2,822,430**	**4,091,441**	**3,325,543**
10	Grant to Senior Management			
	Number of Options	1,967,175	254,904	1,110,000
	Vesting Period	3-7 years	2-7 years	1.5-5 years

The diluted earnings per share were Rs. 11.40 and Rs.16.27 for the fiscal years ended June 30, 2008 and 2007 respectively.

HCL TECHNOLOGIES LIMITED EMPLOYEES TRUST

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

As on June 30, 2008, an amount of Rs. 6.52 crores is outstanding as loan from the Company and Nil shares of the Company are held by the Trust. The Company has made provision of Rs. 6.52 crores against the same.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Details of Stock Option Plans for the year ended June 30, 2008

Particulars	1999 Plan	2000 Plan	2004 Plan
Total number of options outstanding as on July 1, 2007	**3,442,289**	**5,041,132**	**3,752,886**
Number of options granted during the year	-	-	-
Pricing formula	Market price / internal valuation	Market price	Market price / price determined by Compensation Committee
Number of options vested during the year	628,083	645,593	516,449
Number of options exercised during the year	183,871	267,275	213,143
Total number of shares arising as a result of exercise of options during the year	735,484	1,069,100	852,572
Number of options lapsed during the year	435,988	682,416	214,200
Variation in terms of options	None	None	None
Money realised by exercise of options during the year (Rs. crores) (includes issued through Trust)	11.67	17.51	0.51
Total number of options in force as on June 30, 2008	**2,822,430**	**4,091,441**	**3,325,543**
Employees granted options equal to 5% or more of the total number of options granted during the year	None	None	None
Employees granted options equal to or exceeding 1% of the issued capital during the year	None	None	None
Fair value compensation cost for options granted (Rs. crores)	N.A.	N.A.	N.A.
Weighted average exercise price of options granted above market price	N.A.	N.A.	N.A.
Weighted average fair value of options granted above market price	N.A.	N.A.	N.A.
Weighted average exercise price of options granted at market price	N.A.	N.A.	N.A.
Weighted average fair value of options granted at market price	N.A.	N.A.	N.A.
Weighted average exercise price of options granted below market price (Rs.)	N.A.	N.A.	N.A.
Weighted average fair value of options granted below market price (Rs.)	N.A.	N.A.	N.A.
Method and significant assumptions used during the year to estimate the fair values of options			
Method	Black-Scholes	Black-Scholes	Black-Scholes
Significant assumptions			
Risk free interest rate	8.10%	8.10%	8.10%
Expected life	upto 35 months	upto 35 months	upto 35 months
Expected Volatility	26.67%	26.67%	26.67%
Expected Dividend	3.65%	3.65%	3.65%
The price of the underlying options in market at the time of grant (Rs.)	N.A.	N.A.	N.A.

Pre IPO Details of Stock Option Plan

Particulars	As on June 30, 2008 ESOP 1999 Plan
Number of options granted pre IPO	14,223,832
Pricing formula	Internal valuation
Number of options vested	11,648,957
Number of options exercised	10,234,702
Total number of shares arising as a result of exercise of options	40,938,808
Number of options lapsed	3,989,130
Variation in terms of options	None
Money realised by exercise of options (Rs. crores)	259.41
Total number of options in force as on June 30, 2008	-
Fair value compensation cost for options granted (Rs. crores)	43.96
Weighted average exercise price of options granted (Rs.)	255.00
Weighted average fair value of options granted (Rs.)	36.65
Method used to estimate the fair values of options	Black-Scholes
Significant assumptions	
Risk free interest rate	10.00%
Expected life	12 to 110 months
Expected volatility	-
Expected dividend	0.10%

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Employees Compensation Cost based on fair value of the options

Particulars		**Year ended 30 June 2008**
		(Rs. crores)
Net income, as reported		**780.65**
Add: Stock-based employees compensation expense included in reported net income		105.04
Deduct: Total stock-based employees compensation expense determined under fair value based method for all awards		110.01
Proforma net income		**775.68**
Earnings per share		Rs.
As reported	- Basic	11.75
	- Diluted	11.40
Adjusted pro forma	- Basic	11.67
	- Diluted	11.32
Method used to estimate the fair values of options		Black-Scholes
Significant assumptions		
Dividend yield %		3.65%
Expected life		upto 35 months
Risk free interest rates		8.10%
Volatility		26.67%

Details of options granted to Senior Managerial Personnel of the Company-Pre IPO

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

Details of options granted to Senior Managerial Personnel of the Company during the year ended June 30, 2008

None

Details of options granted to employees amounting to 5% or more of the options granted during the year ended June 30, 2008

None

Details of options granted to employees during the year ended June 30, 2008, amounting to 1% or more of the issued capital of the Company at the time of the grant

None

For and on behalf of the Board of Directors

Noida (U.P.), India
01 August 2008

Shiv Nadar
Chairman and Chief Strategy Officer

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Statement under Section 217 (2A) of the Companies Act, 1956 forming part of Directors' Report

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2007-08

Sl. No	Name	Age (in yrs.)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previuos employment	Previuos employment held since
1	Amit Shekhar	43	Practice Director - CRM	Doctorate	2,444,077	13-Jun-06	18	i2 Technologies	Director	Nov.98
2	Anand Pillai	49	Senior Vice President - T2ID	PGD, FMS/CSMS	5,405,176	1-Jun-05	25	Clime	President & Chief Mentor	Sep.03
3	Ananth Vaidyanathan	39	Vice President	B. Tech (Electronics)	4,390,189	21-May-07	17	Infosys Technologies Ltd.	Associate Vice President	Jan.92
4	Anil Chanana	50	Executive Vice President-Finance	CA	6,285,456	1-Jan-07	27	HCL Technologies America Inc.	Executive Vice President	Dec.85
5	Anil Gupta	53	Vice President	B.Tech, M.Tech	3,833,809	1-Jan-06	31	HCL Japan Ltd.	Vice President	Jan.03
6	Anup Dutta	49	Vice President	BE (Electrical), M.Tech (Electrical)	4,025,020	1-Jul-96	27	HCL Hewlett Packard Ltd.	Senoir Manager	Jul.81
7	Arjun Raghunathan	51	Technology Director	BE (Electronics & Commn.Engineering), ME (Computer Science)	3,119,473	1-Jul-96	27	HCL Hewlett Packard Ltd.	Senoir Manager	Aug.81
8	Ashok Kumar M.	47	Vice President	B.Tech	3,410,983	16-Mar-94	23	HCL Infinet Ltd.	Head & Vice President	Jun.2000
9	Ashutosh Kaushik	45	General Manager	MBA	2,545,080	24-Mar-94	24	HCL Comnet Ltd.	DGM	Mar.94
10	Badrinath Krishna	51	Principal	MBA	4,163,546	19-Dec-05	29	Synergy Log-In Systems Ltd.	Whole Time Director	Apr.93
11	Bala Chander D M	45	General Manager - Internal Audit	CSA	2,531,400	3-Jan-05	21	Lovelock & Lewes	Senoir Manager	Jun.95
12	Chitra Rajan	47	Global Technology Director - ATG	M. Tech	2,401,531	1-Apr-98	23	Subconhacted Intel	Consultant	Jan.89
13	Dakshina Murthy Chaganti	54	Associate Vice President	M.A., PGDM	3,457,955	1-May-03	30	HCL Infosystems Ltd.	Associate Vice President	Dec.78
14	Davidson Devavaran	49	Senior Vice President	M.Sc, MS	3,634,340	2-Apr-03	24	DSQ Software Ltd.	Chief Operating Officer	Aug.95
15	Deepak Aggarwal	34	General Manager - Finance	CA	2,488,764	22-Feb-07	11	Indian Oil Corporation Ltd.	Senoir Accounts Officer	Jan.97
16	Deval Shah	41	Global Operations Director	BE (Electronics), MS (Computer Science)	2,668,208	13-Mar-00	16	HCL Poret Systems	Project Director	Mar.2000
17	Dharmander Kapoor	42	Practice Director	MCA	3,623,384	21-Apr-03	17	Xavient Techniologies	Program Manager	Mar.02
18	Dilip Srivastava	49	Senior Vice President - Corp HR	MSW (HR & IR)	5,407,499	7-Jun-05	25	Vanguard Solutions	Vice President - HR	Apr.05
19	Dinesha L G	50	Associate Vice President	M.Sc., PGD (Finance & Marketing)	2,865,210	6-Oct-03	28	I-Flex Solutions Ltd.	Principal Consultant	Apr.05
20	Gade Rao	50	Corporate Vice President	BE (Electronics)	4,124,179	1-Jul-96	27	HCL Hewlett Packard Ltd.	Senoir Manager - R & D	Nov.80
21	Ganesh Nerur	54	Associate Vice President	B.Sc.	2,430,035	7-Feb-97	32	HCL Infosystems Ltd.	General Manager	Feb.97
22	Goutam Rungta	35	Associate Vice President - Finance	CA	2,736,992	1-Mar-07	12	General Motors India Pvt. Ltd.	General Manager	Jul.05
23	Gunaseelan Narayanan	53	Senior Corporate Vice President	M.Tech (Computer Science)	5,127,027	1-Jul-96	28	HCL Hewlett Packard Ltd.	General Manager	Aug.79
24	Harsha Mutt	44	Vice President - Operations CMS	B.Tech (Mechanical. Engineering), CA	5,609,040	7-Aug-06	22	Infosys Technologies Ltd.	VP & Head of Delivery,Banking& Capital Market	Aug.86
25	Hemant Kumar	54	Associate Vice President	B.Tech (Electrical)	3,853,151	1-Aug-05	31	Canon India Pvt. Ltd.	Director & General Manager	Apr.99
26	Jagathesan Arumugam	57	Associate Vice President	BE (Electronics), MBA (Finance)	2,577,588	24-Jan-00	34	Crompton Greaves Ltd.	Deputy General Manager	Sep.96
27	Jyoti Das	49	Associate Vice President - BMG	MBA (Computer Science), MSc (Finance)	3,362,962	1-May-06	21	Raffles Software Pvt. Ltd.	Head - Business Development	Jun.04
28	Kabilan Adiypatham	53	Vice President Operations	MTech	2,700,814	4-Mar-97	28	New Concept	Consultant	Dec.89
29	Kaleeswaran Viswanathan	46	Deputy General Manager	M.Tech	2,713,733	3-Nov-06	22	Future Software Ltd.	Director(Engineering)	Apr.97
30	Kannan Veeraraghavan	50	Vice President	B.Com & Certificate Courses	5,381,331	1-Aug-05	26	KPMG Peat Marwick	Executive Director - Software Process	Jun.95
31	Krishnamurti Rao	51	Associate Vice President	MBA	2,991,919	8-Dec-97	27	Tata Consultancy Service Ltd.	Senior Consultant	May.81
32	Madan Mulwani	54	Vice President - Projects	Poytechnic . Diploma	2,581,125	1-Apr-88	33	HCL Infosystems Ltd.	Deputy General Manager - Projects	Apr.88
33	Madan Srinivasan	39	HR Director - Transitions Management	B.Tech, MBA) (PM & IR)	3,898,655	2-May-07	15	Pepsico India Holding Pvt. Ltd.	Vice President	Aug.03
34	Mahalingam Sundararajan	39	Associate Vice President - Markting	B.Tech (Chemical Engineering), PGDM	2,465,397	14-Nov-05	16	J. Walter Thompson	Associate Vice President - Strategic Planning	Feb.04

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Statement under Section 217 (2A) of the Companies Act, 1956 forming part of Directors' Report

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2007-08

Sl. No	Name	Age (in yrs.)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previuos employment	Previuos employment held since
35	Manohar Lal Taneja	62	Vice President-Human Resources	MBA	2,404,587	5-Sep-06	40	HCL Infosystems Ltd.	Executive Vice President	Jan.86
36	Meena Vaidyanathan	36	General Manager	PGD - Marketing	2,954,246	1-Dec-06	14	Honeywell	Director	Mar.04
37	Mohammed Salman	47	Vice President	MBA - Marketing	3,654,668	10-Nov-06	23	Perot Systems	General Manager	Jun.03
38	Murali Jayaraman Srinivasa	49	Vice President -Operations	B.Tech (Chemical Engineering)	3,031,434	1-Apr-05	26	Tata Consultancy Services Ltd.	Principal Consultant	Sep.90
39	Murali K S	45	Global Operations Director - Penstock	B.Tech	2,403,974	10-Mar-05	20	PSI Data Systems Ltd.	Vice President	Mar.90
40	Murali Raghavan	43	Senior Vice President	CA, MBA (Marketing)	5,421,680	27-Sep-05	20	Hewlett-Packard Globalsoft Ltd.	Practice Head - ERP	Jun.04
41	Nalin Mittal	36	General Manager	CA	2,539,690	15-Nov-96	12	Price Waterhouse Coopers	Articleship	Jul.93
42	Prabhakara Rao Arrabolu	51	Senior Vice President -Human Resources	B.Com MBA	3,260,916	1-Sep-04	27	Birla Soft	Global Head -Human Capital Management	Jun.02
43	Prabhuraman Sayanam	38	Associate Vice President	B.Tech (Computer Science)	2,562,831	1-Jul-96	20	HCL Hewlett Packard Ltd.	Asstt. Manager - R&D	Aug.88
44	Prahlad Bansal	51	Corporate Vice President-Finance	CA	3,577,082	1-Dec-94	28	HCL Ltd.	DGM - Finance	Sep.89
45	Pramod Gupta	47	Vice President	MBA	3,694,049	8-Jun-01	24	Ariba Technologies India	Technical Director	Jul.2000
46	Prem Asija	58	Senior Corporate Vice President	BE	6,343,417	1-Sep-97	39	APT Automation	Director	Jan.93
47	Premkumar Seshadri	49	Corporate Vice President	MBA	13,330,186	29-Aug-03	25	Fugen IT Ltd.	Founder & CEO	May.98
48	Raj Malik	48	Vice President	B.Tech	2,792,161	28-Jul-97	26	Commonwealth Bank	Project Manager	May.96
49	Raj Walia	42	Vice President	B.Com , CWA	2,617,183	5-Jun-95	21	Pitzer	Deputy General Manager	Jun.95
50	Rajbir Singh	43	Practice Director - CRM	B.Tech, MBA (Marketing)	2,849,231	14-Apr-04	20	Oracle India Pvt Ltd.	Consulting Industry Manager	Oct.02
51	Rajiv Gupta	46	Senior Vice President-Operations (Telecomunications Vertical)	B.Sc.	3,346,102	17-Mar-03	24	Daksh E Services	Head Operation Support	Mar.01
52	Rajiv Sodhi	49	Corporate Vice President - Operations	B.Tech, MBA	4,168,512	24-Jul-97	27	Tata Consultancy Services Ltd.	Manager Systems	Jul.81
53	Rajiv Swarup	56	Corporate Vice President	MBA	5,099,501	8-Mar-00	34	Modi Corpoartion Ltd.	Director Business Development	Sep.99
54	Rajnesh Avtar	40	Global Operations Director	MBA	2,820,044	31-Jul-06	18	HP (USA)	Senoir Software Manager	May.95
55	Rakesh Singh	42	General Manager	MCA	2,424,174	1-May-06	18	FCS Software Solutions	Vice President - Delivery	Dec.05
56	Ramachandra Kerur	56	Program Director	BE (Electrical), M.Tech (Electronics)	3,406,856	17-Jun-02	31	Nuntius Systems Ltd.	Chief Executive Officer	Feb.02
57	Ramachandran Kalpathy	51	Practice Director -Servers And Storage	B.Tech (Erlectrical)	2,528,173	9-Apr-01	30	Dusk Valley Tech.	CIO	Oct.2000
58	Ramaiah Sethuramalingam	40	Deputy General Manager	B.Tech	2,471,181	27-Jan-94	19	HCL Peripherals Ltd.	Senior Manager R & D	Jul.94
59	Ramakrishna Venkatraman	56	Corporate Vice President - Banking Practices	M.Tech (Electronics Engineering)	5,291,949	23-Jul-03	33	Eximsoft Technolgies Pvt. Ltd.	Managing Director	Apr.97
60	Ramakrishnan Venkatraman	48	Associate Vice President	M.Sc. - Electronics	2,793,944	8-Aug-06	25	Accenture Tech	Senior Manager	Jul.05
61	Ramamurthy Vaidyanathan	53	Executive Vice President	B.E. (Metallurgy)	6,182,670	1-Jul-96	27	HCL Hewlett Packard Ltd.	DGM - R & D	Jul.81
62	Ramesh Ganesh	42	Associate Vice President	M.E. (Electronical. Engineering)	2,883,636	7-Apr-97	18	Tata Electric	Deputy Exe Engr	Sep.90
63	Ramesh Nathawani	45	Associate Vice President	BE (Comp.Science)	3,111,213	1-Mar-02	22	Planetasia Ltd.	Head - ADG	Oct.2000
64	Rangarajan Raghavan	49	Senior Vice President- Operations (Retail Vertical)	Diploma in Electrical Engineering	3,899,494	1-Apr-03	30	HCL Infinet Ltd.	Business Head	Apr.02
65	Ranjit Narasimhan	54	Executive Vice President	MBA	9,498,414	15-Apr-99	30	Riviera Confectionery Pvt. Ltd.	Managing Director	Jul.87
66	Ravi Kumar	53	Vice President -Strategic Employee Comm.	PGD - Marketing	3,128,068	19-Mar-07	28	Start Indian Pvt. Ltd.	Vice President - Corporate Affairs	Mar.04
67	Ravi Shankar B	48	Senior Vice President -TMG	MBA	4,782,623	5-Jul-04	26	Lister Tech	President	Jul.2000

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Statement under Section 217 (2A) of the Companies Act, 1956 forming part of Directors' Report

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2007-08

Sl. No	Name	Age (in yrs.)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previuos employment	Previuos employment held since
68	Ravindra Nuguri	43	Global Program Director	BE (Electronics & Commn.), PGD in S/W Technology	2,528,608	4-Feb-04	21	Tektronix Engg Ltd.	Program Manager	Jun.2000
69	Ravishankar Sethuraman	41	Associate Vice President	BE (Electronics & Commn.)	2,416,774	8-Jul-99	19	DSQ	Project Manager	Apr.97
70	Rita Gupta	46	Vice President	CA	2,922,572	1-Jul-96	21	HCL Hewlett Packard Ltd.	Manager - Finance	Nov.88
71	S Sivaguru	51	Associate Vice President	BE (Electronics)	3,460,791	8-Sep-04	28	Global Automatation India Pvt Ltd.	Vice President	Jun.95
72	Sandeep Raizada	42	Associate Vice President - SAP Practice	BE (Electrical Engineering)	3,332,012	19-Dec-05	20	Hewlett Packard Globalsoft Ltd.	Program Manager	Feb.03
73	Sandip Gupta	49	Corporate Vice President-FA& P	CA	3,690,457	1-Oct-05	26	HCL Coment Systems & Services Ltd.	Vice President	Oct.98
74	Sanjeev Nikore	48	Corporate Vice President-Sales& Marketing	MBA	5,052,481	1-Oct-05	24	HCL Comnet Systems & Services Ltd.	COO	Jul.92
75	Sankar Venkatraman	38	Vice President	BE (Electrical & Elec.), MBA	3,963,269	14-Jul-06	12	Xansa	Vice President	Jan.05
76	Sateesh Tiptur	49	Associate Vice President - Operations	Phd.	3,786,726	22-Jan-01	26	Mphasis BFI Ltd.	AGM - Technical	Oct.99
77	Saurav Adhikari	50	Corporate Vice President	MBA	5,492,695	1-Nov-02	28	HCL Infinet Ltd.	President	Jan.2000
78	Shankar Subramanian	47	General Manager	B.Tech	2,420,712	10-Mar-97	23	ICIL	Senoir Consultant	Oct.90
79	Sheela Mohan	44	Associate Vice President	B.Tech, M.Tech (Computer Science)	2,741,120	6-Dec-99	21	Cadence Design System	Program Manager	May.98
80	Shushil Kumar Saxena	51	General Manager	MBA	2,492,060	28-Aug-97	21	Bharat Electronics	Manager	Apr.80
81	Sidhartha Chowdhury	53	Vice President	MBA	2,568,668	8-Aug-00	30	EI&T Computers	Manager EDP	Jun.86
82	Sivaramakrishnan S	58	General Manager	PG-Personnel Management., LLB, M.Sc.	2,834,167	8-Apr-05	30	Siemens Shared Services	Head - Bites Operations	Feb.04
83	Soami Narang	47	Vice President	MBA	3,701,196	24-Apr-06	23	Satyam Computers Ltd.	Vice President	May.2000
84	Solomon Suresh	47	General Manager - HR	Phd.	2,517,370	5-Jan-07	15	Genpact Ltd.	Vice President	Mar.06
85	Sri Venkateswarlu B	42	Associate Vice President - SAP Practice	B.Tech (Mech.), MBA (Marketing)	3,121,882	13-Dec-05	20	Hewlett Packard	Project Manager	Sep.03
86	Sridhara Rajan	45	Global Delivery Head - SAP Practice	M.Sc (Computer Science)	3,577,071	12-Dec-05	23	Tata Consultancy Services Ltd.	Senior Consultant	Jun.92
87	Srinath Sriram	48	Associate Vice President	B.Sc.	2,491,177	17-Nov-03	27	Bahwan Cybertek Tech	Chief Executive Officer	Apr.2000
88	Sriram Vaitheeswarankovil	51	Corporate Vice President	MBA	5,811,859	1-Oct-01	30	Citi Corp Overseas Software Ltd.	Centre Head-Chennai	Nov.88
89	Sumathi Gurumurthi	47	Vice President Operations	M.A.	2,833,370	1-Jul-06	28	Bharti Airtel Ltd.	VP Service Delivery	Oct.96
90	Sumit Bhattacharya	59	Executive Vice President-Marketing (BPO Division)	BA ,MBA	3,248,331	21-Jan-02	36	Insync-Technology	Chief Executive Officer	Jun.98
91	Sunil Kumar	49	Associate Vice President	M.Tech (Management & Systems)	2,561,984	1-Aug-96	28	Tata Unisys	Group Manager	Jan.94
92	Sunita	46	CIO & Vice President	M. Com	3,520,271	1-Oct-05	25	HCL Comnet Systems & Services Ltd.	Associate Vice President	Aug.97
93	Suresh Sundaram	41	Vice President	B.Tech (Mechanical)	3,069,827	2-Jan-01	20	HCL Technologies America Inc.	Account Manager	Jul.88
94	Swaminathan Nagarajan	43	Operations Director	MBA	2,775,843	27-Nov-03	10	India Software Group	Principal Consultant	Jul.02
95	Tom Thomas	44	Vice President	MBA	4,920,809	1-Aug-05	17	Self Employed	Consultant	Apr.02
96	Tony Ponniah	45	Associate Vice President	Phd.	3,016,767	15-Mar-07	21	Wipro Technologies Ltd.	General Manager	Sep.03
97	Udayakumar Nalinasekaren	48	Senior Vice President	BE, ME (Computer Science)	3,762,394	1-Jul-97	24	HCL Hewlett Packard Ltd.	Group Project Manager	Jul.84
98	Unni Krishnan	55	Associate Vice President	BE (Mechnical), M.Tech (Indl. Engineering & Management)	2,791,924	14-Jul-04	31	Rave Technologies	Delivery Head	Apr.03
99	Uttama Mukherjee	40	Practice Director-Business Intelligence	BE (Electrical)	3,329,247	18-Jan-07	19	Patni Computers Ltd.	Senior Manager	Mar.05
100	Vaidyanathan Viswanathan	47	Vice President	B.Tech, MBA	3,652,963	5-Jul-06	22	iGate Global Solutions	Vice President	Mar.2000
101	Vasudevan Aravamudhan	49	Vice President	BE (Electronics)	3,997,485	1-Jul-96	25	HCL Hewlett Packard Ltd.	Manager - R&D	Dec.82

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Statement under Section 217 (2A) of the Companies Act, 1956 forming part of Directors' Report

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2007-08

Sl. No	Name	Age (in yrs.)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previuos employment	Previuos employment held since
102	Vasudevan Ramanujam	54	Vice President - Campus Infrastructure	CA	2,565,019	5-Mar-07	27	TVS Electronics Ltd.	Vice President	Jun.2000
103	Venkatesan Muthukumaraswami	50	Associate Vice President	BE, ME (Electronics)	2,565,699	30-Sep-98	25	Alstom	Area Manager	Jul.87
104	Vijay Ahooja	51	Associate Vice President	MBA	3,882,464	16-Jul-01	29	Price Waterhouse Associates	Principal Consultant	May.98
105	Vijay Guntur	39	Vice President	M.Sc (Computer Science), MBA	3,671,656	1-Jul-96	19	HCL Hewlett Packard Ltd.	Deputy Manager	Jun.89
106	Vijay Mallya	43	Associate Vice President	MBA	2,903,500	21-Sep-98	23	State Bank Of India	Associate Manager	May.85
107	Vijay Reddy	53	SeniorVice President - Technology	B. Sc.,M. Sc.	3,374,493	17-Feb-03	26	SCB	Manager-IT Services	Dec.98
108	Vinay Gokhale	40	Associate Vice President	MBA	3,137,348	1-Mar-07	21	ITC Ltd.	Assistant General Manager	Jul.05
109	Vineet Nayar	46	Chief Executive Officer	MBA	29,042,401	1-Sep-05	23	HCL Comnet Systems & Services Ltd.	Chief Executive Officer	Jan.95
110	Vinit Bahri	43	Associate Vice President	CA	2,404,498	25-May-98	19	Apollo Tyres	Manager	May.91
111	Vinodh Chelambathodi	42	Associate Vice President - Human Resources	MBA	3,975,408	2-May-07	18	Aricent	Associate VicePresident - HR	Feb.07
112	Viswanathan Balakrishnan	53	Senior Vice President -Strategy	B.Tech, PGDM	3,605,039	3-Mar-03	29	Meru Consultants (P) Ltd.	Director	May.2000
113	Vittal Devarajan	39	General Manager - BMG	MBA	2,809,704	31-Mar-06	15	Ramco System Ltd.	Head - Corporate Marketing	Feb.01

B. EMPLOYED FOR PART OF THE FINANCIAL YEAR - 2007-08

Sl. No	Name	Age (in yrs.)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previuos employment	Previuos employment held since
1	Amit Roy	49	Vice President - Taxation	B. Com, CA	5,313,431	16-Jul-07	24	Samsung Electronics	Vice President - Taxation	Sep.06
2	Amitabha Sinha	50	Vice President	MBA	886,021	24-Mar-08	26	Keane Worldzen	Managing Consulting Partner	Sep.06
3	Anil Dhankher	39	Associate Vice President	MBA	820,140	16-Aug-06	17	ICICI Onesource Ltd.	General Manager-HR	Sep.03
4	Anil Sethi	39	Associate Vice President	MBA	758,589	11-Apr-08	17	Prudent IT Services Pvt. Ltd.	VP & Member of The Board	Jun.07
5	Anirvanjyoti Chaudhuri	41	General Manager	MA	543,520	19-Jun-06	18	IBM	Country Leader (Deputy. General Manager)	Aug.2000
6	Ashutosh Dhawan	40	Associate Vice President - Finance	MBA	1,326,855	7-Apr-08	16	Aricent Technologies	AssociateVice President - Finance	Dec.04
7	Atish Dasgupta	59	General Manager	B.Tech, MBA	1,150,000	2-Jan-04	28	Synapz Management Services	Principal Management Consulatnt	Jan.03
8	Binno Joseph	38	General Manager - Human Resources	PGD	2,451,844	4-Jul-07	12	Coats	Manager	Jun.96
9	Chandrasekharan Kasinarayanan	47	Global Operations Director	M.Sc.	1,509,821	20-Dec-07	22	Aztecsoft Ltd.	General Manager	Dec.03
10	Debajyoti Das	53	Head-Delivery	M.Sc.	1,037,377	3-Nov-04	3	Timken	Manager (Knowledge Management)	Oct.02
11	Devasis Ghosh	46	Associate Vice President	MBA	2,099,067	1-Jul-00	20	HCL Infosystems Ltd.	Project Manager	Sep.94
12	Durga Kancherla	39	Operations Director	MBA	472,675	7-May-08	15	Miracle Software Systems	Vice President	Mar.07
13	Frederick Mony	60	Vice President	M.Tech	1,380,132	11-Mar-02	35	Value Software Tech	Chief Operating Officer	Apr.01
14	Gopinath Rangaraja	50	General Manager - Quality	M.Sc.	2,259,002	11-Aug-86	27	M/S Systems Dimensio	Engineer	Sep.81
15	Harikumar Mahadeva Iyer	49	Associate Vice President	MBA	1,912,715	1-Oct-07	25	Al Rosta Mani Comm	Div Manager	Jun.03
16	Jagdish Prasad	43	Associate Vice President	M.Tech	913,231	17-Mar-08	22	Diebold Software Services Pvt. Ltd.	Director (India Offshore Head)	Aug.04
17	Jasmohan Mamak	46	Associate Vice President	MBA	2,346,405	1-Oct-07	27	Saksoft Ltd.	Global Sales Director	Mar.06
18	Javed Shaikh	42	Deputy General Manager	B.Tech	516,499	15-Sep-97	16	RGI	Senoir Manager- Projects and R&D	Apr.94
19	Manav Sehgal	34	General Manager	B.Tech	450,008	1-May-08	16	The 5Th Medium Ltd.	Vice President	Sep.07

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Statement under Section 217 (2A) of the Companies Act, 1956 forming part of Directors' Report

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2007-08

Sl. No	Name	Age (in yrs.)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previuos employment	Previuos employment held since
20	Manjunatha Hebbar	41	Vice President	MBA	2,945,433	19-Jul-07	18	iGate Global Solutions Ltd.	Associate Vice President - IT Delivery	Apr.04
21	Mukund Garg	38	Associate Vice President	B.Tech	1,114,103	18-Feb-08	16	Satyam Computer Services Ltd.	Associate Vice President	Jun.04
22	P K Viswanath Sastry	39	General Manager	B.Com, Diploma-Technical	1,700,561	7-Apr-03	17	Tube Investments	Senoir Manager - Systems	Jul.92
23	Prabhat Goenka	41	Associate Vice President	CA, CS, CWA	521,868	1-Mar-95	17	Tinplate Company of India	Senoir Accounts Officer	Jan.92
24	Prateek Aggarwal	41	Senior Vice President	MBA-Finance	3,322,904	17-Aug-05	17	GE Capital International Services	Vice President	Feb.03
25	Ramakrishnan R	40	Business Solutions Strategist	B.Tech	1,583,360	6-Oct-06	18	SAP Labs India Pvt. Ltd.	Developer Manager	Jan.2000
26	Raman Subrahmanyan	67	Advisor	B.Tech	1,432,258	14-Mar-08	30	HCL Technoloiges Ltd.	President & Chief Operating Officer	Apr.97
27	Ramesh Visweswaraiah	44	General Manager - PMO	B.Tech	869,740	5-Feb-07	20	Brooks Software	Senior Program Manager - GPMO & QPE	Oct.04
28	Sandeep Mitra	37	Deputy General Manager	MBA	951,974	1-Jan-04	14	HCL America Inc.	BDM	Jul.01
29	Sanjeev Sharma	48	Associate Vice President - SAP Delivery	B.Tech - Electronics Engineering	2,966,864	18-Jul-07	26	Xansa India	COO-Eas Executive Consultant	Jun.06
30	Santanu Mukherjee	53	Senior Vice President - Campus Infrastructure	B.Tech	1,495,906	2-Apr-08	31	Genpact India	Vice President	Jun.06
31	Shyamlal Bhattacharya	55	Vice President - Service Delivery	B.Sc., BE/B.Tech	568,493	1-Apr-08	30	HCL Comnet Systems and Services Ltd.	Vice President-Service Delivery	Nov.07
32	Sreelal Ramachandran	40	Deputy General Manager	B.Tech	416,993	8-May-08	18	Saksoft	Senoir Vice President - Delivery & Quality	Sep.2000
33	Srinivasan Raman	49	Vice President - Marketing	B.E.	477,195	26-Oct-06	16	Collabnet	Director	Oct.04
34	Tanmoy Roy Choudhury	38	India Head - Captive Center Business	MBA	1,602,967	10-Dec-07	14	Microsoft Corporation India Pvt. Ltd.	Inside Sales Manager	Mar.06
35	Tirthankar Banerjee	46	General Manager	B.Tech	2,137,881	3-Sep-07	23	Sun Microsystems India	Head - Software Sales	Oct.2000
36	Veera Patil	56	Deputy General Manager	M.Sc.	1,381,613	22-Sep-00	29	HCL EAI Services Private Ltd.	General Manager	Sep.2000
37	Venkatesan Varadachari	47	Global Operations Director	MBA	1,989,289	9-Feb-04	22	SSI Technologies	Vice President	Apr.98
38	Vijay Sati	44	Associate Vice President	MBA	3,295,831	4-Dec-06	20	Pepsi	Vice President- Purchase	Nov.05

Notes:

1. None of the employees listed above is a relative of any director of the Company.
2. The nature of employment is contractual in all the above cases.
3. None of the employee listed above owns 2% or more of the paid-up equity share capital of the Company.

CORPORATE GOVERNANCE REPORT 2007-08

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance practices stem from the culture and mindset of the organization. As stakeholders across the globe evince keen interest in the practices and performance of companies, Corporate Governance has engaged on the centre stage.

Philosophy on Code of Governance

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

Corporate Governance is an integral part of the philosophy of the Company in its pursuit of excellence, growth and value creation. In addition to complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work place have been institutionalized. The Company recognizes that good governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance in the overall interest of all its stakeholders.

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges in India, the report containing the details of governance systems and processes at HCL Technologies Limited is as under:

Board of Directors

The Board of Directors ("Board") of the Company has an optimum combination of executive, non-executive and independent directors, who have indepth knowledge of business, in addition to the expertise in their areas of specialization. The Board provides leadership, strategic guidance and an independent view to the Company's management. During the year, a majority of the Board comprised of independent directors. As on June 30, 2008, the Board consisted of seven members, of whom, one is the promoter director who is designated as Chairman and Chief Strategy Officer of the Company, and six are independent non-executive directors. The non-executive directors bring an external and wider perspective in Board deliberations and decisions. The size and composition of the Board conform to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. Other details relating to the directors as on June 30, 2008 are given below:

Name of Director	Position in the Company	Directorships in other companies	*Committee memberships in other companies	#Chairmanships in committees of other companies in which they are members
Mr. Shiv Nadar	Chairman & Chief Strategy Officer Promoter Director	3	2	-
Mr. T.S.R. Subramanian	Independent Non-Executive Director	2	-	-
Mr. S. Bhattacharya	Independent Non-Executive Director	6	6	4
Mr. Ajai Chowdhry	Independent Non-Executive Director	7	3	-
Ms. Robin Abrams	Independent Non-Executive Director	3	-	-
Mr. Amal Ganguli	Independent Non-Executive Director	13	8	5
Mr. P. C. Sen	Independent Non-Executive Director	-	-	-

*represents membership of Audit Committee and Shareholders' Grievance Committee of Indian public limited companies.

#represents chairmanship of Audit Committee and Shareholders' Grievance Committee of Indian public limited companies.

None of the Directors of the Company has any relationship with other Directors of the Company. The names of the other companies/ entities in which the current directors are interested being a director, partner and/ or shareholder as on June 30, 2008 are as under:

1. Mr. Shiv Nadar

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	HCL Corporation Limited	• Director • Member of Audit Committee • Member of Selection Committee
2.	HCL Comnet Systems & Services Limited	• Chairman • Member of Audit Committee
3.	Indian School of Business	• Director
4.	HCL America Inc., USA	• Director

2. Mr. T. S. R. Subramanian

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	Vita Pumps Limited	• Shareholder
2.	Micronutrient Initiative India	• Chairman, Board of Trustees
3.	Shiv Vani Oil and Gas Exploration Services Company Limited	• Director
4.	SKOL Breweries Limited	• Director

3. Mr. Subroto Bhattacharya

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	HCL Corporation Limited	• Director • Chairman of Audit Committee
2.	HCL Infosystems Limited	• Director • Member of Accounts & Audit Committee • Member of Shareholders & Investor Grievances Committee • Member of Employees Compensation and Employees Satisfaction Committee
3.	NIIT Limited	• Director • Chairman of Audit Committee
4.	NIIT Technologies Limited	• Director • Chairman of Audit Committee • Chairman of Compensation/ Remuneration Committee
5.	HCL Infinet Limited (formerly known as Microcomp Limited)	• Director • Chairman of Accounts & Audit Committee
6.	HCL Peripherals Limited	• Director

4. Mr. Ajai Chowdhry

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	Appollo Trading and Finance Private Limited	• Director
2.	HCL Infosystems Limited	• Director • Member of Employees Compensation and Employees Satisfaction Committee • Member of Accounts & Audit Committee • Chairman of Customer Satisfaction Committee • Member of Shareholders & Investor Grievance Committee
3.	HCL Peripherals Limited	• Director
4.	HCL Infinet Limited (formerly known as Microcomp Limited)	• Director • Member of Accounts & Audit Committee
5.	HCL Security Limited	• Director
6.	Natural Technologies Private Limited	• Director
7.	Microcomp Limited	• Director

5. Ms. Robin Abrams

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	HCL Bermuda Limited	• Director
2.	Zilog Inc., USA	• Director • Chairman of Compensation Committee
3.	Openwave Systems	• Director

6. Mr. Amal Ganguli

S. No.	Name of the Company/Entity in which interested	Nature of Interest
1.	Hughes Communications India Limited	• Director • Chairman of Audit Committee
2.	Aricent Technologies (Holdings) Limited	• Director • Chairman of Audit Committee
3.	ML Infomap Private Limited	• Director/ Shareholder
4.	Tube Investments of India Limited	• Director/ Shareholder • Member of Audit Committee • Member of Remuneration Committee
5.	New Delhi Television Limited	• Director • Chairman of Audit Committee • Member of Remuneration Committee
6.	Tata Communications Limited	• Director • Chairman of Audit Committee
7.	Century Textiles and Industries Limited	• Director • Member of Audit Committee
8.	AVTEC Limited	• Director
9.	ICRA Limited	• Director • Member of Audit Committee
10.	Maruti Suzuki India Limited	• Director • Chairman of Audit Committee
11.	AIG Trustees Company (India) Private Limited	• Director • Member of Audit Committee
12.	Ascendas Property Fund Trustees Limited	• Director
13.	Aptuit Laurus Private Limited	• Director

7. Mr. Probir Chandra Sen

S. No.	Name of the Company/Entity in which interested	Nature of Interest
	Nil	Nil

Board functioning and procedure

At HCL Technologies Limited, the Board plays a pivotal role in ensuring good governance. The probable dates of the board meetings for the forthcoming year are decided in advance and published as a part of the Annual Report. The Board meets at least once a quarter to review the quarterly results and other items of the agenda. When necessary, additional meetings are held. The Board meetings are generally held at the corporate office of the Company at Noida. The agenda for each board meeting is drafted in consultation with the Chairman and circulated in advance to the Board members. Audit and Compensation Committees of the Board usually meet on the day of the board meeting.

There were six board meetings held during the year ended June 30, 2008. These were held on August 13, 2007, October 16, 2007, January 17, 2008, February 04, 2008, April 15, 2008 and June 26, 2008. The following table gives the attendance record of the directors in the board meetings and at the last Annual General Meeting.

Name of Director	No. of board meetings held	No. of board meetings attended	Whether attended last AGM
Mr. Shiv Nadar	6	5 *	Yes
Mr. T.S.R. Subramanian	6	6	Yes
Ms. Robin Abrams	6	5 **	No
Mr. Ajai Chowdhry	6	6	Yes
Mr. S. Bhattacharya	6	6	Yes
Mr. Amal Ganguli	6	6 *	Yes
Mr. P. C. Sen	6	5	Yes

* includes one meeting attended through conference call.

**includes three meetings attended through conference call.

Availability of information to the members of the Board

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

The information regularly provided to the Board includes:

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

Statutory Compliance of Laws

The Board periodically reviews the compliance report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non-compliances, if any.

Appointment / Re-appointment of Directors

The information or details pertaining to the Directors seeking appointment / re-appointment in the Annual General Meeting, to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, are furnished below:

Mr. Amal Ganguli has been a director of your Company since May 2003. Mr. Ganguli shall retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Amal Ganguli, aged 68 years, is a Chartered Accountant. He was earlier associated with Price WaterhouseCoopers, India as its Senior Partner. In a distinguished career spanning nearly four decades, Mr. Ganguli was involved with the India practice of Price WaterhouseCoopers and is an authority on matters related to audit, taxation, mergers & acquisitions and corporate restructuring.

Mr. Amal Ganguli is a member of the Audit Committee of the Company. As on June 30, 2008, his shareholding in the Company was nil. Details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Nature of expertise in functional area- Mr. Amal Ganguli has expertise in areas relating to financial reporting, audit, taxation, mergers & acquisitions and corporate restructuring.

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

Mr. T. S. R. Subramanian, aged 69 years, is an Ex-Cabinet Secretary to the Government of India. He obtained his first degree in Mathematics at St. Xavier's College, Kolkata and thereafter his Master's Degree at Calcutta University. He also studied at Imperial College, London where he obtained his diploma and has a Master's Degree in Public Administration from Harvard University, specializing in economics.

Mr. T. S. R. Subramanian joined the Indian Administrative Service in 1961 and during his career with the Service he held various positions; he rose to the highest post in Indian Administration, that of Cabinet Secretary. As Cabinet Secretary to the Government of India, Mr. Subramanian took a number of initiatives to modernize and develop the Infrastructure Sector in India, especially in the Power, Telecom and Surface Transport Sectors.

Mr. T. S. R. Subramanian is the Chairman of the Audit Committee and the Shareholders' Committee of the Company. He is also a member of the Compensation Committee and Employees Stock Option Allotment Committee of the Company. As on June 30, 2008, his shareholding in the Company was 10,600 Equity Shares of Rs.2/- each fully paid-up. Details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

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

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

Mr. Ajai Chowdhry, aged 57 years, has a bachelor's degree in electronics and communication engineering, and has attended the Executive Program at the School of Business Administration at the University of Michigan in the U.S. Mr. Ajai Chowdhry is the Chairman & CEO of HCL Infosystems Limited. He is also responsible for the significant international growth of HCL

Infosystems Limited and brings with him substantial experience of the South East Asian markets including Malaysia, Thailand, Hong Kong, Indonesia, People's Republic of China and Singapore. He was also part of the IT Task Force set up by the Prime Minister of India, to give shape to India's IT strategy.

Mr. Ajai Chowdhry is a member of the Shareholders' Committee of the Company. As on June 30, 2008, his shareholding in the Company was 19,420 Equity Shares of Rs. 2/- each fully paid-up. Details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

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

Mr. Vineet Nayar is appointed as an Additional Director of the Company w.e.f. August 01, 2008. Pursuant to the Provisions of Section 260 of the Companies Act, 1956, Mr. Vineet Nayar holds the office upto the date of the ensuing Annual General Meeting and is eligible for appointment as Director of the Company. Subject to the approval of the shareholders' in the ensuing Annual General Meeting, he has been appointed as a Whole-time Director of the Company for a period of five years w.e.f. August 01, 2008.

Mr. Vineet Nayar, aged 46 years, has a Bachelor's degree in Technology and a Masters degree in Business Administration. Mr. Nayar started his career with HCL group in 1985. After spending about seven years of his career as Engineer, Product Manager, Sales and Marketing Head at HCL, he played a key role in enabling HCL to enter into the business for providing IT infrastructure and networking services and today HCL is highly placed in Remote Infrastructure Management space. He became the President of HCL Technologies Limited in April 2005 and Chief Executive Officer of the Company in October 2007. He was instrumental in instituting several radical transformational programs across the organization. His mantra of "Employee First" and a strong belief in value-based leadership has been recognized globally as an example of "Organisational Innovation". The Harvard Business School has written a case study on his transformation at HCL, based on his innovation and radical leadership.

Mr. Vineet Nayar is a member of the Employees Stock Option Allotment Committee of the Company. As on June 30, 2008, his shareholding in the Company was nil. He is not holding any directorships and committee memberships in other companies.

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

Code of Conduct

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

All Board members and senior management personnel have confirmed compliance with the Code for the year 2007-08. A declaration to this effect signed by the Chairman & Chief Strategy Officer and Chief Executive Officer of the Company is provided elsewhere in the Annual Report.

Board Committees

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

Keeping in view the requirements of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement, the Board decides the terms of reference of various committees and the assignment of members to various committees. Normally, the committee meetings are held once in every quarter except for Shareholders' Committee and Employee Stock Options Allotment Committee that generally meet once in every month and if necessary, additional meetings are held.

Audit Committee

The Audit Committee comprises of following directors, namely:

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

The Deputy Company Secretary acts as a Secretary to the Committee.

Terms of Reference

The constitution and terms of reference of the Audit Committee meet all the requirements of Section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement.

The Board of Directors has approved the following terms of reference for the Audit Committee.

a) Statutory Auditors

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

b) Review independence of Statutory Auditors

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

The Committee is also responsible for:

i) Actively engaging in dialogue with the Statutory Auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the Statutory Auditors, and

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

c) Review Audit plan

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

d) Conduct of Audit

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

e) Review Audit results

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

f) Review financial statements

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

i) Any changes in accounting policies and practices.

ii) Major accounting entries based on exercise of judgment by management.

iii) Qualifications in draft audit report.

iv) Significant adjustments arising out of audit.

v) The going concern assumption.

vi) Compliance with accounting standards.

vii) Compliance with stock exchanges and legal requirements concerning financial statements.

viii) Any related party transactions i.e. transactions of the Company with its subsidiaries, promoters or the management, or their relatives, etc. that may have conflict with the interest of the Company at large.

ix) Contingent liabilities.

x) Status of litigations by or against the Company.

xi) Claims against the Company and their effect on the accounts.

g) Review policies

Review the Company's financial and risk management policies.

h) Review internal audit function

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

i) Review internal audit plans

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

j) Review internal audit reports

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

k) Review systems of internal accounting controls

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

l) Review recommendations of Auditors

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

m) Review other matters

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

n) Reporting to Board

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

o) Investigation

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

p) Seek information / advice

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

q) To attend Annual General Meeting

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

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

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

August 13, 2007
September 7, 2007
October 16, 2007
January 17, 2008
April 15, 2008
May 15, 2008

Attendance details of each member at the Audit Committee meetings held during the year ended June 30, 2008 are as follows:

Name of the Committee Member	Number of Meetings held	Number of Meetings attended
Mr. T.S.R. Subramanian	6	6
Ms. Robin Abrams	6	6*
Mr. Subroto Bhattacharya	6	6
Mr. Amal Ganguli	6	6

** includes three meetings attended through conference call.*

Compensation Committee

The Compensation Committee of the Board consists of following members:

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

Terms of Reference

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

a) To review and approve/recommend the remuneration for the Corporate Officers or Whole-Time Directors of the Company;

b) To review and recommend to the Board the remuneration policy for the Company;

c) To approve grant of stock options to the employees and / or Directors of the Company and subsidiary companies and perform such other functions as are required under the various Employees Stock Option Plans of the Company;

d) To discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.

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

August 13, 2007
October 16, 2007
January 17, 2008
April 15, 2008

Attendance details of each member at the Compensation Committee meetings during the year ended June 30, 2008 are as follows:

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

** includes one meeting attended through conference call.*

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

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

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

Executive Directors:

During the year, the composition of the Board consists of only one Executive Director viz. Mr. Shiv Nadar and during the year under review no remuneration has been paid to him.

Non-Executive Directors:

During the year, the Company paid sitting fee to its Non-Executive Directors for attending the meetings of the Board of Directors and Audit Committee of the Company. The Company pays commission to its Non-Executive Directors as approved by the Board within the limits approved by the shareholders of the Company. The amount of such commission, taken together for all Non-Executive Directors, does not exceed 1% of the net profits of the Company in a financial year. The said commission is decided each year by the Board of Directors and distributed amongst the Non-Executive Directors based on their attendance and contribution at Board and certain Committee meetings, as well as the time spent on operational matters other than at meetings.

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

Remuneration to Directors:

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

Name of the Director	Sitting Fees for the year ended June 30, 2008 Rs. / lacs	Commission for the year ended June 30, 2008 Rs. / lacs	Shareholding in the Company as on June 30, 2008
Mr. T.S.R. Subramanian	2.40	15	10,600
Ms. Robin Abrams	1.20	15	1,71,200
Mr. Amal Ganguli	2.20	15	Nil
Mr. S. Bhattacharya	2.40	15	Nil
Mr. Ajai Chowdhry	1.20	Nil	19,420
Mr. P. C. Sen	1.00	15	Nil

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

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

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

Shareholders' Committee

The Shareholders' Committee consists of the following members:

a) Mr. T.S.R. Subramanian (Chairman)
b) Mr. Shiv Nadar
c) Mr. Subroto Bhattacharya
d) Mr. Ajai Chowdhry

Mr. Manish Anand, Deputy Company Secretary is the compliance officer of the Company.

Terms of Reference

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

a) To review and take all necessary actions for redressal of investors' grievances and complaints as may be required in the interests of the investors.

b) To approve requests of rematerialisation of shares, issuance of split and duplicate share certificates.

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

During the year under review, the Committee met 11 times.

Employees Stock Option Allotment Committee

The Employees Stock Option Allotment Committee consists of following members:

a) Mr. Shiv Nadar, Chairman & Chief Strategy Officer
b) Mr. T.S.R. Subramanian, Director
c) Mr. Subroto Bhattacharya, Director
d) Mr. Vineet Nayar, Chief Executive Officer
e) Mr. Anil Chanana, Executive Vice President – Finance

This Committee has been formed to allot shares to the employees who have exercised their stock options under the Stock Option Plans of the Company. During the year under review, the Committee met 12 times.

General Body Meetings

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

Year	Date	Venue	Time	Special Resolution
Annual General Meetings				
2004-2005	December 16, 2005	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	• Adjustment against the Share Premium account of the Amalgamated Company in accordance with the Scheme of Amalgamation.
2005-2006	December 14, 2006	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	• Commencement of business set out in the "Other Objects" under the Object Clause of the Memorandum of Association of the Company.
2006-2007	December 13, 2007	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	-
Extra-Ordinary General Meeting				
2004-2005	December 21, 2004	FICCI Auditorium, Federation House, Tansen Marg, New Delhi.	11.00 A.M.	• Issue of 19,358,989 equity shares of the Company to Deutsche Bank AG on preferential basis.

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

Subsidiary Companies

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

CEO/ CFO Certification

The Certificate as stipulated in clause 49(V) of the Listing Agreement was placed before the Board along with the financial statements for the year ended June 30, 2008 and the Board reviewed the same. The said Certificate is provided elsewhere in the Annual Report.

Disclosures

a) **Related party transactions**

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

b) **Compliances by the Company**

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

c) **Material transactions with senior managerial personnel**

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

d) **Other Disclosures**

The Company has also laid down the procedures to inform the Board members about the risk assessment and minimization procedures.

During the year, the Company did not raise any money through public issue, right issues or preferential issues and there was no unspent money raised through such issues.

Means of Communication

a) **Quarterly Results:** Quarterly Results are generally published in Financial Express/Business Standard and Jansatta newspapers.

b) **Website:** The quarterly, half yearly and annual financial statements are posted on the Company's website www.hcltech.com.

c) **News Releases, Presentations, etc.:** Official news releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website www.hcltech.com. Official media releases are also sent to the Stock Exchanges.

d) **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Director's Report, Auditor's Report and other important information is circulated to members and other entitled thereto. The Annual Report of the Company is available on the Company website in a user-friendly and downloadable form.

e) **Management Discussion and Analysis:** The Management Discussion and Analysis (MD & A) Report forms part of the Annual Report.

f) **Intimation to the Stock Exchanges:** The Company intimates the Stock Exchanges all price sensitive information or such other matters which in its opinion are material and of relevance to the Shareholders.

g) **SEBI EDIFAR:** Pursuant to clause 51 of the Listing Agreement, the Company during the year has uploaded financial information like annual and quarterly financial statements, segment-wise results and shareholding pattern on the SEBI's website www.sebiedifar.nic.in.

h) **Designated Exclusive email- id:** The Company has designated an email- id inverstors@hcl.in exclusively for investors servicing.

Shareholders' Information

a) **General Information**

Dates of book closure	October 23, 2008 to October 24, 2008 (both days inclusive)
Date, time and venue of the ensuing Annual General Meting	October 22, 2008; 11.00 A.M. FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi 110 001
Dividend Payment Date (subject to the approval of the shareholders)	On or before November 21, 2008
Listing on stock exchanges in India at	The National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5th Floor, Plot No. C/1 G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India. Tel.: +(91) 22 26598236, Fax: +(91) 22 26598237 The Bombay Stock Exchange Ltd. (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, India Tel.: +(91) 22 22721233, Fax: +(91) 22 22723121

Listing fees	Paid to all the above stock exchanges for the Year 2008-2009.
Stock Code	National Stock Exchange – "HCLTECH" Bombay Stock Exchange – "532281"
Registered Office	806, Siddharth, 96, Nehru Place New Delhi – 110 019, India Tel.: +(91) 11 26444812, Fax: +(91) 11 26436336 Homepage: www.hcltech.com
Registrar & Shares Transfer Agent	Alankit Assignments Limited 205-208, Anarkali Market Jhandewalan Extension New Delhi – 110 055, India. Tel.: +(91) 11 41540060-63, Fax: +(91) 11 41540064 E-mail: rta@alankit.com

b) Share Transfer System

The Company's share transfer authority has been delegated to the Company's officials who generally consider and approve the share transfer requests on a fortnightly basis.

The shares sent for physical transfer are generally registered and returned within a period of 15-20 days from the date of receipt of request, if the documents are complete in all respects. As per the requirement of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained half-yearly certificates from Practising Company Secretary for due compliance of share transfer formalities.

c) Secretarial Audit

As required under Regulation 55A of SEBI (Depositories and Participants), Regulations, 1996, the secretarial audit for reconciling the total admitted capital with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Ltd. ("CDSL") and the total issued and listed capital for each of the quarter in the financial year ended June 30, 2008 was carried out. The audit reports confirm that the total issued/ paid-up share capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

d) Dematerialization of Shares

Effective July 24, 2000, the shares of the Company have been placed by SEBI under compulsory dematerialization ("Demat") category and consequently, shares of the Company can be traded only in electronic form.

The system for getting the shares dematerialized is as under:

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

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

As on June 30, 2008, about 99.92% of the equity shares issued by the Company have been dematerialized.

Company's ISIN in NSDL & CDSL: INE860A01027

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

e) Distribution of shareholding as on June 30, 2008

Number of Equity Shares held	No. of Shareholders	Shareholders (%)	No. of Shares	Shares (%)
1 – 100	59,301	73.76	22,13,741	0.33
101 – 200	10,216	12.71	18,25,032	0.27
201 – 500	4,952	6.16	17,33,501	0.26
501 – 1000	1,782	2.22	13,50,280	0.20
1001 – 5000	2,861	3.56	69,95,558	1.05
5001 – 10000	624	0.78	44,22,440	0.66
10001 and above	660	0.82	64,77,99,720	97.22
Total	**80,396**	**100.00**	**66,63,40,272**	**100.00**

f) Categories of shareholders as on June 30, 2008

Category	Number of Equity shares held	Voting Strength (%)
Promoters	45,00,42,352	67.54
Director & their Relatives	10,94,836	0.16
Mutual Funds/ UTI	1,41,25,189	2.12
Financial Institutions/ Banks	4,05,281	0.06
Insurance Companies	1,85,72,127	2.79
Foreign Institutional Investors	11,81,01,726	17.72
Foreign Banks	79,88,434	1.20
Bodies Corporate	1,68,27,394	2.53
Individuals	2,73,00,284	4.10
NRIs / OCBs	1,12,56,465	1.69
Foreign Nationals	1,20,236	0.02
Trusts	2,807	0.00
HUF	1,93,844	0.03
Clearing Members	3,09,297	0.05
Grand Total	**66,63,40,272**	**100.00**

g) Stock market data

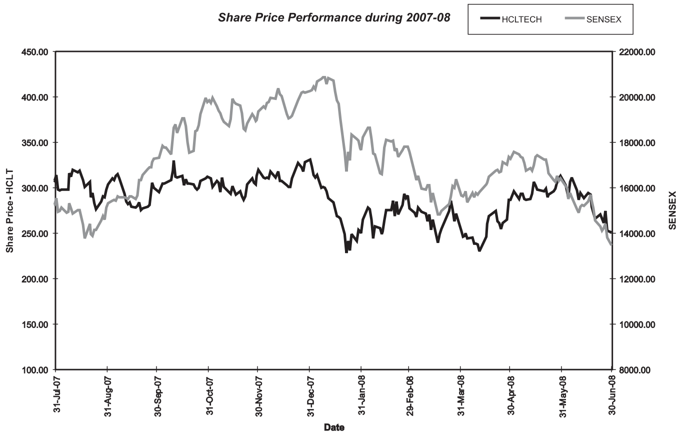
Monthly high and low quotations, as well as the volume of shares traded at the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), for fiscal year are as follows:

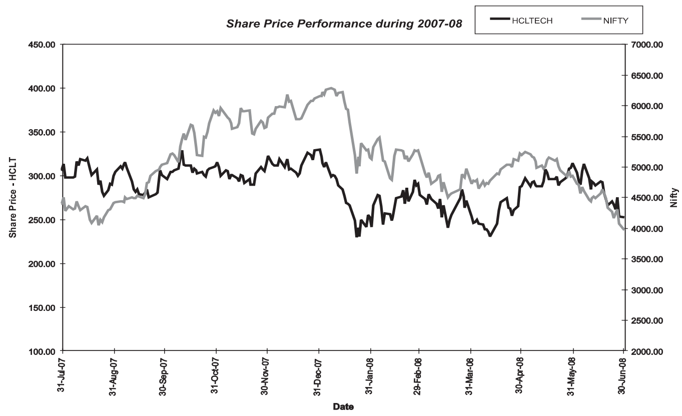
Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (Number)	High (Rs.)	Low (Rs.)	Volume (Number)
July 2007	348.00	304.50	1,40,37,314	350.00	304.50	30,79,188
August	333.90	265.15	1,66,07,943	334.00	266.85	29,11,804
September	318.00	270.35	1,86,53,771	317.50	270.05	32,77,794
October	332.00	244.30	2,55,17,762	332.00	260.25	63,90,071
November	331.90	286.00	3,15,94,427	328.20	285.00	76,23,549
December	335.50	261.15	1,22,76,012	336.00	280.10	11,62,070
January 2008	334.45	185.05	2,35,76,462	333.80	180.00	50,14,797
February	300.00	240.00	1,16,76,847	300.00	241.20	45,13,835
March	292.00	231.00	1,55,95,711	291.00	232.00	18,49,685
April	295.75	227.60	2,66,83,521	296.00	226.10	1,14,68,952
May	324.30	281.10	1,70,12,170	324.50	280.35	27,04,268
June	319.00	240.70	2,16,76,484	319.00	241.50	18,19,590

h) Liquidity

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

i) Share price performance in comparison to broad based Indices





j) Shareholders Services

(i) Complaints received during the year 2007-2008

The Company gives utmost priority to the interests of the shareholders. All the requests / complaints of the shareholders have been resolved to the satisfaction of the shareholders within the statutory time limits. The status of shareholders’ complaints received during the financial year is as follows:

Source of Complaint	Received	Resolved
Directly from the Investors	83	83
Through SEBI, Stock Exchanges, etc.	2	2
Total	**85**	**85**

(ii) Share Transfers – As on June 30, 2008, 9 cases comprising of 200 shares were pending for transfer and 1 case comprising of 86 shares were pending for transmission which were processed subsequently.

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

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

l) Centers’ Locations

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

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

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

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

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

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

No.184-188, 190,192 & 196
Arcot Road, Vadapalani
Chennai - 600 026, India
Tel. : +(91) 44 2372 8366
Fax : +(91) 44 2480 6640

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

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

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

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

No. 51, J.N. Road
Guindy (GUINDY-1)
Chennai - 600 097, India
Tel. : +(91) 44 2225 4460/65
Fax : +(91) 44 2225 4472

Arihant Technopolis
4/293 Old Mahabalipuram Road
Kandanchavadi
Chennai - 600 096, India
Tel. : +(91) 44 4395 7777

HCL Technologies Ltd. (C-5)
Module 1, Tower 1
Floor Nos. 1 & 6
“Chennai One” SEZ Unit
ETL Infrastructure Services Ltd.
200 Ft, Thoraipakkam
Pallavaram Ring Road
Thoraipakkam, Chennai – 600 096, India
Tel. : +(91) 44 6630 1000

HCL Technologies Ltd, (C-2)
Unit-2, Block-1, No. 84
Greams Road
Thousand Lights
Chennai - 600 006, India
Tel. : +(91) 44 6622 5522

HCL Technologies Ltd.,(C-4)
Unit-2, Block-1, No.84
Greams Road
Thousand Lights
Chennai – 600 006, India
Tel. : +(91) 44 6622 5522

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

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

94, South Phase
Ambattur Industrial Estate
Ambattur (AMB-4)
Chennai - 600 058, India
Tel. : +(91) 44 4226 2222
Fax : +(91) 44 4215 3333

8, South Phase, MTH Road
Ambattur Industrial Estate
Ambattur (AMB-6)
Chennai - 600 058, India
Tel. : +(91) 44 4396 8000
Fax : +(91) 44 4396 7004

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

35, South Phase
Guindy Industrial estate
Ekkaduthangal, Guindy (GUINDY-2)
Chennai - 600 097, India
Tel. : +(91) 44 2231 8321, 44 2231 8320

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

HCL Technologies Ltd. (C-1)
#30, Ethiraj Salai
Egmore
Chennai - 600105, India
Tel. : +(91) 44 2828 9200

HCL Technologies Ltd,(C-3)
Unit-2, Block-1, No. 84
Greams Road
Thousand Lights
Chennai - 600 006, India
Tel : +(91) 44 6622 5522

Chennai SEZ

HCL Technologies Ltd.
SEZ UNIT, ETA TECHNO PARK
Special Economic Zone
Block-4 No.33, OMR, Navallur Village and Panchayat
Thiruporur Panchayat Union
Chengelpet Taluk, Kancheepuram Dist.
Chennai – 603 103, Tamil Nadu, India.
Tel. : +(91) 44 6741 2000
Fax : +(91) 44 6741 2222

Mumbai Centers

Unit No.181 B,
SDF 6, First Floor
SEEPZ, Andheri (East)
Mumbai - 400 096, India
Tel. : +(91) 22 2829 1999
Tel. : + (91) 22 5693 9295
Fax : + (91) 22 2929 2373

Gurgaon Centers

3, Udyog Vihar Phase 1
Gurgaon - 122 016
Haryana, India
Tel. : +(91) 124 434 6400
Fax : +(91) 124 243 9910

Plot No. 5,6,7 Udyog Vihar Phase 4
Gurgaon - 122 016
Haryana, India
Tel. : +(91) 124 434 6000
Fax : +(91) 124 401 9851

Plot No. 244, Udyog Vihar Phase 1
Gurgaon, 122 016
Haryana, India
Tel. : +(91) 124 434 6200
Fax : +(91) 124 234 9020

Plot No. C-1, Sector-34
Gurgaon - 122016
Haryana, India
Tel. : +(91) 124 661 6565, 465 6565
Fax : +(91) 124 221 2381

Kolkata Centers

SDF Building, 1st floor
Module No. 2. 212-214
228-230, Block – GP
Sector – V, Salt Lake City
Kolkata - 700 091, India
Tel. : +(91) 33 2357 3024-5
Fax : +(91) 33 2537 3027

INFINITY Building, Tower – II
14th Floor
Plot No. 3A, Block GP, Sector-V
Salt Lake City
Kolkata – 700 091, India
Tel. : +(91) 33 2357 2487–90
Fax : +(91) 33 2357 2491

HCL Technologies Ltd. - SEZ Unit
M/s. Unitech Hi-Tech Structures Limited
Special Economic Zone – IT/ITES
Plot No.1, Block No. A2, 3rd & 4th Floors
DH Street, 316 New Town
Rajarhat, Dist. North 24 Parganas
Kolkata – 700 156, India

Noida Centers

A-9, 10 & 11, Sector 3
Noida - 201 301
U.P., India
Tel. : +(91) 120 252 0917
Fax : +(91) 120 252 6907

A – 1 CD, Sector 16
Noida - 201 301
U.P., India
Tel. : +(91) 120 251 6321 – 28
Fax : +(91) 120 251 6315

A- 8 & 9, Sector 60
Noida - 201 301
U.P., India
Tel. : +(91) 120 438 4000
Fax : +(91) 120 258 2915

A – 5, Sector 24
Noida - 201 301
U.P., India
Tel. : +(91) 120 241 1502
Fax : +(91) 120 241 1005

A-11, Sector 16
Noida - 201 301
U.P., India
Tel. : +(91) 120 251 0701
Fax : +(91) 120 251 0713

Plot No. 1 & 2
Noida Express Highway
Sector-125, Noida - 201 301
U.P., India
Tel. : +(91) 120 661 4300
Fax : +(91) 120 661 4331

C – 22 A
Sector 57
Noida - 201 301
U.P., India
Tel. : +(91) 120 438 5000
Fax : +(91) 120 258 6420

A-104
Sector 58
Noida - 201307
U.P., India
Tel. : +(91) 120 258 9690
Fax : +(91) 120 258 9688

C-23
Sector 58
Noida - 201307
U.P., India
Tel.: +(91) 120 436 4400
Fax :+(91) 120 258 9690

C-39
Sector 59
Noida - 201 307
U.P., India
Tel. : +(91) 120 258 9690
Fax : +(91) 120 258 9690

A - 22
Sector 60
Noida - 201 307
U.P., India
Tel. : +(91) 120 258 9690
Fax : +(91) 120 258 9688

B-34 / 3
Sector 59
Noida - 201 307
U.P., India
Tel. : +(91) 120 436 4488
Fax : +(91) 120 258 8972

Noida SEZ

HCL Technologies Ltd.
Noida Technology Hub (SEZ)
Plot No: 3A, Sector-126
Noida - 201303
U.P., India
Tel. : +(91) 120 468 3000
Fax : +(91) 120 468 3030

Hyderabad Centers

Ground & First Floor
Jayabheri Silicon Towers
Madhapur Road, Kondapur
Hyderabad - 500 032, India
Tel. : +(91) 40 6643 1999
Fax : +(91) 40 6643 1900

HCL Technologies Limited
5th Floor, Quadrant-3, (Cyber Tower)
Cyber Towers, Madhapur
Hyderabad - 500 081, India
Tel. : +(91) 40 6644 0011
Fax : +(91) 40 6644 0013.

Bangalore Centers

Vertex Tech Park
#564, Pattandur Agrahara Road
Off Whitefield Road, Next to ITPL
Bangalore - 560 066, India
Tel. : +(91) 80 4187 3000
Fax : +(91) 80 4125 9126

The Leela Galleria
Commercial Block
23, Airport Road
Bangalore - 560 008, India
Tel. : +(91) 80 2505 4000
Fax : +(91) 80 2521 7108

8 & 9, G.B. Palya,
Off. Hosur Road,
Bangalore - 560 068, India
Tel. : +(91) 80 4158 4000
Fax : +(91) 80 2573 5516

The Senate
33/1, Ulsoor Road
Bangalore - 560 042, India
Tel. : +(91) 80 4190 6000
Fax : +(91) 80 4124 6888

10, 100 Feet Ring Road
BTM Layout 1st Phase
Bangalore - 560 068, India
Tel. : +(91) 80 4103 5000
Fax : +(91) 80 2668 0312

690, 5th & 6th Floor
Gold Hill Square (GHS)
Bommanahalli, Hosur Main Road
Bangalore - 560 068, India
Tel. : +(91) 80 4141 5000/5527 5000
Fax : +(91) 80 2572 7989

Surya Sappihre
Plot No. 3
1st Phase Electronic city
Hosur Road
Bangalore - 560 100, India
Tel. : + (91) 80 6450 2301

HCL EAI Services Ltd.
6, A.S. Chambers
80 Feet Road
6th Block, Koramangala
Bangalore - 560 095
Tel. : +(91) 80 6644 1000

m) Financial Calendar (tentative and subject to change)	
Financial reporting for the first quarter ending September 30, 2008	October 15, 2008
Financial reporting for the second quarter ending December 31, 2008	January 15, 2009
Financial reporting for the third quarter ending March 31, 2009	April 14, 2009
Financial reporting for the year ending June 30, 2009	July 23, 2009
Annual General Meeting for the year ending June 30, 2009	October / November 2009

n) Address for Shareholders' correspondence

The Secretarial Department
HCL Technologies Limited
A-10 & 11, Sector – 3
Noida – 201 301 U.P., India
Tel. : +(91) 120 252 0917 / 937/ 997
Fax : +(91) 120 2526 907
E-mail: investors@hcl.in

o) Compliance Certificate on the Corporate Governance from the Auditors

The certificate dated August 01, 2008 obtained from Statutory Auditors of the Company, M/s. Price Waterhouse, confirming compliance with the Corporate Governance requirements as stipulated under clause 49 of the Listing Agreement, is annexed hereto.

AUDITORS' CERTIFICATE

REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of HCL Technologies Limited

We have examined the compliance of conditions of Corporate Governance by HCL Technologies Limited ("the Company"), for the year ended June 30, 2008, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

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

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

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

Place: Gurgaon
Date: 01 August 2008

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

We, Shiv Nadar, Chairman & Chief Strategy Officer and Vineet Nayar, Chief Executive Officer & Whole-time Director of HCL Technologies Limited ("the Company") confirm that the Company has adopted a Code of Conduct ("Code") for its Board members and senior management personnel and the Code is available on the Company's web site.

We further confirm that the Company has in respect of the financial year ended June 30, 2008, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

Place : Noida (U.P.), India	**Vineet Nayar**	**Shiv Nadar**
Date : 01 August 2008	CEO & Whole-time Director	Chairman and Chief Strategy Officer

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

We, Shiv Nadar, Chairman & Chief Strategy Officer, Vineet Nayar, Chief Executive Officer & Whole-time Director, Ranjit Narasimhan, President & Chief Executive Officer-BPO Division and Anil Chanana, Executive Vice President-Finance of HCL Technologies Limited ("the Company") certify that:

1. We have reviewed the financial statements and the Cash Flow Statement of the Company for the year ended June 30, 2008 and that to the best of our knowledge and belief -
   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee –
   (i) significant changes, if any, in internal control over financial reporting during the year.
   (ii) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   (iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

	Vineet Nayar	**Shiv Nadar**
	CEO & Whole-time Director	Chairman and Chief Strategy Officer
Place : Noida (U.P.), India	**Anil Chanana**	**Ranjit Narasimhan**
Date : 01 August 2008	Executive Vice President -Finance	President & CEO-BPO Division

Financial Statements

AUDITORS' REPORT

To the Members of HCL Technologies Limited

1. We have audited the attached Balance Sheet of HCL Technologies Limited, as at June 30 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

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

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

   (e) On the basis of written representations received from the directors, as on June 30, 2008 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

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

      (i) in the case of the Balance Sheet, of the state of affairs of the company as at June 30, 2008;

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

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

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

Place: Gurgaon, India
Date: 01 August 2008

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Technologies Limited on the financial statements for the year ended June 30, 2008]

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

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

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

2. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.

3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which

suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, are in respect of items of special nature and in respect of which alternative quotations are not considered necessary by the Company.

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

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

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.

8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty.

   (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of wealth tax, service tax, sales tax and cess as at June 30, 2008 which have not been deposited on account of dispute other than income tax and custom duty, which are as follows-

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	47,949,416	2002-2003	Karnataka High Court
Income Tax Act, 1961	Income Tax	2,432,594	1997-1998	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	254,308,170	2004-2005	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	14,443,922	2004-2005	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	3,477,963	2001-2002	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	7,378,994	2001-2002	Karnataka High Court
Customs Act, 1962	Custom Duty	2,775,156	2003-2004	Custom, excise and service tax Appellate Tribunal, Bangalore

9. The company has no accumulated losses as at June 30, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

10. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to financial institution as at the balance sheet date. The company has not issued any debentures. Further the Company does not have any dues payable to bank as at the balance sheet date.

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

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

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

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

15. The company has not obtained any term loans during the year.

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

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

18. The company has not raised any money by public issues during the year.

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

20. Clauses, (ii) and (xix) of paragraph 4 of the Order are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

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

Place: Gurgaon, India
Date: 01 August 2008

Balance Sheet as at 30 June 2008

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

	Schedule	As at 30 June 2008	As at 30 June 2007
Sources of Funds			
Shareholders' funds			
Share capital	1	133.27	132.74
Share application money pending allotment		1.71	-
Reserves and surplus	2	3,079.85	3,292.28
		3,214.83	3,425.02
Loan funds			
Secured loans	3	25.24	40.77
Unsecured loans	4	0.09	0.12
		25.33	40.89
		3,240.16	**3,465.91**
Application of Funds			
Fixed assets	5		
Gross block		1,599.61	1,332.67
Less: Accumulated depreciation		(874.32)	(662.58)
Net block		725.29	670.09
Capital work-in-progress (including capital advances)		419.03	212.86
		1,144.32	882.95
Investments	6	1,797.34	1,988.86
Deferred tax assets	16(7)	140.60	29.84
Current assets, loans and advances			
Sundry debtors	7	980.02	712.48
Cash and bank balances	8	686.88	380.94
Loans and advances	9	522.64	403.95
Other current assets	10	230.36	385.30
		2,419.90	1,882.67
Less: Current liabilities and provisions	11	(2262.00)	(1318.41)
Net current assets		157.90	564.26
		3,240.16	**3,465.91**

Significant accounting policies and notes to the accounts 16

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

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

For **HCL Technologies Limited**

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

Shiv Nadar
Chairman and Chief Strategy Officer

Vineet Nayar
CEO & Wholetime Director

Anil Chanana
Executive Vice President - Finance

T S R Subramanian
Director

Ranjit Narasimhan
President & CEO-BPO Division

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 01 August 2008

Place: Noida (UP), India
Date: 01 August 2008

Profit and Loss Account for the year ended 30 June 2008

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

	Schedule	Year ended 30 June 2008	Year ended 30 June 2007
Income			
Revenues		4,615.39	3,768.62
Other income	12	170.40	439.42
		4,785.79	**4,208.04**
Expenditure			
Cost of revenues	13	2,448.18	2,005.91
Administration and other expenses	14	1,225.42	833.26
Finance charges	15	19.07	12.97
Depreciation	5	217.87	178.21
		3,910.54	**3,030.35**
Profit before tax		**875.25**	**1,177.69**
Tax Expense - current		(107.68)	(76.03)
- deferred		31.98	12.01
- fringe benefit		(18.90)	(11.85)
Profit after tax		**780.65**	**1,101.82**
Balance in Profit and Loss Account brought forward		1,570.44	1,185.99
Profit available for appropriation		**2,351.09**	**2,287.81**
Appropriations			
Proposed final dividend [including Rs. 0.03 crores (previous year Rs. 0.45 crores) paid for previous year]		199.94	133.19
Corporate dividend tax on proposed final dividend [including Rs. 0.01 crores (previous year Rs. 0.06 crores) paid for previous year]		33.97	22.62
Interim Dividend		398.64	392.40
Corporate dividend tax on interim dividend		67.75	58.98
Transfer to general reserve		78.06	110.18
Balance carried forward to the balance sheet		1,572.73	1,570.44
		2,351.09	**2,287.81**
Earnings per equity share in rupees	16(20)		
Basic		11.75	16.88
Diluted		11.40	16.27
Weighted average number of shares used in computing earnings per equity share			
Basic		664,424,330	652,626,782
Diluted		684,952,820	677,387,746

Significant accounting policies and notes to the accounts 16

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

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

For **HCL Technologies Limited**

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

Shiv Nadar
Chairman and Chief Strategy Officer

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Director

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CEO & Wholetime Director

Ranjit Narasimhan
President & CEO-BPO Division

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 01 August 2008

Place: Noida (UP), India
Date: 01 August 2008

Cash flow statement for the year ended 30 June 2008
(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2008	Year ended 30 June 2007
Cash Flows from Operating Activities		
Profit before tax	875.25	1,177.69
Adjusted for:		
Income from investments, interest and rent	(60.87)	(15.20)
Gain on sale of investments	(107.21)	(77.74)
Depreciation	217.87	178.21
Loss/ (gain) on sale of fixed assets	1.48	(0.27)
Provision for doubtful debts written back	(0.34)	-
Other Non Cash Charges	0.41	3.62
Interest charges	13.36	8.34
Employee stock compensation cost	105.04	125.99
	1,044.99	**1,400.64**
Decrease/ (increase) in sundry debtors	(268.01)	(69.97)
Decrease/ (increase) in loans and advances	(53.56)	(98.27)
Decrease/ (increase) in other current assets	155.05	(295.04)
Increase/ (decrease) in current liabilities and provisions	335.47	79.12
Taxes paid	(157.10)	(18.55)
Net cash from (used for) operating activities	**1,056.84**	**997.93**
Cash flows from Investing activities		
Proceeds from/ (Investment in) mutual funds (net)	301.50	(13.37)
Proceeds from bonds (net)	-	10.00
Investment in subsidiaries	(2.77)	-
Loans to subsidiaries (net of repayment)	(0.65)	(0.05)
Refund of advance from HCL Technologies Limited Employees Trust	0.02	-
Purchase of fixed assets (including capital advances)	(463.32)	(330.18)
Principal payment on finance lease obligations	(16.97)	(8.75)
Proceeds from sale of fixed assets	6.87	2.19
Income from investments, interest and rent	44.73	7.87
Taxes paid	(17.94)	(9.17)
Net cash from (used for) investing activities	**(148.53)**	**(341.46)**
Cash flows from Financing activities		
Issue of share capital (including securities premium and share application money pending allotment)	31.40	227.20
Increase/ (decrease) in unsecured loans	(0.03)	(0.09)
Dividends paid (including corporate dividend tax)	(621.33)	(599.24)
Interest charges on loans from banks	(6.88)	-
Interest charges on other loans	(5.42)	(9.44)
Net cash from (used for) financing activities	**(602.26)**	**(381.57)**
Exchange differences on translation of foreign currency cash and cash equivalents	(0.11)	(0.18)
Net increase/ (decrease) in cash and cash equivalents	306.05	274.90
Cash and cash equivalents at the beginning of the year	380.94	106.22
Cash and cash equivalents at the end of the year	**686.88**	**380.94**

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

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.

Cash flow statement for the year ended 30 June 2008 (Contd.)
(All amounts in crores of rupees except share data and unless otherwise stated)

2. Cash and cash equivalents includes the following, which are not available for use by the Company:

Investor education and Protection fund - Unclaimed dividend	1.92
Bank Guarantees margin	0.01

3. Figures in brackets indicate cash outflow.
4. Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.

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

For **HCL Technologies Limited**

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

Shiv Nadar
Chairman and Chief Strategy Officer

T S R Subramanian
Director

Vineet Nayar
CEO & Wholetime Director

Ranjit Narasimhan
President & CEO-BPO Division

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 01 August 2008

Place: Noida (UP), India
Date: 01 August 2008

Schedules forming part of the accounts

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

Schedule 1: Share Capital	As at 30 June 2008	As at 30 June 2007
Authorised		
750,000,000 (previous year 750,000,000 equity shares of Rs. 2 each)	**150.00**	**150.00**
Issued, Subscribed and Paid up		
666,340,272 (previous year 663,683,116) equity shares of Rs. 2 each, fully paid up (refer note 2 of schedule 16)	133.27	132.74
	133.27	**132.74**

Notes:

1. Paid up share capital includes:
   - 84,899,958 (previous year 84,899,958) equity shares of Rs. 2 each allotted as fully paid up, pursuant to contracts for consideration other than cash.
   - 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in ratio of one share for every two held by capitalisation of general reserve and 325,453,918 (previous year 325,453,918) equity shares of Rs. 2 each issued as bonus shares in ratio of one share for every share held by capitalisation of securities premium account.
   - 39,866,246 (previous year 39,130,762) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
   - 16,310,380 (previous year 15,241,280) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
   - 2,540,548 (previous year 1,687,976) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2004 of the Company.
2. HCL Corporation Limited, which ceased to be the Holding Company w.e.f. 27 March 2007, held 326,003,539 (previous year 326,015,674) equity shares on the date of the Balance Sheet

Schedule 2: Reserves and Surplus	As at 1 July 2007	Additions	Deductions	As at 30 June 2008
Securities Premium Account	1,169.43	53.19	12.68	1,209.94
	(971.16)	(263.36)	(65.09)	(1,169.43)
General Reserve	413.33	78.06	2.45	488.94
	(303.15)	(110.18)	-	(413.33)
Hedging Reserve Account (net of deferred tax) (refer note 11 of Schedule 16)	-	(411.85)	-	(411.85)
	-	-	-	-
Employee stock options outstanding [net of deferred employee compensation cost of Rs.115.77 crores (previous year Rs. 242.76 crores)]	139.08	105.04	24.03	220.09
	(50.88)	(125.99)	(37.79)	(139.08)
Profit and Loss Account	1,570.44	80.35	78.06	1,572.73
	(1,185.99)	(494.63)	(110.18)	(1,570.44)
	3,292.28	**(95.21)**	**117.22**	**3,079.85**
Previous year	(2,511.18)	(994.16)	(213.06)	(3,292.28)

Notes:

1. Addition to/ Deduction from the Securities Premium Account represent:
   a) Addition of Rs. 29.16 crores (previous year Rs. 225.57 crores) in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999, Employee Stock Option Plan 2000 and Employee Stock Option Plan 2004.
   b) Addition of Rs. 24.03 crores (previous year Rs. 37.79) being amount transferred from Employee stock options outstanding on exercise of stock options.
   c) Deduction of Rs. Nil (previous year Rs. 65.09) being adjustment on account of capitalisation for issue of bonus shares in the ratio of 1:1.
   d) Deduction of Rs.12.68 crores (previous year Nil) being Fringe Benefit Tax on exercise of Employee stock options.
2. Deduction from General Reserves Rs.2.45 crores (previous year Rs. Nil) is on account of transitional provision on adoption of AS 15 (revised). (refer note 17 (C) of schdule 16)
3. Previous year figures are in brackets.

Schedules forming part of the accounts

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

Schedule 3: Secured Loans	As at 30 June 2008	As at 30 June 2007
From Others		
-Finance lease obligations		
Leased Vehicles [refer note 3 (i) of schedule 16] (Secured by hypothecation of leased vehicles)	25.24	18.25
Land & Buildings [refer note 3 (ii) of schedule 16]	-	22.52
	25.24	**40.77**

Schedule 4: Unsecured Loans	As at 30 June 2008	As at 30 June 2007
Other Loans and Advances		
-From financial institution [Amount payable within one year - Rs. 0.07 crore (previous year Rs. 0.03 crore)]	0.09	0.12
	0.09	**0.12**

Schedule 5: Fixed Assets

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 July 2007	Additions	Disposals/ Adjustents	As at 30 June 2008	As at 1 July 2007	Additions	Disposals/ Adjustments	As at 30 June 2008	As at 30 June 2008	As at 30 June 2007
Goodwill	1.98	-	-	1.98	1.84	0.12	-	1.96	0.02	0.14
Freehold land (refer notes 1 & 2)	60.09	3.55	-	63.64	-	-	-	-	63.64	60.09
Leasehold land	111.58	0.13	-	111.71	3.83	1.26	-	5.09	106.62	107.75
Building (refer notes 1 & 2)	124.74	34.30	4.60	154.44	23.52	6.86	0.24	30.14	124.30	101.22
Plant and machinery	235.50	53.25	0.63	288.12	130.17	47.02	0.31	176.88	111.24	105.33
Computers	376.62	72.44	1.81	447.25	248.74	78.13	0.96	325.91	121.34	127.88
Software	126.30	61.09	-	187.39	88.71	27.32	-	116.03	71.36	37.59
Furniture and fixtures	262.46	30.72	1.03	292.15	152.50	48.05	0.61	199.94	92.21	109.96
Vehicles - owned	5.29	1.98	0.98	6.29	3.67	0.58	0.89	3.36	2.93	1.62
- leased (refer note 3 (i) of schedule 16)	28.11	23.96	5.43	46.64	9.60	8.53	3.12	15.01	31.63	18.51
	1,332.67	**281.42**	**14.48**	**1,599.61**	**662.58**	**217.87**	**6.13**	**874.32**	**725.29**	**670.09**
Previous year	1,014.08	324.54	5.95	1,332.67	488.40	178.21	4.03	662.58	670.09	525.68
Capital work-in-progress (including capital advances)									**419.03**	**212.86**

Notes:

1 Additions to freehold land and building includes Rs. Nil (previous year Rs. 6.43 crores) and Rs. Nil (previous year Rs. 17.39 crores) respectively acquired on finance lease. (refer note 3 (ii) of schedule 16)

2 Addition to freehold land Rs. 3.55 crores (previous year Nil) and deletion from building Rs 4.60 crores (previous year Nil) on account of exercise of option to purchase the land & building capitalised on finance lease in the previous year. (refer note 3 (ii) of schedule 16)

Schedules forming part of the accounts
(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2008	As at 30 June 2007
(A) LONG TERM INVESTMENTS		
Equity shares in subsidiaries - Trade and unquoted		
12,793,904 (previous year 12,793,904) equity shares of Rs. 10 each, fully paid up in HCL Comnet Systems and Services Limited	23.65	23.65
113,170,582 (previous year 113,170,582) equity shares of USD 1 each, fully paid in HCL Bermuda Limited, Bermuda	476.41	476.41
854,036 (previous year 854,036) equity shares of SGD 1 each, fully paid up in HCL Singapore Pte. Limited	5.25	5.25
4,900 (previous year 4,900) equity shares of SGD 1 each, fully paid up in DSI Financial Solutions Pte Limited, Singapore (refer note 1)	0.23	0.23
1 (previous year 1) equity share of Euro 100, fully paid up in HCL GmbH	0.11	0.11
1,000,000 (previous year 1,000,000) equity shares of Rs. 10 each, fully paid up in HCL Technoparks Limited	1.00	1.00
HCL Technologies (Shanghai) Limited	2.77	-
	509.42	506.65
Preference shares in subsidiaries - Trade and unquoted		
450,000,000 (previous year 450,000,000) 1% cumulative redeemable preference shares of Rs 1 each, fully paid up in HCL Comnet Systems and Services Limited	45.00	45.00
	554.42	551.65
Investment in Joint ventures – Trade and unquoted		
10,780,000 (previous year 10,780,000) shares of Rs. 10 each, fully paid up in NEC HCL System Technologies Limited	10.78	10.78
Investments in bonds - Other than trade and unquoted	12.00	12.00
(refer note 12 (i) of Schedule 16)		
Investments in mutual funds- Other than trade and unquoted	1,086.37	1,051.28
(refer note 12 (ii) of Schedule 16 & note 2)		
Total long term investments (A)	**1,663.57**	**1,625.71**
(B) CURRENT INVESTMENTS		
(refer note 12 (iii) of Schedule 16)		
Investments in mutual funds- Other than trade and unquoted (refer note 3)	133.77	363.15
Total current investments (B)	**133.77**	**363.15**
Grand Total (A) + (B)	**1,797.34**	**1,988.86**

Notes:

1. Balance 51% stake is held by HCL Bermuda Limited, a wholly owned subsidiary of the Company.
2. Net asset value of long term investment in mutual funds as on 30 June 2008 Rs. 1,157.23 crores (previous year Rs. 1,089.91 crores).
3. Net asset value of current investment in mutual funds as on 30 June 2008 Rs. 140.06 crores (previous year Rs. 400.23 crores).

Schedules forming part of the accounts

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

Schedule 7: Sundry Debtors	As at 30 June 2008	As at 30 June 2007
Unsecured - considered good (refer note below)		
- Debts outstanding for more than six months	44.50	32.88
- Other debts	935.52	679.60
	980.02	712.48
Unsecured - considered doubtful		
- Debts outstanding for more than six months	6.01	4.53
- Other debts	–	1.53
	986.03	718.54
Less: Provision for doubtful debts	(6.01)	(6.06)
	980.02	**712.48**

Note: Sundry debtors include Rs. 489.36 crores (previous year Rs. 390.15 crores) recoverable from subsidiaries of the Company.

Schedule 8: Cash and Bank Balances	As at 30 June 2008	As at 30 June 2007
Cash in hand	0.07	0.14
Remittances in transit	146.07	72.12
Balances with scheduled banks		
- On current accounts in Indian rupees (refer note 1)	11.87	20.52
- On current accounts in foreign currency	1.20	8.05
- On fixed deposit accounts in Indian rupees (refer note 2)	524.01	275.01
	683.22	**375.84**
Balance in current accounts with non-scheduled banks (refer note 9 of Schedule 16)	3.66	5.10
	686.88	**380.94**

Notes:

1. Includes Rs. 1.92 crores (previous year Rs. 1.53 crores) in unclaimed dividend account.
2. Pledged with banks as security for guarantees Rs. 0.01 crores (previous year Rs. 0.01 crores).

Schedule 9: Loans and Advances	As at 30 June 2008	As at 30 June 2007
(Unsecured and considered good, unless otherwise stated)		
Loans and advances recoverable in cash or in kind or for value to be received		
- Considered good (refer note 1, 2 and 4)	401.79	348.23
- Considered doubtful	1.16	1.15
Loans to subsidiaries	16.35	15.70
MAT credit entitlement (refer note 1(1) of schedule 16)	80.25	31.91
Dividend receivable from subsidiary	0.45	0.45
Interest receivable (refer note 3)	23.80	7.66
	523.80	**405.10**
Less: Provision for doubtful advances	(1.16)	(1.15)
	522.64	**403.95**

Notes:

1. Includes Rs. 152.67 crores (previous year Rs. 169.58 crores) recoverable from the subsidiaries of the Company.
2. Includes Rs. Nil (previous year Rs. 0.02 crores) on account of loan given to HCL Technologies Limited Employees Trust.

Schedules forming part of the accounts
(All amounts in crores of rupees except share data and unless otherwise stated)

3. Includes Rs. 0.01 (previous year Rs. Nil) recoverable from the subsidiaries of the Company.
4. Dues from the officers of the Company Rs. Nil (previous year Rs. Nil), maximum balance outstanding during the year Rs. Nil (previous year Rs. 0.07 crores).

Schedule 10: Other Current Assets	As at 30 June 2008	As at 30 June 2007
Unbilled revenue (refer note below)	167.31	102.68
Deferred costs	63.05	7.12
Unrealised gain on derivative financial instruments (net)	-	275.50
	230.36	**385.30**

Note: Includes Rs. 91.42 crores (previous year Rs. 59.56 crores) in respect of subsidiaries of the Company.

Schedule 11: Current Liabilities and Provisions	As at 30 June 2008	As at 30 June 2007
Current liabilities		
Sundry creditors (refer note 1 & 2)	1,050.06	858.50
Unrealised loss on derivative financial instruments (net)	648.21	-
Unearned revenue (refer note 3)	57.39	55.44
Advance from customers (refer note 4)	44.48	65.32
Investor Education and Protection Fund- Unclaimed dividend	1.92	1.53
Other liabilities	26.79	22.23
	1,828.85	**1,003.02**
Provisions		
Provision for staff benefits	94.62	67.13
Provision for income tax (refer note 5)	96.98	88.54
Provision for fringe benefit tax (refer note 6)	7.68	4.41
Provision for wealth tax	-	0.01
Provision for dividend (including corporate dividend tax)	233.87	155.30
	433.15	**315.39**
	2,262.00	**1,318.41**

Notes:

1. Sundry creditors include Rs. 569.42 crores (previous year Rs. 568.10 crores) due to subsidiaries of the Company.
2 Sundry creditors includes Rs. Nil (previous year Nil) payable to Micro & Small Enterprise (refer note 22 of schedule 16)
3. Unearned revenue includes Rs. 6.15 crores (previous year Rs. 35.41 crores) pertaining to the subsidiaries of the Company.
4. Advance from customer includes Rs. 13.32 crores (previous year Rs. 64.46 crores) pertaining to the subsidiaries of the Company.
5. Net of advance income tax of Rs. 243.88 crores (previous year Rs. 96.06 crores).
6. Net of fringe benefit advance tax of Rs. 46.51 crores (previous year Rs. 19.29 crores).

Schedules forming part of the accounts

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

Schedule 12: Other Income	Year ended 30 June 2008	Year ended 30 June 2007
Interest income-gross		
[Tax deducted at source Rs. 7.67 crores (previous year Rs. 0.05 crores)]		
- On fixed deposits	50.54	7.72
- On investments (other than trade)	0.67	1.25
- On loans	0.05	0.05
Dividend Income		
- On trade investments	0.45	0.45
- On investments (other than trade)	6.79	3.65
Exchange differences	-	345.34
Rent income	2.37	2.08
Profit on sale of investments (other than trade)	107.21	77.73
Profit on sale of fixed assets (net)	-	0.27
Provision for diminution in value of investments written back	-	0.01
Provision for doubtful debts written back	0.34	-
Miscellaneous income	1.98	0.87
	170.40	**439.42**

Schedule 13: Cost of Revenues	Year ended 30 June 2008	Year ended 30 June 2007
Personnel expenses		
Salaries, wages and bonus	1,532.14	1,244.34
Contribution to provident and other funds	56.04	42.46
Staff welfare expenses	33.17	35.79
Employee stock compensation expense	105.04	125.99
	1,726.39	1,448.58
Others		
Software development expenses - external	721.79	557.33
	2,448.18	**2,005.91**

Schedules forming part of the accounts
(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 14: Administration and Other Expenses	Year ended 30 June 2008	Year ended 30 June 2007
Rent	160.16	88.50
Power and fuel	83.49	63.43
Insurance	6.95	10.38
Repairs and maintenance		
- Plant and machinery	25.13	19.91
- Building	32.10	27.35
- Others	22.38	16.62
Communication costs	65.41	68.93
Travel and conveyance	305.57	327.73
Business promotion	21.26	12.41
Legal and professional charges	40.84	20.76
Lease rent	5.86	7.63
Software licence fee	54.41	47.33
Printing and stationery	10.53	11.66
Rates and taxes	9.56	31.79
Advertising and publicity	8.42	5.41
Books and periodicals	4.28	5.95
Recruitment, training and development	49.86	36.01
Provision for doubtful debts	0.28	3.37
Bad debts/ advances written off	0.12	0.10
Provision for doubtful advances	0.01	0.15
Donations	0.09	0.04
Loss on sale of fixed assets (net)	1.48	-
Exchange differences	277.49	-
Miscellaneous expenses	39.74	27.80
	1,225.42	**833.26**

Schedule 15: Finance Charges	Year ended 30 June 2008	Year ended 30 June 2007
Interest		
- on assets under finance lease	3.91	2.96
- on loan from bank	6.88	–
- others	6.48	8.34
Bank charges	1.80	1.67
	19.07	**12.97**

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts

Company Overview

HCL Technologies Limited (hereinafter referred to as 'HCL' or 'the Company') is primarily engaged in providing a range of information technology, business process outsourcing and infrastructure product and management services. The Company was incorporated in India in November 1991 and focuses on technology and R&D outsourcing, working with clients in areas at the core of their business. The Company leverages an extensive offshore infrastructure and its global network of offices in various countries and professionals to deliver solutions across select verticals including Retail & Consumer, Aerospace, Automotive, Telecom, Financial Services, Government, Hitech, Media and Entertainment, Travel, Transportation and Logistics, Energy and utilities, Life Sciences and Healthcare.

1. Significant accounting policies

a) Basis of preparation

The financial statements are prepared and presented under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP"), the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956, the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. The financial statements are presented in crores of Indian rupees.

b) Use of estimates

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

c) Revenue recognition

i) IT Services

Revenue from IT services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current contract estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established. Cost and earnings in excess of billing are classified as unbilled revenue, while billing in excess of Cost and earnings are classified as unearned revenue. Incremental revenue from existing contracts arising on future sales of the customers' products will be recognized when it is earned. Revenue and related direct costs from transition services in outsourcing arrangements are deferred and recognized over the period of the arrangement. Certain upfront non-recurring costs incurred in the initial phases of outsourcing contracts and contract acquisition costs, are deferred and amortized usually on a straight line basis over the term of the contract. The Company periodically estimates the undiscounted cash flows from the arrangement and compares it with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

ii) Business Process Outsourcing services

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

The Company accounts for volume discounts and pricing incentives to customers. The discount terms in the Company's arrangements with customers generally entitle the customer to discounts, if the customer completes a specified level of revenue transactions. In some arrangements, the level of discount varies with increases in the levels of revenue transactions. The Company recognizes discount obligations as a reduction of revenue based on the ratable allocation of the discount to each of the underlying revenue transactions that result in progress by the customer toward earning the discount.

Revenues are shown net of sales tax, value added tax, service tax and applicable discounts and allowances. The revenue is recognized net of discounts and allowances.

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

iii) Others

Profit on sale of Investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment. Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, brokerage, commission and rent are recognised when the right to receive the same is established.

d) Expenditure

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

e) Fixed assets

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

f) Depreciation

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

	Life (in years)
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4
Computers	2- 4
Software	3
Furniture and fixtures	4
Vehicles-Owned	5
Vehicle-Leased	Over the period of lease or 5 years, whichever is lower

(g) Leases

Finance leases

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

Operating leases

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

h) Investments

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

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

i) Foreign exchange transactions

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

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

j) Derivative Instruments and Hedge Accounting

The Company uses derivative financial instruments (foreign currency forward and option contracts) to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions.

The use of foreign currency forward contracts is governed by the Company's policies, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value, and are remeasured at subsequent reporting dates.

In respect of derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. Changes in the fair value of these derivatives (net of tax) that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under shareholders' funds and the ineffective portion is recognized immediately in profit and loss account. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit and loss account as they arise.

Hedge accounting is discontinued from the last testing date when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Cumulative gain or loss on such hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to profit and loss account for the year.

k) Employee stock option based compensation

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

l) Taxation

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed for the appropriateness of their carrying values at each balance sheet date.

The tax filings are subject to review by the tax authorities in the jurisdictions where the company conducts business. These reviews may result in assessments of additional taxes that are resolved with the authorities or potentially through the courts. Resolution of these matters involves some degree of uncertainty; accordingly, the company provides income taxes for the liabilities it believes will ultimately result from the proceedings.

Minimum Alternate Tax (MAT) paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

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

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

m) Employee benefits

Provident Fund:

Contributions to provident fund, a defined benefit plan are deposited with a recognised provident fund trust, set up by the Company. The interest rate payable by the trust to the beneficiaries every year is notified by the government and the company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. Liability with regard to the same is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary.

Superannuation:

The Company made contributions to a scheme administered by an insurance company in respect of superannuation for applicable employees. The Company had no further obligations to the superannuation plan beyond its monthly contributions.

Compensated absences:

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the service that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Gratuity:

The Company provides for gratuity, a defined benefit retirement plan. The plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee’s last drawn salary and the years of employment with the Company.

Liability with regard to compensated absences and gratuity is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. Gains and losses arising out of actuarial evaluations are recognised immediately in the Profit and Loss account as income or expense.

State Plans:

The Company’s contribution to State Plans namely Employee State Insurance Fund and Employees Pension Scheme are charged to Revenue every year.

n) Research and Development

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

o) Earnings per share

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

p) Impairment of assets

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

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

q) Provisions and Contingent liabilities

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

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

2. Employee stock option plan (ESOP)

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004, for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 84 months respectively from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

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

As at 30 June 2008 2,822,430 (previous year 3,442,289) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999 Plan

Movement in Stock options	Year ended 30 June 2008	Year ended 30 June 2007
Outstanding at the beginning of the year	3,442,289	5,914,361
Add: Granted during the year	-	-
Less: Forfeited during the year	(245,688)	(519,995)
Exercised during the year	(183,871)	(1,564,580)
Expired during the year	(190,300)	(387,497)
Options outstanding at the end of the year	**2,822,430**	**3,442,289**

As at 30 June 2008 4,091,441 (previous year 5,041,132) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 2000 Plan

Movement in Stock options	Year ended 30 June 2008	Year ended 30 June 2007
Outstanding at the beginning of the year	5,041,132	8,453,526
Add: Granted during the year	-	-
Less: Forfeited during the year	(358,796)	(898,137)
Exercised during the year	(267,275)	(2,185,299)
Expired during the year	(323,620)	(328,958)
Options outstanding at the end of the year	**4,091,441**	**5,041,132**

As at 30 June 2008 3,325,543 (previous year 3,752,886) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 2004 Plan

Movement in Stock options	Year ended 30 June 2008	Year ended 30 June 2007
Outstanding at the beginning of the year	3,752,886	2,669,400
Add: Granted during the year	-	1,720,200
Less: Forfeited during the year	(210,780)	(214,720)
Exercised during the year	(213,143)	(421,994)
Expired during the year	(3,420)	-
Options outstanding at the end of the year	**3,325,543**	**3,752,886**

The Company has calculated the compensation cost based on the intrinsic value method i.e. the excess of market price of underlying equity shares on the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company is recognised as deferred stock compensation cost and is amortised on a

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

graded vesting basis over the vesting period of the options. Had the Company applied the fair value method for determining compensation cost, the impact on net income and earnings per share is provided below:

	Year ended 30 June 2008	Year ended 30 June 2007
Net income – As reported	**780.65**	**1,101.82**
Net income – Proforma	**775.68**	**1,080.17**
Earnings per share (refer note 20)		
Basic - As reported	11.75	16.88
- Proforma	11.67	16.55
Diluted - As reported	11.40	16.27
- Proforma	11.32	15.95

Assumptions

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

	Year ended 30 June 2007
Dividend yield %	3.65%
Expected term	Up to 35 months
Risk free interest rates	8.10%
Volatility	26.67%

The volatility of the share has been determined on the basis of the Company's historical share price for the period of 3 years 6 months. There has been no grant during the year.

3. **i)** The Company has acquired vehicles on finance leases. The total minimum lease payments and maturity profile of finance leases at the balance sheet date, the element of interest included in such payments, and the present value of the minimum lease payments as of 30 June 2008 are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	12.41	3.18	9.23
	(8.42)	(1.69)	(6.73)
Later than one year and not later than five years	20.01	4.00	16.01
	(13.24)	(1.72)	(11.52)
	32.42	**7.18**	**25.24**
	(21.66)	(3.41)	(18.25)

Previous year figures are in brackets.

ii) During the year ended 30 June 2006, the Company has entered into a lease agreement for a plot of land and building under which on expiry of five year period, lessor was bound to sell and company was required to purchase it. On getting possession of the same in the previous year, the Company has capitalised the aforesaid property by treating the transaction as a finance lease and amount apportioned to freehold land and building on a fair value basis.

During the current year the Company has purchased the said land and building at a value of Rs. 22.76 crores which has resulted in an adjustment to the values of land and building capitalised earlier on the basis of fair values. Accordingly, addition to freehold land of Rs. 3.55 crores (previous year Rs. Nil) and deletion from building of Rs 4.60 crores (previous year Rs. Nil) has been made.

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

The total minimum lease payments and maturity profile of finance leases at the Balance Sheet date, the element of interest included in such payments, and the present value of the minimum lease payments as of 30 June 2008 are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	-	-	-
	(2.57)	(1.38)	(1.19)
Later than one year and not later than five years	-	-	-
	(25.17)	(3.84)	(21.33)
	-	**-**	**-**
	(27.74)	**(5.22)**	**(22.52**

iii) The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognised in the profit and loss account for the year is Rs. 163.15 crores (previous year Rs. 92.09 crores). Future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

	Year ended 30 June 2008	Year ended 30 June 2007
Not later than one year	129.16	74.89
Later than one year but not later than five years	319.64	189.80
Later than five years	410.11	44.25
	858.91	**308.94**

4. Segment reporting

(i) **Business Segments**

The operations of the Company predominately relate to providing IT services, delivered to customers located globally. Further, the Company is also engaged in the business of rendering business processing outsourcing services, which are in the nature of customer contact centers and technical help desks. The Chairman of the Company, who is the Chief Strategy Officer, evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by types of service provided by the Company and geographic segmentation of customers.

Accordingly, revenue from service segments comprises the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

(ii) **Geographic Segments**

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

(iii) **Segment Accounting Policies**

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

a) **Segment assets and liabilities**

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

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

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan. Segment liabilities do not include share capital, reserves and provision for taxes.

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

b) **Segment revenue and expenses**

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

Financial information about the business segments for the year ended 30 June 2008 is as follows:

	IT services	Business process outsourcing services	Total
Segment Revenues	4,012.01	603.38	**4,615.39**
Segment results	1,006.88	162.38	**1,169.26**
Unallocated corporate expenses			(464.41)
Other Income			170.40
Net profit before taxes			**875.25**
Income tax			94.60
Net profit after taxes			**780.65**
Assets			
Segment assets	2,376.04	337.37	2,713.41
Unallocated assets			2,788.75
Total assets			**5,502.16**
Liabilities			
Segment liabilities	1,213.49	83.62	1,297.11
Unallocated liabilities			990.22
Total liabilities			**2,287.33**
Others			
Capital expenditure (including capital work in progress)	237.85	13.87	251.72
Unallocated corporate capital expenditure			235.87
Total			**487.59**
Significant non-cash adjustments			
Depreciation	157.44	38.83	196.27
Unallocated corporate depreciation			21.60
Total			**217.87**
Provision for doubtful debts/ advances and bad debts/ advances written off			0.28

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Financial information about the business segments for the year ended 30 June 2007 is as follows:

	IT services	Business process outsourcing services	Total
Segment Revenues	3,240.84	527.78	**3,768.62**
Segment results	798.52	114.53	**913.05**
Unallocated corporate expenses			(174.78)
Other Income			439.42
Net profit before taxes			**1,177.69**
Income tax			75.87
Net profit after taxes			**1,101.82**
Assets			
Segment assets	1,829.22	309.45	2,138.67
Unallocated assets			2,645.65
Total assets			**4,784.32**
Liabilities			
Segment liabilities	1,044.16	65.37	1,109.53
Unallocated liabilities			249.77
Total liabilities			**1,359.30**
Others			
Capital expenditure (including capital work in progress)	321.54	39.78	361.32
Unallocated corporate capital expenditure			12.45
Total			**373.77**
Significant non-cash adjustments			
Depreciation	126.43	41.91	168.34
Unallocated corporate depreciation			9.87
Total			**178.21**
Provision for doubtful debts/ advances and bad debts/ advances written off	2.31	1.31	3.62

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

	Year ended 30 June 2008	Year ended 30 June 2007
America	2,780.67	2,280.21
Europe	1,423.62	1,150.17
Others	411.10	338.24
	4,615.39	**3,768.62**

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

5. **Related party transactions**

a) **Related parties where control exists**

Subsidiaries

HCL America Inc., United States of America
HCL Great Britain Limited, United Kingdom
HCL (Netherlands) BV, Netherlands
HCL GmbH, Germany
HCL Belgium NV, Belgium
HCL Sweden AB, Sweden
HCL Italy SLR, Italy
HCL Australia Services Pty. Limited, Australia
HCL (New Zealand) Limited, New Zealand
HCL Hong Kong SAR Limited, Hong Kong
HCL Japan Limited, Japan
HCL Comnet Systems and Services Limited, India

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

HCL Comnet Limited, India
HCL Bermuda Limited, Bermuda
HCL Holdings GmbH, Austria
HCL Enterprise Solutions Limited, Mauritius
Intelicent India Limited, India
DSI Financial Solutions Pte. Limited, Singapore
HCL BPO Services (NI) Limited, Northern Ireland
HCL Jones Technologies (Bermuda) Limited, Bermuda
HCL Jones Technologies LLC, United States of America
HCL Singapore Pte. Limited, Singapore
HCL Poland Sp.z.o.o., Poland
HCL (Malaysia) Sdn. Bhd., Malaysia
HCL EAI Services Inc., United States of America
Aalayance (UK) Limited, United Kingdom
HCL EAI Services Limited, India
HCL Technoparks Limited, India
HCL Technologies (Shanghai) Limited, Shanghai
Capital Stream Inc. , United States of America*
* w.e.f. 15th Feb 2008

Others

HCL Technologies Limited Employees Trust

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

Subsidiaries

HCL America Inc., United States of America
HCL Great Britain Limited, United Kingdom
HCL (Netherlands) BV, Netherlands
HCL GmbH, Germany
HCL Belgium NV, Belgium
HCL Sweden AB, Sweden
HCL Australia Services Pty. Limited, Australia
HCL (New Zealand) Limited, New Zealand
HCL Hong Kong SAR Limited, Hong Kong
HCL Comnet Systems and Services Limited, India
HCL Comnet Limited, India
HCL Bermuda Limited, Bermuda
Intelicent India Limited, India
HCL Jones Technologies (Bermuda) Limited, Bermuda
HCL Singapore Pte. Limited, Singapore
HCL (Malaysia) Sdn. Bhd., Malaysia
HCL EAI Services Limited, India
HCL Technoparks Limited, India
HCL BPO Services (NI) Limited, Northern Ireland
HCL Technologies (Shanghai) Limited, Shanghai
HCL Poland Sp.z.o.o., Poland
HCL EAI Services Inc., United States of America

Jointly controlled entities

NEC HCL System Technologies Limited

Others (Significant influence)

HCL Corporation Limited*
HCL Infosystems Limited**
HCL Peripherals Limited**
HCL Technologies Limited Employees Trust

* Holding Company till 27 March 2007
** Fellow subsidiary till 27 March 2007

c) **Key Management Personnel**

Shiv Nadar, Chairman and Chief Strategy Officer

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

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

Particulars	Subsidiaries Year ended 30 June		Fellow subsidiaries Year ended 30 June		Jointly controlled entities Year ended 30 June		Others - Significant Influence Year ended 30 June		Total Year ended 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sale of materials and services	2,294.06	1,916.91	-	-	1.63	1.33	6.35	5.69	2,302.04	1,923.93
Purchase of materials and services	719.91	561.64	-	0.21	0.02	-	23.75	27.00	743.68	588.85
Payment for use of facilities	2.51	0.75	-	0.50	0.18	-	1.62	0.95	4.31	2.20
Receipt for use of facilities	2.37	2.08	-	-	-	-	-	-	2.37	2.08
Dividend income	0.45	0.45	-	-	-	-	-	-	0.45	0.45
Interest Paid	6.48	8.34	-	-	-	-	-	-	6.48	8.34
Other receipts	9.74	2.56	-	-	1.62	1.57	-	-	11.36	4.13
Investments	2.77	-	-	-	-	-	-	-	2.77	-
Loans (net of repayments)	0.65	0.05	-	-	-	-	-	-	0.65	0.05
Purchase of capital equipments	3.01	0.37	-	0.67	-	-	34.27	47.27	37.28	48.31
Bad debts/advances written off	-	-	-	-	-	-	-	0.23	-	0.23
Guarantees	(54.16)	2.81	-	-	-	-	-	-	(54.16)	2.81
Others(if any)	-	-	-	-	-	-	-	-	-	-

e) Outstanding balances with related parties

Particulars	Subsidiaries As at 30 June		Fellow subsidiaries As at 30 June		Jointly controlled entities As at 30 June		Others - Significant Influence As at 30 June		Total As at 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Debtors	489.36	390.15	-	-	0.25	0.74	2.65	1.22	492.26	392.11
Short Term Loans outstanding	16.35	15.70	-	-	-	-	0.03	0.03	16.38	15.73
Other receivables	244.54	229.60	-	0.04	0.15	0.26	4.68	2.74	249.37	232.64
Creditors	569.42	568.10	-	0.01	-	-	5.13	10.16	574.55	578.27
Advance received	13.32	64.46	-	-	-	-	-	-	13.32	64.46
Unearned revenue	6.15	35.41	-	-	-	-	0.60	0.54	6.75	35.95

6. Loans and advances in the nature of loans to subsidiaries and others

Name of the company	Amount of loan	Rate of Interest	Maximum amount outstanding during the year
HCL Technologies Limited Employees Trust	-	-	0.02
	(0.02)	(-)	(0.02)
HCL EAI Services Limited	0.55	9%	0.55
	(0.55)	(9%)	(0.57)
HCL Technoparks Limited	15.80	-	15.80
	(15.15)	(-)	(15.15)

Previous year figures are given in brackets.

Schedules forming part of the accounts
(All amounts in crores of rupees except share data and unless otherwise stated)
Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

7. Components of Deferred Tax Assets

	As at 30 June 2008	As at 30 June 2007
Carry forward long term capital loss	-	1.60
Depreciation	42.14	28.24
Accrued employee costs	19.68	-
Unrealised loss on derivative instruments	78.78	-
	140.60	**29.84**

8. Research and Development Expenditure

	Year ended 30 June 2008	Year ended 30 June 2007
Revenue	19.44	12.07
Capital	-	-
	19.44	**12.07**

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

	Closing Balance		Maximum Balance	
	As at 30 June 2008	As at 30 June 2007	Year ended 30 June 2008	Year ended 30 June 2007
Non-scheduled banks - On Current account				
Citi Bank N.A. Singapore -SGD	0.23	0.19	0.23	0.21
Citi Bank N.A. Singapore -USD	0.22	0.21	0.22	0.24
Deutsche Bank, France -Euro	0.03	0.03	0.04	0.04
Deutsche Bank, Singapore -SGD	0.76	1.53	1.71	2.73
Bank of America, New York -USD	0.06	0.05	0.22	0.31
Deutsche Bank, London -GBP	0.03	1.11	1.35	2.64
Banker Trust, New York -USD	2.33	-	4.25	0.44
Deutsche Bank, New York -USD	-	1.98	1.98	2.47
Total	**3.66**	**5.10**		

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

10. Commitments and Contingent liabilities

	As at 30 June 2008	As at 30 June 2007
i) **Capital and other commitments**		
a) **Capital commitments**		
Estimated amount of unexecuted capital contracts (net of advances)	299.80	211.64
b) **Outstanding letter of credit**	8.50	18.22
	308.30	**229.86**

ii) **Contingent Liabilities**

a) Guarantees have been given by the Company on behalf of various subsidiaries against credit facilities, financial assistance and office premises taken on lease amounting to Rs. 138.52 crores (previous year Rs. 175.97 crores). These guarantees have been given in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of the beneficiaries fulfilling their ordinary commercial obligations.

b) Bank guarantees of Rs. 20.21 crores (previous year Rs. 7.29 crores). These guarantees have been given in the normal course of the Company's operations and are not expected to result in any loss to the Company, on the basis of the Company fulfilling its ordinary commercial obligations.

c) Income Tax demands (excluding interest) of Rs. 31.04 crores (previous year Rs. 31.04 crores)

The amounts shown in the item (c) above represent best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes.

11. Derivative Financial Instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets / liabilities, forecasted cash flows denominated in foreign currency. The use of derivatives to hedge foreign currency forecasted cash flows is governed by the Company's strategy, which provide principles on the use of such forward contracts and currency options consistent with the Company's Risk Management Policy. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material. A majority of the forward foreign exchange/option contracts mature between one to 32 months and the forecasted transactions are expected to occur during the same period. The Company does not use forward contracts and currency options for speculative purposes.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

	As at 30 June 2008	As at 30 June 2007
Foreign Currency	**Rupee Equivalent**	
U.S. Dollar	7,484.73	4,712.25
Sterling Pound	353.26	624.23
Euro	282.54	446.28
Australian Dollar	26.49	111.53
	8,147.02	**5,894.29**

The following table summarizes activity in the Hedging Reserve related to all derivatives classified as cash flow hedges during the years ended 30 June 2008:

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Particulars	Year ended 30 June 2008	Year ended 30 June 2007
Balance as at the beginning of the year	-	-
Unrealized gain/ (losses) on cash flow hedging derivatives during the year	(418.01)	-
Net gains / (losses) reclassified into net income on occurrence of hedged transactions	(72.62)	-
Balance as at the end of the year	(490.63)	-
Deferred tax	78.78	-
	(411.85)	-

At 30 June 2008, the estimated net amount of existing gains/ (loss) that is expected to be reclassified into the income statement within the next twelve months is Rs. (78.72) crores.

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

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

Particulars	Face Value	Balance as at 30 June 2008 Units	Balance as at 30 June 2008 Amount	Balance as at 30 June 2007 Units	Balance as at 30 June 2007 Amount
National Housing Bonds 5.5%	10,000	3,000	3.00	3,000	3.00
Rural Electrification Corporation Limited 5.5%	10,000	3,000	3.00	3,000	3.00
National Highway Authority Of India 5.65%	10,000	3,000	3.00	3,000	3.00
SIDBI Capital Gains bond 5.5%	10,000	3,000	3.00	3,000	3.00
Total			**12.00**		**12.00**

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

Particulars	Face Value	Balance as at 30 June 2008 Units	Balance as at 30 June 2008 Amount	Balance as at 30 June 2007 Units	Balance as at 30 June 2007 Amount
ICICI Prudential Institutional Liquid Plan - Super Institutional Growth	10	51,061,355	55.98	92,188,404	101.06
ABN AMRO FTP Series 3 Yearly Plan growth	10	-	-	10,000,000	10.00
ABN AMRO FTP Series 4 -17 mth Institutional Growth	10	-	-	10,000,000	10.00
ABN Amro Money Plus Institutional Growth	10	59,209,425	70.43	14,719,243	16.43
Birla FTP - Series O- Growth	10	-	-	15,000,000	15.00
CAN Floating Rate Fund Short Term Growth Fund	10	-	-	24,848,162	27.00
DSP Merrill Lynch Liquid plus institutional plan growth	1,000	-	-	564,141	57.36
DSP ML Strategic Bond Fund-Growth Institutional	1,000	-	-	150,000	15.00
DWS Fixed Term Fund - Series 14- Growth Plan	10	-	-	25,377,280	25.38
DWS Fixed Term Fund - Series 15 growth Plan	10	-	-	10,000,000	10.00
DWS Fixed Term Fund - Series 16 -Institutional Plan	10	-	-	10,000,000	10.00
Fidelity Cash Fund -super Institutional-growth	10	80,631,702	84.78	14,470,105	15.00
G44 IDFC Floating Rate Fund Institutional Plan B LTP Growth	10	58,941,412	69.41	46,659,018	54.56
HDFC Cash Management Fund Savings Plan Growth	10	-	-	28,640,165	45.00
HDFC FMP 13 M July 2006(1)-Institutional Plan growth	10	-	-	15,000,000	15.00
HDFC FMP 16 M December 2006 (2)-Wholesale Plan Growth	10	-	-	10,000,000	10.00
HDFC Liquid -Premium Plus - Growth	10	23,518,959	35.00	23,518,959	35.00
HSBC Cash Fund - Institutional Plus - Growth	10	-	-	18,769,775	21.00

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Particulars	Face Value	Balance as at 30 June 2008 Units	Balance as at 30 June 2008 Amount	Balance as at 30 June 2007 Units	Balance as at 30 June 2007 Amount
HSBC Fixed Term Series 22-Institutional. Growth	10	-	-	5,000,000	5.00
HSBC Fixed Time Series 14 -Growth *	10	-	-	10,000,000	10.00
HSBC Fixed Time Series 15 Institutional. Growth *	10	-	-	15,000,000	15.00
ICICI Prudential Hybrid FMP 13 Months-Institutional -Growth	10	-	-	25,000,000	25.00
ICICI Prudential FMP Series 30 -13 month plan-Institutional growth	10	-	-	10,000,000	10.00
ING Vysya Liquid Plus Fund- Institutional Growth	10	24,540,515	25.00	9,910,508	10.00
Kotak Flexi Debt Scheme - Growth	10	4,191,459	4.95	21,124,746	24.86
Kotak FMP 15 M Series 1 - Growth	10	-	-	5,000,000	5.00
Kotak FMP Series 26 - Growth	10	-	-	15,000,000	15.00
Kotak Liquid Institutional premium - Growth	10	41,851,400	63.77	14,259,183	20.50
LIC MF Fixed Maturity Plan Series 15-13 month growth plan	10	-	-	15,000,000	15.00
Principal Fixed Maturity Plan (FMP-31)-Series III	10	-	-	15,000,000	15.00
Principal Floating Rate Fund SMP Institutional. Option Growth Plan	10	-	-	4,508,485	5.00
Principal FRF Flexible Maturity Fund Institutional. Plan Growth	10	16,816,185	19.02	16,816,185	20.00
Principal Pnb Fixed Maturity Plan (FMP-33) 540 Days Plan Series1 JAN07	10	-	-	10,000,000	10.00
Pru ICICI Institutional Short Term Plan - Cumulative Option	10	4,109,145	5.62	4,109,145	5.62
Reliance Fixed Horizon Fund 1-Institutional Plan-Annual Plan 1 Series 1-Institutional Growth Plan	10	-	-	10,000,000	10.00
Reliance Fixed Horizon Fund Annual Plan Series III-Institutional. Growth Plan	10	-	-	15,000,000	15.00
Reliance Floating rate Fund Growth	10	19,323,334	22.50	19,323,334	22.50
Reliance liquid plus fund -Institutional option - growth plan	1,000	1,169,627	121.29	737,957	75.00
Reliance liquidity fund -Growth option	10	828,657	0.92	28,795,623	32.00
SBI Debt Fund Series -15 Months (July 06) -Growth	10	-	-	10,000,000	10.00
SBI Magnum Insta Cash Fund - cash option	10	-	-	13,634,263	23.00
Standard Chartered Fixed Maturity 10th plan Growth	10	-	-	10,000,000	10.00
Standard Chartered Fixed Maturity Plan -yearly series 1	10	-	-	5,000,000	5.00
TATA fixed horizon fund series 6 Scheme A Growth	10	-	-	15,000,000	15.00
Tata Floater Fund - Growth	10	73,229,812	85.01	26,908,504	30.01
Templeton India TMA -super Institutional plan -growth	1,000	80,726	8.64	80,726	9.00
UTI Fixed Maturity Plan- YFMP (0806) Growth Plan	10	-	-	15,000,000	15.00
UTI Liquid Cash Plan Institutional - Growth Option	1,000	-	-	621,636	76.00
G69 IDFC Liquidity Manager plus Growth	1,000	862,454	95.00	-	-
Sundaram BNP Paribas Money Fund Super Institutional Growth Plan	10	34,632,564	60.00	-	-
TATA Floating Rate Short Term Institutional.Plan Growth	10	16,621,512	18.95	-	-
Tata Liquid Super High Investment Fund -Appreciation	1,000	329,987	49.70	-	-

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Particulars	Face Value	Balance as at 30 June 2008 Units	Balance as at 30 June 2008 Amount	Balance as at 30 June 2007 Units	Balance as at 30 June 2007 Amount
ICICI Prudential Flexible Income Plan Growth	10	65,139,833	95.40	-	-
Birla Cash Plus Institutional Prem.- Growth	10	57,596,916	75.00	-	-
UTI Fixed Maturity Plan - (YFMP 06/08)- Institutional Dividend Plan -Re investment	10	10,000,000	10.00	-	-
DSPML FMP- 12 M -Series 1 Growth	10	10,000,000	10.00	-	-
Total			**1,086.37**		**1,051.28**
Less: Dimunition in the value of Investment			-		-
Total			**1,086.37**		**1,051.28**

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

Particulars	Face Value	Balance as at 30 June 2008 Units	Balance as at 30 June 2008 Amount	Balance as at 30 June 2007 Units	Balance as at 30 June 2007 Amount
Birla Cash Plus Institutional Premium Plan Growth	10	-	-	46,682,851	48.08
Birla Fixed Maturity Plan Annual Series 3 Nov. 05 Growth	10	-	-	9,347,105	10.00
CAN Floating Rate Fund Short Term Growth Fund	10	-	-	20,400,851	22.00
DSP Merrill Lynch Liquid plus institutional plan daily dividend	1,000	-	-	100,157	10.02
DSP Merrill Lynch Liquidity Fund Institutional Plan Daily Dividend	1,000	-	-	100,045	10.01
DSP Merrill Lynch Liquidity Fund IP- Growth	1,000	-	-	193,619	20.00
HDFC Cash Management Fund - Savings Plus Plan Growth	10	-	-	534,860	0.79
HDFC FMP 13 M JUNE 2006(1)-Institutional Plan growth	10	-	-	15,000,000	15.00
HSBC Fixed Time Series IX 370 Days Growth *	10	-	-	15,000,000	15.00
HSBC Fixed Time Series VI Growth *	10	-	-	10,000,000	10.00
ING Vysya Liquid Fund Super Institutional Plan Growth Option	10	21,245,416	22.38	33,718,391	35.51
JM Equity and Derivative Plan Growth	10	-	-	9,530,091	10.00
Principal Cash Management Fund Liquid Option Institutional Premium Plan Growth	10	-	-	16,320,578	18.00
Principal Floating Rate Fund SMP Institutional. Option Growth Plan	10	-	-	5,458,565	5.57
Principal FRF Flexible Maturity Fund Institutional. Plan Growth	10	11,039,567	12.48	11,039,567	11.50
Principal Income Fund STP Institutional Plan - Growth	10	-	-	4,096,279	4.71
SBI FMP MDFS 13 Months June 2006	10	-	-	10,000,000	10.00
Tata Fixed Horizon Fund Series 2 - Plan C 18 months Growth	10	-	-	15,000,000	15.00
TATA Fixed Horizon Fund Series 3 scheme F Growth *	10	-	-	15,000,000	15.00
TATA Fixed Horizon Fund Series 3 Scheme G Growth	10	-	-	15,000,000	15.00
TATA Floating Rate Short Term Institutional.Plan Growth	10	-	-	11,413,752	11.95
Templeton India TMA -super Institutional plan-growth	1,000	-	-	143,476	15.01

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Particulars	Face Value	Balance as at 30 June 2008 Units	Balance as at 30 June 2008 Amount	Balance as at 30 June 2007 Units	Balance as at 30 June 2007 Amount
UTI Fixed Maturity Plan- YFMP (0606) Growth Plan	10	-	-	15,000,000	15.00
UTI Fixed Term Income fund Series -Plan 18- Growth	10	-	-	15,000,000	15.00
UTI Spread Fund -Dividend Plan Reinvestment	10	5,373,800	5.40	5,000,000	5.00
ABN Amro Money Plus Institutional Plan Daily dividend	10	-	-	-	-
AIG India Liquid Fund Super IP -Daily dividend	1,000	-	-	-	-
Birla Cash Plus - Institutional premium Plan Daily Dividend	10	1,497,380	1.50	-	-
Fidelity Cash Fund -super inst-Daily dividend	10	-	-	-	-
Grindlays Floating Rate Fund -LT-Inst Plan B-daily dividend	10	-	-	-	-
JM High Liquidity Fund-Super IP Plan - daily Divd.	10	-	-	-	-
JM Money Manager Fund Super Plus Plan-daily dividend	10	-	-	-	-
Kotak Liquid inst premium - daily dividend	10	-	-	-	-
Principal Floating Rate Fund SMP - Institutional Plan daily dividend	10	-	-	-	-
Reliance liquid plus fund-inst option -Daily dividend	1,000	-	-	-	-
Reliance liquidity fund -daily dividend	10	-	-	-	-
SBI Premier Liquid Fund Super inst -Daily Dividend	10	-	-	-	-
SBI -SHF -Liquid Plus Inst. Plan -daily dividend	10	-	-	-	-
G70 IDFC Liquidity Manager plus Daily Dividend	1,000	-	-	-	-
Sundaram BNP Paribas Money Fund Super Inst Daily Div Rein	10	-	-	-	-
Tata Floater Fund - Daily dividend	10	-	-	-	-
Tata Floating Rate Short Term Fund Inst Plan Daily Dividend	10	-	-	-	-
Tata Liquid Super High Investment Fund -daily dividend	1,000	18,035	2.01	-	-
UTI Liquid Cash Plan Institutional Daily Income Option	1,000	-	-	-	-
ICICI Prudential Flexible Income Plan Dividend Daily	10	-	-	-	-
IDFC Fixed Maturity Plan -Quarterly Series 36-Dividend	10	10,000,000	10.00	-	-
ABN Amro Interval Fund Series 2 Quarterly Plan M Interval Dividend	10	10,000,000	10.00	-	-
DSPML FMP- 3M Series10 -Div	10	10,000,000	10.00	-	-
DWS Quarterly Interval Fund - Series 1- Dividend Plan	10	10,000,000	10.00	-	-
JM Interval Fund -Quarterly Plan 1-Inst Dividend Plan	10	10,000,000	10.00	-	-
Kotak Quarterly Interval Plan Series 2-Dividend	10	9,996,801	10.00	-	-
Reliance Fixed Horizon Fund VIII Series 7 - Institutional Dividend Payout Plan	10	10,000,000	10.00	-	-
UTI Fixed Income Interval Fund -Monthly Interval Plan Series -1-Institutional Dividend Plan -Payout	10	20,000,000	20.00	-	-
Total			**133.77**		**363.15**
Less: Dimunition in the value of Investment			-		-
Total			**133.77**		**363.15**

Note:

*These units have been pledged in favour of HSBC Banking Corporation Limited in consideration of financial arrangements, however no facility has been availed as on date.

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

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

Particulars	Face Value	Purchased During the Year Units	Purchased During the Year Amount	Sale/ Redemption Proceeds During the Year Units	Sale/ Redemption Proceeds During the Year Amount
ICICI Prudential Flexible Income Plan Dividend Daily	10	123,478,855	130.56	123,478,855	130.56
ICICI Prudential Flexible Income Plan Growth	10	65,139,833	95.40	-	-
ABN Amro Money Plus Institutional Growth	10	44,490,182	54.00	-	-
ABN Amro Money Plus Institutional Plan Daily dividend	10	50,063,819	50.06	50,063,819	50.06
AIG India Liquid Fund Super IP -Daily dividend	1,000	350,511	35.08	350,511	35.08
Birla Cash Plus - Institutional premium Plan Daily Dividend	10	310,002,727	310.61	308,505,347	309.11
Birla Cash Plus Institutional Prem.- Growth	10	57,596,916	75.00	46,682,851	59.29
DSP Merrill Lynch Liquid plus institutional plan daily dividend	1,000	2,517,204	251.79	2,617,361	261.81
DSP Merrill Lynch Liquidity Fund Institutional Plan Daily Dividend	1,000	5,273,211	527.43	5,373,256	537.43
Fidelity Cash Fund -super inst-Daily dividend	10	8,009,205	8.01	8,009,205	8.01
Fidelity Cash Fund -super inst-growth	10	80,631,702	85.00	14,470,105	16.23
Grindlays Floating Rate Fund -LT-Inst Plan B -daily dividend	10	36,033,546	36.05	36,033,546	36.05
G44 IDFC Floating Rate Fund-LT-Inst Plan B-Growth	1,000	31,511,063	37.50	19,228,669	24.65
ING Vysya Liquid Plus Fund- Institutional Growth	10	14,630,007	15.00	-	-
JM High Liquidity Fund-Super IP Plan - daily Divd.	10	124,935,907	125.14	124,935,907	125.14
JM Money Manager Fund Super Plus Plan-daily dividend	10	100,918,004	100.96	100,918,004	100.96
Kotak Flexi Debt Scheme - Growth	10	4,177,668	5.00	21,110,956	27.20
Kotak Liquid inst premium - daily dividend	10	60,734,552	74.27	60,734,552	74.27
Kotak Liquid inst premium - Growth	10	41,851,400	65.00	14,259,183	22.86
Principal Floating Rate Fund SMP - Institutional Plan daily dividend	10	15,018,178	15.02	15,018,178	15.02
Reliance liquid plus fund -inst option -Daily dividend	1,000	462,399	46.29	462,399	46.29
Reliance liquid plus fund -inst option -growth plan	1,000	431,670	46.29	-	-
Reliance liquidity fund -daily dividend	10	60,117,416	60.14	60,117,416	60.14
SBI Premier Liquid Fund Super inst -Daily Dividend	10	136,043,644	136.49	136,043,644	136.49
SBI -SHF -Liquid Plus Inst. Plan -daily dividend	10	10,018,132	10.02	10,018,132	10.02
G70 IDFC Liquidity Manager Plus- Daily Dividend	1,000	847,654	84.78	847,654	84.78
Standard Chartered Liquidity Manager plus Growth	10	862,454	95.00	-	-
Sundaram BNP Paribas Money Fund Super Inst Daily Div Rein	10	24,818,354	25.05	24,818,354	25.05
Sundaram BNP Paribas Money Fund Super Inst Growth	10	34,632,564	60.00	-	-
Tata Floater Fund - Daily dividend	10	140,217,829	140.72	140,217,829	140.72
Tata Floater Fund - Growth	10	46,321,308	55.00	-	-
Tata Floating Rate Short Term Fund Inst Plan Daily Dividend	10	26,332,849	26.35	26,332,849	26.35
TATA Floating Rate Short Term Inst.Plan Growth	10	16,621,512	20.00	11,413,752	14.20
Tata Liquid Super High Investment Fund -Appreciation	1,000	329,987	49.70	-	-
Tata Liquid Super High Investment Fund-daily dividend	1,000	4,133,255	460.66	4,115,220	458.65

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
UTI Liquid Cash Plan Iistitutional Daily Income Option	1,000	295,299	30.10	295,299	30.10
UTI spread fund -dividend plan reinvestment	10	373,800	0.40	-	-
ICICI Prudential Hybrid FMP 13 Months-Institutional -Growth	10	-	-	25,000,000	27.27
ICICI Prudential FMP Series 30 -13 month plan-Institutional growth	10	-	-	10,000,000	10.80
ICICI Prudential Institutional Liquid Plan -super inst. Growth	10	-	-	41,127,049	49.00
ABN AMRO FTP Series 3 Yearly Plan growth	10	-	-	10,000,000	10.81
ABN AMRO FTP Series 4 -17 mth Institutional Growth	10	-	-	10,000,000	11.19
Birla FMP-Series 3- Annual-Growth	10	-	-	9,347,105	11.61
Birla FTP - Series O- Growth	10	-	-	15,000,000	16.81
Can Floating Rate Fund Short Term Growth Fund	10	-	-	45,249,013	54.72
DSP Merrill Lynch Liquid plus institutional plan growth	1,000	-	-	564,141	63.22
DSP Merrill Lynch Liquidity Fund IP- Growth	1,000	-	-	193,619	21.85
DSP ML Strategic Bond Fund-Growth Institutional	10	-	-	150,000	15.95
DWS Fixed Term Fund - Series 14- Growth Plan	10	-	-	25,377,280	27.44
DWS Fixed Term Fund - Series 15 growth Plan	10	-	-	10,000,000	10.83
DWS Fixed Term Fund - Series 16 -Institutional Plan	10	-	-	10,000,000	10.80
HDFC Cash Management Fund - Savings Plus Plan Growth	10	-	-	534,860	0.92
HDFC FMP 13 M July 2006(1)-Institutional Plan growth	10	-	-	15,000,000	16.28
HDFC FMP 13 M June 2006(1)-Institutional Plan growth	10	-	-	15,000,000	16.23
HDFC FMP 16 M December 2006 (2)-Wholesale Plan Growth	10	-	-	10,000,000	11.16
HSBC cash fund -institutional plus growth	10	-	-	18,769,775	23.48
HSBC Fixed Term Series 22-Inst. Growth	10	-	-	5,000,000	5.58
HSBC Fixed Time Series 14 -Growth	10	-	-	10,000,000	10.81
HSBC Fixed Time Series -6- Growth	10	-	-	10,000,000	11.26
HSBC Fixed Time Series 9-Growth	10	-	-	15,000,000	16.20
HSBC Fixed Time Series15 Inst. Growth	10	-	-	15,000,000	16.25
ING Vysya Liquid Fund Super Institutional - Growth Option	10	-	-	12,472,975	15.00
JM Equity & Derivative Fund Growth Option	10	-	-	9,530,091	11.21
Kotak FMP 15 M Series 1 - Growth	10	-	-	5,000,000	5.51
Kotak FMP Series 26 - Growth	10	-	-	15,000,000	16.47
LIC MF Fixed Maturity Plan Series 15-13 month growth plan	10	-	-	15,000,000	16.36
Principal Cash Management Fund Liquid Option Institutional prem. Plan -Growth	10	-	-	16,320,578	20.19
Principal Fixed Maturity Plan (FMP-31)-Series III	10	-	-	15,000,000	16.31
Principal Floating Rate Fund SMP Inst. Option Growth Plan	10	-	-	9,967,050	12.37
Principal Income Fund Short Term Instl Plan Growth	10	-	-	4,096,279	5.65
Principal Pnb Fixed Maturity Plan (FMP-33) 540 Days Plan Series1 JAN07	10	-	-	10,000,000	10.25

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
Reliance Fixed Horizon Fund 1-Institutional Plan-Annual Plan 1 Series 1-Institutional Growth Plan	10	-	-	10,000,000	10.84
Reliance Fixed Horizon Fund Annual Plan Series III-Inst. Growth Plan	10	-	-	15,000,000	16.36
SBI Debt Fund Series -13 Months (June06) -Growth	10	-	-	10,000,000	10.81
SBI Debt Fund Series -15 Months (July 06) -Growth	10	-	-	10,000,000	10.99
SBI Magnum Insta Cash Fund - cash option	10	-	-	13,634,263	25.02
Standard Chartered Fixed Maturity 10th plan Growth	10	-	-	10,000,000	10.92
Standard Chartered Fixed Maturity Plan -yearly series 1	10	-	-	5,000,000	5.42
Tata Fixed Horizon Fund Series 2 - Plan C 18 months Growth	10	-	-	15,000,000	16.50
TATA Fixed Horizon Fund Series 3 scheme F 18 months Growth	10	-	-	15,000,000	16.85
TATA Fixed Horizon Fund Series 3 scheme G Growth	10	-	-	15,000,000	16.94
TATA fixed horizon fund series 6 Scheme A Growth	10	-	-	15,000,000	16.29
Templeton India Treausry management account Super Institutional Plan-Growth	1,000	-	-	143,476	16.85
UTI Fixed Maturity Plan- YFMP (0606) Growth Plan	10	-	-	15,000,000	16.22
UTI Fixed Maturity Plan- YFMP (0806) Growth Plan	10	-	-	15,000,000	16.23
UTI Fixed Term Income fund series 1 -plan 18-Q4 growth Plan	10	-	-	15,000,000	16.63
UTI Liquid Cash Plan Institutional -growth option	1,000	-	-	621,636	82.79
Reliance liquidity fund -Growth option	10	-	-	27,966,966	34.00
IDFC Fixed Maturity Plan -Quarterly Series 36-Dividend	10	10,000,000	10.00	-	-
ABN Amro Interval Fund Series 2 Quarterly Plan M Interval Dividend	10	10,000,000	10.00	-	-
DSPML FMP- 12 M -Series 1 Growth	10	10,000,000	10.00	-	-
DSPML FMP- 3M Series10 -Div	10	10,000,000	10.00	-	-
DWS QUARTERLY INTERVAL FUND -SERIES 1-Dividend Plan	10	10,000,000	10.00	-	-
JM Interval Fund -Quarterly Plan 1-Inst Dividend Plan	10	10,000,000	10.00	-	-
Kotak Quarterly Interval Plan Series 2-Dividend	10	9,996,801	10.00	-	-
Reliance Fixed Horizon Fund VIII Series 7-INSTITUTIONAL DIVIDEND PAYOUT PLAN	10	10,000,000	10.00	-	-
Reliance Fixed Horizon Fund VIII Series6 -370 days Growth	10	10,000,000	10.00	-	-
UTI Fixed Income Interval Fund -Monthly Interval Plan Series -1-Institutional Dividend Plan -Payout	10	20,000,000	20.00	-	-
UTI Fixed Maturity Plan - (YFMP 06/08)-INSTITUTIONAL DIVIDEND PLAN -Re investment	10	10,000,000	10.00	-	-
HDFC Cash Management Fund - Savings Plan Growth	10			28,640,165	49.40
Reliance Fixed Horizon Fund VIII Series6 -370 days Growth	10			10,000,000	10.00
Total			**3,563.87**		**3,865.37**

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

13. Auditors' remuneration *

	Year ended 30 June 2008	Year ended 30 June 2007
Statutory audit	1.42	1.32
Tax audit fees	0.26	0.21
	1.68	**1.53**

* excluding service tax

14. CIF value of imports

	Year ended 30 June 2008	Year ended 30 June 2007
Capital goods	67.78	50.84
	67.78	**50.84**

15. Expenditure in foreign currency

	Year ended 30 June 2008	Year ended 30 June 2007
Software development charges	707.63	554.71
Interest	13.72	8.34
Travel (on cash basis)	251.62	224.40
Rates and taxes	8.22	30.10
Software License Fee	12.07	4.27
Communication costs	7.68	16.37
Professional fees	12.99	4.12
Personnel Expenses	6.31	36.95
Insurance	-	2.60
Others	23.75	31.72
	1,043.99	**913.58**

16. Earnings in foreign currency

	Year ended 30 June 2008	Year ended 30 June 2007
Income from Services	4,545.86	3,726.05
Interest Income	0.03	0.04
	4,545.89	**3,726.09**

Expenditure reimbursed by the customers in foreign currency has been netted off against the related expenses in the Profit and Loss Account and amounts to Rs. 74.16 crores (previous year Rs. 90.79 crores).

17. Employee Benefit Plans

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

A. Defined Contribution Plans and State Plans

Superannuation Fund
Employer's contribution to Employees State Insurance
Employer's contribution to Employee's Pension Scheme.

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

During the year the Company has recognized the following amounts in the Profit and Loss account:-

	Year ended 30 June 2008
Superannuation Fund	0.93
Employer's contribution to Employees State Insurance	0.38
Employer's contribution to Employee's Pension Scheme.	20.81

B. Defined Benefit Plans

a) Gratuity
b) Employers Contribution to Provident Fund

Gratuity

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

Particulars	Year ended 30 June 2008
Defined Benefit obligations at period beginning	38.42
Service Cost	9.50
Interest cost	3.53
Actuarial (gain)/loss	5.43
Benefits paid	(2.98)
Present value of plan assets	-
Defined Benefit obligations at period end	**53.90**
Liability recognised in the balance sheet	**53.90**
Expense recognized in Profit and Loss account	
Service cost	9.50
Interest cost	3.53
Expected return on plan assets	-
Actuarial (gain)/loss	5.43
Net gratuity cost	**18.46**
Experience Adjustments	
Plan Liabilities	4.65
Assumptions	
Interest rate	8%
Estimated Rate of salary increases	6%-12%

Employers Contribution to Provident Fund

The Guidance on implementing AS 15 , Employee Benefits (revised 2005) issued by Accounting Standard Board (ASB) states benefits involving employer established provident funds, which requires interest shortfall to be recompensed are to be considered as defined benefits plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliable measure provident fund liabilities. Accordingly the company is unable to exhibit the related information.

During the year ended 30 June 2008, the Company has contributed Rs. 33.92 crores towards Employers' contribution to the Provident Fund.

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

C. Other Long Term Benefits

Compensated Absences

Effective 01 July 2007, the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 2.45 crores for Compensated Absences which has been recorded by transfer from general reserves

Previous year figures have not been given since the disclosure as per AS 15 (Revised) has been given for the first time.

18. Dividend remitted in foreign currency

	Year ended 30 June 2008	Year ended 30 June 2007
Final dividend		
Number of non-resident shareholders	95	77
Number of shares held	122,962,691	61,483,941
Amount remitted (net of tax)	24.59	24.59
Year to which it relates	2006-07	2005-06
1st Interim dividend		
Number of non-resident shareholders	95	81
Number of shares held	122,964,710	61,492,423
Amount remitted (net of tax)	24.59	24.60
Year to which it relates	2007-08	2006-07
2nd Interim dividend		
Number of non-resident shareholders	89	76
Number of shares held	122,925,270	61,476,173
Amount remitted (net of tax)	24.59	24.59
Year to which it relates	2007-08	2006-07
3rd Interim dividend		
Number of non-resident shareholders	92	107
Number of shares held	122,936,792	123,115,346
Amount remitted (net of tax)	24.59	24.62
Year to which it relates	2007-08	2006-07

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

19. Managerial remuneration

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

		Year ended 30 June 2008
Profit before Tax as per Profit and Loss Account		**875.25**
Add:		
Depreciation as per books of accounts	217.87	
Provision for doubtful debts/ advances	0.28	
Book loss on sale of fixed assets	1.48	
Donations	0.09	219.72
Less:		
Depreciation under section 350 of the Companies Act, 1956	217.97	
Profit on sale of Investments	107.21	325.18
Profit as per section 349		**769.79**
Add:		
Director's remuneration		0.75
Profit as per section 198		**770.54**
Commission payable to non whole-time directors:		
Maximum commission under Section 309 of the Companies Act, 1956 @ 1%		7.71
Commission approved by the board		**0.75**

b) Managerial remuneration comprises:

	Year ended 30 June 2008	Year ended 30 June 2007
Sitting fees	0.10	0.08
Commission to non-executive directors	0.75	0.75
	0.85	**0.83**

The wholly owned subsidiaries have made the following payments to a director of the Company:

	Year ended 30 June 2008	Year ended 30 June 2007
Remuneration paid to executive director	3.41	1.39
	3.41	**1.39**

Schedules forming part of the accounts

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

Schedule 16: Significant accounting policies and notes to the accounts (Contd.)

20. Earnings per equity share (EPS)

	Year ended 30 June 2008	Year ended 30 June 2007
Net profit as per Profit and Loss Account for computation of EPS	780.65	1,101.82
Weighted average number of shares outstanding in computation of basic EPS	664,424,330	652,626,782
Dilutive effect of stock options outstanding	20,528,490	24,760,964
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	684,952,820	677,387,746
Nominal value of equity shares (in Rs.)	2	2
Earnings per equity share (in Rs.)		
- Basic	11.75	16.88
- Diluted	11.40	16.27

21. The company has a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the company appoints independent consultants for conducting a Transfer Pricing Study to determine whether the transactions with associate enterprises are undertaken, during the financial year, on an "arms length basis". Adjustments, if any, arising from the transfer pricing study in the respective jurisdictions shall be accounted for as and when the study is completed for the current financial year. However the management is of the opinion that its international transactions are at arms' length so that the aforesaid legislation will not have any impact on the financial statements.

22. Micro, Small and Medium Enterprises

As per information available with the management, the dues payable to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" are as follows:

Particulars	For the year ended 30 June 2008		For the year ended 30 June 2007	
	Principal	Interest	Principal	Interest
Amount due to Vendor	-	-	-	-
Principal amount paid beyond the appointed date	0.01	-	-	-
Interest under normal credit terms -	-	-	-	-
Accrued during the year	-	-	-	-
Unpaid	-	-	-	-
Total Interest payable -	-	-	-	-
Accrued during the year	-	-	-	-
Unpaid	-	-	-	-

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

23. The previous year's figures have been re-classified/re-grouped to conform to current year's classification.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and Chief Strategy Officer

T S R Subramanian
Director

Vineet Nayar
CEO & Wholetime Director

Ranjit Narasimhan
President & CEO-BPO Division

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 01 August 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I. Registration details

Registration No.	55-46369	State Code 55
Balance Sheet Date	30 June 2008	

II. Capital raised during the year

Public issue	Rights issue
Nil	Nil
Bonus issue	Private placement
Nil	427,495

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

III. Position of mobilisation and deployment of funds

Total liabilities	Total assets
32,401,587	32,401,587

Sources of funds

Paid-up capital	Reserves and surplus
1,349,786*	30,798,538
Secured loans	Unsecured loans
252,378	886

*Includes Rs. 17,105 thousands in respect of share application money.

Application of funds

Net fixed assets	Investments
11,443,185**	17,973,412
Net current assets	Misc. expenditure
1,579,024	Nil
Accumulated losses	Deferred tax
Nil	1,405,966

** Includes Rs. 4,190,275 thousands in respect of capital work-in-progress.

IV. Performance of Company

Turnover	Total expenditure
47,857,912	39,105,403
Profit before tax	Profit after tax
8,752,509	7,806,481
Earnings per share (in Rs.)	Dividend rate
11.75 (Basic)	450%
11.40 (Diluted)	

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

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

For **HCL Technologies Limited**

Shiv Nadar
Chairman and Chief Strategy Officer

T S R Subramanian
Director

Vineet Nayar
CEO & Wholetime Director

Ranjit Narasimhan
President & CEO-BPO Division

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 01 August 2008

Consolidated Statements

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

1. We have audited the attached consolidated Balance Sheet of HCL Technologies Limited ("the Company"), as at 30th June, 2008, the consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3. We did not audit the financial statements of certain consolidated entities whose financial statements reflect total assets of Rs. 139.83 crores, as at 30th June, 2008 and total revenues of Rs. 172.64 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and AS 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the consolidated financial statements.

5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidated entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Company and its consolidated entities as at 30th June, 2008;

   (ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and

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

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

Place: Gurgaon, India
Date : 01 August 2008

Consolidated Balance Sheet as at 30 June 2008

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

	Schedule	As at 30 June 2008	As at 30 June 2007
Sources of Funds			
Shareholders' funds			
Share capital	1	133.27	132.74
Share application money pending allotment		1.71	-
Reserves and surplus	2	4,046.04	3,934.49
		4,181.02	4,067.23
Minority interest		6.59	16.59
Loan funds			
Secured loans	3	47.04	76.74
Unsecured loans	4	7.97	0.12
		55.01	76.86
		4,242.62	**4,160.68**
Application of funds			
Fixed assets	5		
Gross block		2,538.54	1,984.80
Less : Accumulated depreciation		(1,410.12)	(1,084.12)
Net block		1,128.42	900.68
Capital work-in-progress (including capital advances)		430.25	218.39
		1,558.67	1,119.07
Investments	6	1,376.94	1,553.73
Deferred tax asset (net)	19(3)	268.51	85.52
Current assets, loans and advances			
Inventories	7	70.69	37.31
Sundry debtors	8	1,586.36	1,101.10
Cash and bank balances	9	1,011.24	660.67
Loans and advances	10	474.86	312.08
Other current assets	11	456.73	451.52
		3,599.88	2,562.68
Less: Current liabilities and provisions	12	(2,561.38)	(1,160.32)
Net current assets		1,038.50	1,402.36
		4,242.62	**4,160.68**

Significant accounting policies and notes to the accounts 19

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

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

For **HCL Technologies Limited**

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

Shiv Nadar
Chairman and Chief Strategy Officer

Vineet Nayar
CEO & Wholetime Director

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Ranjit Narasimhan
President & CEO - BPO Division

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 01 August 2008

Place: Noida (UP), India
Date: 01 August 2008

Consolidated Profit and Loss Account for the year ended 30 June 2008

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

	Schedule	Year ended 30 June 2008	Year ended 30 June 2007
Income			
Sales	13	7,562.78	6,068.74
Other income	14	192.72	455.85
		7,755.50	**6,524.59**
Expenditure			
Cost of goods sold	15	194.41	190.70
Cost of services	16	3,996.13	3,166.76
Administration and other expenses	17	2,065.56	1,477.29
Finance costs	18	17.70	8.03
Depreciation and amortisation	5	298.84	253.86
		6,572.64	**5,096.64**
Profit before tax and minority interest		**1,182.86**	**1,427.95**
Tax Expense - current		(170.91)	(127.11)
- deferred (net)		66.16	38.98
- fringe benefit		(24.28)	(15.95)
Profit after tax and before minority interest		**1,053.83**	**1,323.87**
Share of minority shareholders		(2.42)	(5.56)
Net Profit after tax and minority interest		1,051.41	1,318.31
Balance in profit and loss account brought forward		2,093.94	1,493.00
Profit available for appropriation		**3,145.35**	**2,811.31**
Appropriations			
Proposed final dividend [including Rs.0.03 crores (previous year Rs. 0.45 crores) paid for previous year]		199.94	133.19
Corporate dividend tax on proposed final dividend [including Rs. 0.01 crores (previous year Rs. 0.06 crores) paid for previous year]		33.97	22.62
Interim dividend		398.64	392.40
Corporate dividend tax on interim dividend		67.75	58.98
Transfer to general reserve		78.06	110.18
Balance carried forward to the Balance Sheet		2,366.99	2,093.94
		3,145.35	**2,811.31**
Earnings per equity share (in Rupees)			
Basic		15.82	20.20
Diluted		15.35	19.46
Weighted average number of equity shares used in computing earnings per equity share	19(9)		
Basic		664,424,330	652,626,782
Diluted		684,952,820	677,387,746

Significant accounting policies and notes to the accounts 19

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

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

For **HCL Technologies Limited**

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

Shiv Nadar
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Executive Vice President - Finance

Ranjit Narasimhan
President & CEO - BPO Division

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 01 August 2008

Place: Noida (UP), India
Date: 01 August 2008

Consolidated Cash flow statement for the year ended 30 June 2008

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

	Year ended 30 June 2008	Year ended 30 June 2007
Cash Flows from Operating Activities		
Profit before tax	1,182.86	1,427.95
Adjusted for:		
Income from investments and interest	(69.40)	(22.56)
(Profit)/loss on sale of investments (net)	(114.33)	(78.49)
Depreciation and amortization	298.84	253.86
Finance charge	9.52	1.42
(Profit)/loss on sale of fixed assets	1.59	(0.34)
Amortisation of Stock Compensation	105.04	125.99
Other Non Cash Charges	19.45	12.34
Taxes paid	(209.72)	(52.33)
Decrease / (increase) in sundry debtors	(439.26)	(299.96)
Decrease / (increase) in inventories	(33.38)	(14.18)
Decrease / (increase) in loans & advances	(55.81)	(355.79)
Decrease / (increase) in other assets	(158.47)	(33.63)
Increase / (decrease) in current liabilities and provisions	812.31	115.55
Net cash from (used for) operating activities	**1,349.24**	**1,079.83**
Cash flows from Investing activities		
Investment in mutual funds & others (net)	291.99	39.61
Proceeds from sale of bonds (net)	-	10.00
Refund of advance from HCL Technologies Limited Employees Trust	0.02	-
Stake Acquired from Minority	(14.68)	-
Purchase of fixed assets (including capital advances)	(554.25)	(389.66)
Proceeds from sale of fixed assets	7.47	2.11
Payment for business acquisition (net of cash acquired)	(153.61)	-
Income from investments and interest	53.42	15.66
Taxes paid	(18.67)	(9.17)
Principal payment for capital lease obligations	(17.87)	(9.34)
Net cash from (used for) investing activities	**(406.18)**	**(340.79)**
Cash flows from Financing activities		
Proceeds / (repayment) of short-term loans	(8.81)	3.14
Interest on loans	(8.82)	(0.58)
Repayment of long-term loans	(7.23)	(12.73)
Proceeds from long-term loans	7.89	-
Issue of share capital (including share premium and share application money pending allotment)	31.40	227.19
Dividend paid to minority shareholders of consolidated subsidiaries	(11.00)	-
Dividends paid (including corporate dividend tax)	(621.33)	(599.23)
Cash flows from (used for) financing activities	**(617.90)**	**(382.21)**
Effect of exchange rates on cash and cash equivalents held in foreign currency	25.41	(8.69)
Net increase / (decrease) in cash and cash equivalents	325.16	356.83
Cash and cash equivalents at the beginning of the year	660.67	312.53
Cash and cash equivalents at the end of the year	**1,011.24**	**660.67**

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

Notes:

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

Investor Education and Protection Fund-Unclaimed dividend	1.92
Bank Guarantees margin	2.13

Consolidated Cash flow statement for the year ended 30 June 2008 (Contd.)

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

3. Figures in brackets indicate cash outflow
4. Previous year figures have been regrouped and recast wherever necessary to conform to the current period classification.

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

For **HCL Technologies Limited**

Kaushik Dutta Partner Membership No.: F-88540 For and on behalf of Price Waterhouse Chartered Accountants	**Shiv Nadar** Chairman and Chief Strategy Officer	**Vineet Nayar** CEO & Wholetime Director	**T S R Subramanian** Director
	Anil Chanana Executive Vice President - Finance	**Ranjit Narasimhan** President & CEO - BPO Division	**Manish Anand** Deputy Company Secretary
Place: Gurgaon, India Date: 01 August 2008	Place: Noida (UP), India Date: 01 August 2008		

Schedules to the consolidated financial statements

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

Schedule 1: Share Capital	As at 30 June 2008	As at 30 June 2007
Authorised		
750,000,000 (previous year 750,000,000) equity shares of Rs. 2 each	150.00	150.00
Issued, subscribed and paid up		
666,340,272 (previous year 663,683,116) equity shares of Rs. 2 each, fully paid up (refer note 4 of schedule 19)	133.27	132.74
	133.27	**132.74**

Notes:

1. Paid up share capital includes:
   - 84,899,958 (previous year 84,899,958) equity shares of Rs 2 each alloted as fully paid up, pursuant to contracts for consideration other than cash.
   - 82,986,872 (previous year 82,986,872) equity shares of Rs 2 each issued as bonus shares in the ratio of one share for every two held by capitalisation of general reserve and 325,453,918 (previous year 325,453,918) equity shares of Rs. 2 each issued as bonus shares in the ratio of one share for every share held by capitalisation of securities premium account.
   - 39,866,246 (previous year 39,130,762) equity shares of Rs 2 each alloted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
   - 16,310,380 (previous year 15,241,280) equity shares of Rs 2 each alloted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
   - 2,540,548 (previous year 1,687,976) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2004 of the Company.
2. HCL Corporation Limited, which ceased to be the Holding Company w.e.f 27th March 2007, held 326,003,539 (previous year 326,015,674) equity shares on the date of Balance Sheet.

Schedule 2: Reserves and Surplus	As at 1 July 2007	Additions	Deductions	As at 30 June 2008
Securities premium account	1,169.43	53.19	12.68	1,209.94
	(971.16)	(263.36)	(65.09)	(1,169.43)
Foreign currency translation reserve	(102.00)	53.98	-	(48.02)
	(-1.28)	-	(100.72)	(-102.00)
General Reserve	634.04	78.06	3.21	708.89
	(523.86)	(110.18)	-	(634.04)
Hedging Reserve account (net of deferred tax) (refer note 12 of schedule 19)	-	(411.85)	-	(411.85)
	(-)	(-)	(-)	(-)
Employee Stock Options Outstanding [net of deferred employee compensation cost of Rs. 115.77 crores (previous year Rs. 242.76 crores)]	139.08	105.04	24.03	220.09
	(50.88)	(125.99)	(37.79)	(139.08)
Profit and Loss Account	2,093.94	351.11	78.06	2,366.99
	(1,493.00)	(711.12)	(110.18)	(2,093.94)
	3,934.49	**229.53**	**117.98**	**4,046.04**
Previous year	(3,037.62)	(1,210.65)	(313.78)	(3,934.49)

Notes:

1. Addition to / Deduction from the Securities Premium Account represent:
   a) Addition of Rs.29.16 crores (previous year Rs. 225.57 crores) in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999, Employee Stock Option Plan 2000 and Employee Stock Option Plan 2004.
   b) Addition of Rs.24.03 crores (previous year Rs. 37.79 crores) being amount transferred from Employee stock options outstanding on exercise of stock options.

Schedules to the consolidated financial statements

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

c) Deduction of Rs. Nil (previous year Rs. 65.09 crores) being adjustment on account of capitalisation for issue of bonus shares in the ratio of 1:1.

d) Deduction of Rs.12.68 crores (previous year Rs. Nil), being fringe benefit tax paid on exercise of employee stock options.

2. Deduction from General Reserves Rs. 3.21 crores (previous year Rs. Nil) is on account of transitional provision on adoption of AS 15 (revised). (refer note 10(c) of Schedule 19)
3. The Profit and Loss account includes profit/(loss) of NEC HCL System Technologies Limited Rs.0.53 crores (previous year Rs. (0.99) crores) being the Company's share of profit/(loss) of jointly controlled entity.
4. Previous year figures are in brackets.

Schedule 3: Secured Loans	As at 30 June 2008	As at 30 June 2007
From Bank		
Short Term Loan	19.36	28.14
From Others		
Term Loan -	–	7.23
Finance Lease Obligations		
- Leased Vehicles (refer note 7 (i) of schedule 19) (Secured by hypothecation of leased vehicles)	27.68	18.85
-Land & Buildings (refer note 7 (v) of schedule 19)	–	22.52
	47.04	**76.74**

Notes:

Term Loans and Short Term Loans represent loans taken by the subsidiaries of the Company of Rs.19.36 crores (previous year Rs. 35.37 crores) secured by hypothecation / other form of charge on investments, current assets, stocks, book debts and other receivables, moveable properties and plant and machinery of the respective subsidiaries.

Schedule 4: Unsecured Loans	As at 30 June 2008	As at 30 June 2007
Other Loans and Advances		
From financial institution [Amount payable within one year is Rs 0.07 crores (previous year Rs 0.03 crores)]	0.08	0.12
From Others [Amount payable within one year is Rs 1.51 crores (previous year Rs Nil)]	7.89	-
	7.97	**0.12**

Schedules to the consolidated financial statements

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

Schedule 5: Fixed Assets

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 1 July 2007	Additions/ Adjust-ments	Deletions	As at 30 June 2008	As at 1 July 2007	Additions/ Adjust-ments	Deletions	As at 30 June 2008	As at 30 June 2008	As at 30 June 2007
Goodwill	184.53	156.76	-	341.29	123.80	1.43	-	125.23	216.06	60.73
Freehold land (refer note 4&5)	76.18	4.03	-	80.21	-	-	-	-	80.21	76.18
Leasehold land	117.01	0.13	-	117.14	4.07	1.34	-	5.41	111.73	112.94
Buildings (refer note 4&5)	168.18	36.13	4.60	199.71	30.71	9.25	0.24	39.72	159.99	137.47
Plant and machinery	298.49	121.35	0.85	418.99	182.61	93.60	0.48	275.73	143.26	115.88
Computers - Owned	566.43	73.63	2.03	638.03	379.53	98.87	1.17	477.23	160.80	186.90
- Leased	0.02	0.98	-	1.00	0.01	0.74	-	0.75	0.25	0.01
Software	208.22	100.12	-	308.34	146.45	57.00	-	203.45	104.89	61.77
Furniture and fixtures - Owned	329.69	51.66	2.82	378.53	201.71	63.10	1.80	263.01	115.52	127.98
- Leased	-	0.17	-	0.17	-	0.17	-	0.17	-	-
Vehicles - Owned	5.48	1.99	0.98	6.49	4.00	0.73	0.89	3.84	2.65	1.48
- Leased (refer note 7(i) of schedule 19)	30.57	25.08	7.01	48.64	11.23	9.00	4.65	15.58	33.06	19.34
	1,984.80	**572.03**	**18.29**	**2,538.54**	**1,084.12**	**335.23**	**9.23**	**1,410.12**	**1,128.42**	**900.68**
Previous Year	1,618.41	374.14	7.75	1,984.80	849.84	239.97	5.69	1,084.12	900.68	768.57
Capital Work-in-progress (including capital advances)									**430.25**	**218.39**

Notes:

1. Gross block of plant and machinery includes Rs.1.48 crores (previous year Rs.1.61 crores) in respect of assets given on operating leases. The accumulated depreciation on these assets upto 30 June 2008 and the depreciation for the year ended on that date amounted to Rs. 1.36 crores (previous year Rs. 1.10 crores) and Rs.0.13 crores (previous year Rs. 0.18 crores) respectively.

2. Additions to fixed assets and accumulated depreciation include Rs. 0.28 crores (previous year Rs.0.53 crores) and Rs. 0.43 crores (previous year Rs. 0.31 crores) respectively in respect of the Company's share of fixed assets on account of proportionate consolidation of joint ventures.

3. Additions/adjustments to fixed assets and current year depreciation and amortization include Rs.31.30 crores (previous year Rs.(24.37) crores) and Rs.36.39 crores (Previous year Rs.(13.89) crores) respectively on account of translation of functional currency into reporting currency.

4. Additions to freehold land and building include Rs.Nil (previous year Rs. 6.43 crores) and Rs.Nil (previous year Rs.17.39 crores) respectively acquired on finance lease. (refer note 7 (v) of schedule 19)

5. Addition to freehold land Rs. 3.55 crores (previous year Rs.Nil) and deletion from building Rs. 4.60 crores (previous year Rs. Nil) on account of exercise of option to purchase the land & building capitalised on finance lease in the previous year.(refer note 7 (v) of schedule 19)

6. Addition to fixed assets and accumulated depreciation includes Rs. 166.41 crores & Rs. 23.18 crores (previous year Rs.Nil) acquired on acquisition. (refer note 2 (c) of schedule 19)

Schedules to the consolidated financial statements

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

Schedule 6: Investments	As at 30 June 2008	As at 30 June 2007
Long Term Investments		
Other than trade and unquoted		
Investments in mutual funds (refer note 1 & 5 below)	1,217.29	1,127.79
Investments in bonds	12.00	12.00
Others		
Harmony Software Inc., United States of America	-	9.21
Less: Provision for diminution in value of Investment	-	(9.21)
Total Long term investments (A)	**1,229.29**	**1,139.79**
Current Investments		
Other than trade and unquoted		
Investments in mutual funds (refer note 2 & 5 below)	147.29	413.52
Less: Provision for diminution in value of Investment	-	(0.01)
	147.29	413.51
Other than trade and quoted		
Investment in 5,478 equity shares of Technology Solution Company Inc., United States of America (previous year 5,478 shares) (refer note 3 below)	0.17	0.17
Less: Provision for diminution in value of Investment	(0.07)	-
	0.10	0.17
Investment in 7,790 equity shares of American Commercial Lines Inc., United States of America (previous year 7,790) (refer note 4 below)	0.26	0.26
Total Current Investments (B)	**147.65**	**413.94**
Grand Total (A) + (B)	**1,376.94**	**1,553.73**

Notes:

1. Net asset value of long term investments in mutual funds as on 30 June, 2008 Rs.1,294.75 crores. (previous year Rs.1,170.35 crores).
2. Net asset value of current investments in mutual funds as on 30 June, 2008 Rs. 153.59 crores. (previous year Rs.450.61 crores).
3. The market value of the investment in shares of Technology Solution Company Inc. as on 30 June, 2008 is Rs.0.10 crores (previous year Rs. 0.17 crores)
4. In relation to a settlement agreement with a customer, American Commercial Lines Inc., the Company has received 883 equity shares and additional 6,907 equity shares due to splits from time to time till 30 June 2007. The Company holds 7,790 equity shares as of 30 June 2008. The market value of the investment in shares of American Commercial Lines Inc. as on 30 June 2008 is Rs. 0.37 crores (previous year Rs. 0.83 crores).
5. Long term investments in mutual funds amounting to Rs.Nil (previous year Rs. 25 crores) & current investments in mutual funds amounting to Rs. Nil (previous year Rs. 40 crores) were pledged in favour of HSBC Banking Corporation Limited in consideration for financial arrangements, though no facility has been availed of upto the date of the balance sheet.

Schedule 7: Inventories	As at 30 June 2008	As at 30 June 2007
Networking equipment	53.09	31.83
Work-in-progress	–	2.58
Goods in transit	17.60	2.90
	70.69	**37.31**

Schedules to the consolidated financial statements

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

Schedule 8: Sundry Debtors	As at 30 June 2008	As at 30 June 2007
Unsecured - Considered good		
- Debts outstanding for more than six months	84.95	40.59
- Other debts	1501.41	1060.51
	1586.36	1101.10
Unsecured - Considered doubtful		
- Debts outstanding for more than six months	44.40	26.46
- Other debts	4.23	3.27
	48.63	29.73
Less: Provision for doubtful debts	(48.63)	(29.73)
	1,586.36	**1101.10**

Schedule 9: Cash and Bank Balances	As at 30 June 2008	As at 30 June 2007
Cash in hand	0.18	0.23
Cheques in hand	2.12	5.15
Remittances in transit	152.47	72.12
Balances with scheduled banks		
- On current accounts in Indian rupees (refer note 1 below)	43.24	32.24
- On current accounts in foreign currency	12.70	10.14
- On fixed deposit accounts in Indian rupees (refer note 2 below)	540.24	275.15
Balance with non-scheduled banks (refer note 16 of schedule 19)		
- On Current accounts	177.91	175.91
- On Deposit accounts	82.38	89.73
	1,011.24	**660.67**

Notes:

1. Includes Rs. 1.92 crores (previous year Rs. 1.53 crores) in unclaimed dividend account.
2. Pledged with banks as security for guarantees and letters of credit- Rs. 2.13 crores (previous year Rs. 1.09 crores).

Schedule 10: Loans and Advances	As at 30 June 2008	As at 30 June 2007
(Unsecured and considered good, unless otherwise stated)		
Loans and advances recoverable in cash or in kind or for value to be received		
- Considered good (refer note 1 below)	359.13	269.86
- Considered doubtful	4.95	2.93
Interest receivable	24.59	8.61
MAT credit entitlement (refer note 1(o) of schedule 19)	91.14	33.61
	479.81	315.01
Less: Provision for doubtful advances	(4.95)	(2.93)
	474.86	**312.08**

Notes:

1. Includes Rs. Nil (previous year Rs. 0.02 crores) on account of loan given to HCL Technologies Limited Employees Trust.

Schedules to the consolidated financial statements

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

Schedule 11: Other Current Assets	As at 30 June 2008	As at 30 June 2007
Unbilled revenue	323.49	140.58
Deferred Cost	133.24	33.83
Unrealised gain on derivative financial instruments (net)	-	277.11
	456.73	**451.52**

Schedule 12: Current Liabilities and Provisions	As at 30 June 2008	As at 30 June 2007
Current Liabilities and Provisions		
Current liabilities		
Sundry creditors (refer note 1)	969.46	592.07
Unrealised loss on derivative financial instrumets (net)	685.08	-
Advance from customers	61.26	8.28
Unearned revenue	219.34	97.32
Investor Education and Protection Fund-Unclaimed dividend	1.92	1.53
Interest accrued but not due on borrowings	1.95	1.25
Other liabilities	90.75	79.68
	2,029.76	**780.13**
Provisions		
Provision for income tax (refer note 2)	117.01	108.82
Provision for fringe benefit tax (refer note 3)	9.29	4.53
Provision for dividend (including corporate dividend tax)	233.87	155.30
Provision for warranty (refer note 15 of schedule 19)	1.39	1.58
Provision for staff benefits	170.06	109.96
	531.62	**380.19**
	2,561.38	**1,160.32**

Notes:

1. Sundry creditors includes Rs. Nil (previous year Rs. Nil) payable to Micro & Small Enterprise (refer note 17 of schedule 19)
2. Net of advance income tax of Rs. 358.38 crores (previous year Rs. 161.03 crores)
3. Net of fringe benefit advance tax of Rs. 57.97 crores (previous year Rs. 26.93 crores).

Schedule 13: Sales	Year ended 30 June 2008	Year ended 30 June 2007
Sale		
Goods	233.44	224.53
Services	7,329.34	5,844.21
	7,562.78	**6,068.74**

Schedules to the consolidated financial statements

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

Schedule 14: Other Income	Year ended 30 June 2008	Year ended 30 June 2007
Interest income - gross		
[Tax deducted at source Rs 7.82 crores (previous year Rs 0.13 crores)]		
- On fixed deposits	52.56	9.41
- On investment (other than trade)	0.90	1.25
- Others	5.74	2.82
Profit on sale of investments-other than trade	114.69	79.15
Dividend from investments-other than trade	10.20	9.08
Provision for liabilities not required written back	0.87	0.05
Profit on sale of fixed assets (net)	-	0.34
Exchange differences	-	346.48
Miscellaneous income	7.76	7.27
	192.72	**455.85**

Schedule 15: Cost of Goods Sold	Year ended 30 June 2008	Year ended 30 June 2007
Opening stock	31.83	15.00
Purchases	215.67	207.53
Closing stock	(53.09)	(31.83)
	194.41	**190.70**

Schedule 16: Cost of Services	Year ended 30 June 2008	Year ended 30 June 2007
Personnel expenses		
Salaries, wages and bonus	3,165.41	2,440.57
Contribution to provident fund and other employee benefits	344.59	259.92
Staff welfare expenses	47.38	45.68
Employee stock compensation expense	105.04	125.99
	3,662.42	**2,872.16**
Others		
Software development expenses - external	312.69	274.14
License and transponder fee	21.02	20.46
	3,996.13	**3,166.76**

Schedules to the consolidated financial statements

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

Schedule 17: Administration and Other Expenses	Year ended 30 June 2008	Year ended 30 June 2007
Rent	211.50	126.65
Power and fuel	100.54	77.00
Insurance	17.50	23.48
Repairs and maintenance		
- Plant and machinery	30.75	38.05
- Buildings	36.72	30.05
- Others	33.27	31.98
Communication costs	103.17	106.77
Travel and conveyance	653.47	612.42
Business promotion	27.04	22.24
Legal and professional charges	75.38	45.85
Software license fee	87.16	53.43
Software tools	23.06	16.92
Printing and stationery	16.12	16.56
Rates and taxes	15.28	37.13
Advertising and publicity	11.09	6.43
Postage and courier	4.59	4.12
Provision for doubtful advances / advances written off	0.55	0.15
Donations	0.18	0.12
Dues and subscription	3.82	5.32
Recruitment, training and development	73.13	50.74
Provision for doubtful debts/ bad debts written off	18.90	12.19
Provision for diminution in value of investments	0.07	-
Loss on sale of investments-other than trade	0.37	0.66
Loss on sale of fixed assets (net)	1.59	-
Exchange differences	287.97	-
Miscellaneous expenses	232.34	159.03
	2,065.56	**1,477.29**

Schedule 18: Finance Costs	Year ended 30 June 2008	Year ended 30 June 2007
Interest		
-on assets under finance lease	3.96	3.03
-on loans from banks	9.16	1.02
-others	0.36	0.40
Bank charges	4.22	3.58
	17.70	**8.03**

Schedules to the consolidated financial statements

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

Schedule 19: Significant Accounting Policies and Notes to the Accounts

Company Overview

HCL Technologies Limited and its consolidated subsidiaries and associates, (hereinafter collectively referred to as 'HCL' or 'the Company') are primarily engaged in providing a range of information technology, business process outsourcing and infrastructure product and management services. The Company was incorporated in India in November 1991 and focuses on technology and R&D outsourcing, working with clients in areas at the core of their business. The Company leverages an extensive offshore infrastructure and its global network of offices in various countries and professionals to deliver solutions across select verticals including Retail & Consumer, Aerospace, Automotive, Telecom, Financial Services, Government, Hi-tech, Media and Entertainment , Travel , Transportation and Logistics , Energy and utilities , Life Sciences and Healthcare.

1. Significant Accounting Policies

a) *Basis of preparation*

The financial statements are prepared and presented under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), the applicable accounting standards notified u/s 211 (3C) of the Companies Act, 1956, the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. The financials statements are prepared in crores of Indian rupees.

b) *Principles of consolidation*

These consolidated financial statements relate to HCL Technologies Limited, the parent company, its subsidiaries and joint ventures , referred to in these financial statements as "the Company", which are as follows:

Name of the company		Location	Holding percentage
Subsidiaries			
1.	HCL America Inc.	United States of America	100%
2.	HCL Great Britain Limited	United Kingdom	100%
3.	HCL (Netherlands) BV	Netherlands	100%
4.	HCL GmbH, Germany	Germany	100%
5.	HCL Belgium NV, Belgium	Belgium	100%
6.	HCL Sweden AB, Sweden	Sweden	100%
7.	HCL Italy SLR, Italy	Italy	100%
8.	HCL Australia Services Pty. Limited	Australia	100%
9.	HCL (New Zealand) Limited	New Zealand	100%
10.	HCL Hong Kong SAR Limited	Hong Kong	100%
11.	HCL Japan Limited, Japan	Japan	100%
12.	HCL Comnet Systems & Services Limited	India	99.88%
13.	HCL Comnet Limited	India	99.88%
14.	HCL Bermuda Limited	Bermuda	100%
15.	HCL Holdings GmbH	Austria	100%
16.	HCL Enterprise Solutions Limited	Mauritius	100%
17.	Intelicent India Limited	India	100%
18.	DSI Financial Solutions Pte. Limited	Singapore	100%
19.	HCL BPO Services (NI) Limited	Northern Ireland	100%
20.	HCL Jones Technologies LLC [Refer note 2(a) of schedule 19]	United States of America	51%
21.	HCL Jones (Bermuda) Limited [Refer note 2(a) of schedule 19]	Bermuda	51%
22.	HCL Singapore Pte. Limited	Singapore	100%
23.	HCL (Malaysia) Sdn. Bhd.	Malaysia	100%
24.	HCL EAI Services Inc. [Refer note 2(b) of schedule 19]	United States of America	100%
25.	Aalayance (UK) Ltd	United Kingdom	100%
26.	HCL EAI Services Limited	India	100%
27.	HCL Technopark Limited	India	100%
28.	HCL Poland Sp.Z.o.o	Poland	100%
29.	HCL Technologies (Shanghai) Ltd	Shanghai	100%
30.	Capital Stream Inc. [Refer note 2(c) of schedule 19]	United States of America	100%
Joint venture			
1.	NEC HCL System Technologies Limited	India	49%

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

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

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

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

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

c) *Use of estimates*

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

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

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

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

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

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

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

In respect of foreign operations identified as non-integral to the operations of the Company, the translation of functional currency into reporting currency is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gain or loss resulting from such translations is accumulated in a foreign currency translation reserve.

Contingent liabilities are translated at the closing rate.

e) *Derivative Instruments and Hedge Accounting*

The Company uses derivative financial instruments (foreign currency forward and option contracts) to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions.

The use of foreign currency forward contracts is governed by the Company's policies, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value, and are remeasured at subsequent reporting dates.

In respect of derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. Changes in the fair value of these derivatives (net of tax) that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under shareholders' funds and the ineffective portion is recognized immediately in profit and loss account. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit and loss account as they arise.

Hedge accounting is discontinued from the last testing date when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Cumulative gain or loss on such hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to profit and loss account for the year.

f) *Revenue recognition*

i) IT Services

Revenue from IT services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current contract estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established. Costs and earnings in excess of billing are classified as unbilled revenue, while billing in excess of costs and earnings are classified as unearned revenue. Incremental revenue from existing contracts arising on future sales of the customers' products will be recognized when it is earned. Revenue and related direct costs from transition services in outsourcing arrangements are deferred and recognized over the period of the arrangement. Certain upfront non-recurring costs incurred in the initial phases of outsourcing contracts and contract acquisition costs, are deferred and amortized usually on a straight line basis over the term of the contract. The Company periodically estimates the undiscounted cash flows from the arrangement and compares it with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized.

ii) Networking Services

Revenue from sale of products is recognized when persuasive evidence of an arrangement exists, risk and reward of ownership has been transferred to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. Revenue from product sales are shown net of sales tax and applicable discounts and allowances.

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

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

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

Revenue from infrastructure management services comprise income from time-and-material, fixed price contracts and fixed time frame contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage of completion method.

Warranty costs on sale of goods and services are accrued based on management estimates and historical data at the time those related revenues are recognized.

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

iii) Business Process Outsourcing services

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

The Company accounts for volume discounts and pricing incentives to customers. The discount terms in the Company's arrangements with customers generally entitle the customer to discounts, if the customer completes a specified level of revenue transactions. In some arrangements, the level of discount varies with increases in the levels of revenue transactions. The Company recognizes discount obligations as a reduction of revenue based on the ratable allocation of the discount to each of the underlying revenue transactions that result in progress by the customer toward earning the discount.

Revenues are shown net of sales tax, value added tax, service tax and applicable discounts and allowances. The revenue is recognized net of discounts and allowances.

iv) Others

Profit on sale of Investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment. Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, commission, brokerage and rent are recognized when the right to receive the same is established.

g) Expenditure

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

h) Inventory

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

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

Fixed assets are stated at cost of acquisition including incidental costs related to acquisition and installation less accumulated depreciation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not ready for use before the year-end, are disclosed as capital work in progress. Intangible assets represent goodwill which arise or have been acquired through acquisitions and software.

Schedules to the consolidated financial statements

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

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

j) *Leases*

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

Assets given under operating leases are shown in the balance sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognised in the profit and loss Account on a straight-line basis over the lease term.

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

Lease payments under an operating lease are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

k) *Depreciation and amortization*

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

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

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

	Life (in years)
Fixed Assets	
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4 to 5
Computers	2 to 4
Furniture and fixtures	4
Vehicles – owned	5
Vehicles – leased	Over the period of lease or 5 years, whichever is lower
Intangibles	
Software	3
Goodwill (arising other than on consolidation)	5

l) *Investments*

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

m) *Research and development*

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

n) *Warranty*

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

o) *Taxation*

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under the taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed for the appropriateness of their carrying values at each Balance Sheet date. The deferred tax liabilities/assets and tax expense are determined separately for the parent, each subsidiary and joint venture and then aggregated.

The tax filings are subject to review by the tax authorities in the jurisdictions where the Company conducts business. These reviews may result in assessments of additional taxes that are resolved with the authorities or potentially through the courts. Resolution of these matters involves some degree of uncertainty; accordingly, the Company provides income taxes for the liabilities it believes will ultimately result from the proceedings.

Minimum Alternate Tax (MAT) paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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

p) *Earnings per share*

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

q) *Employee benefits*

India

Provident Fund:

Contributions to provident fund, a defined benefit plan are deposited with a recognised provident fund trust, set up by the Company. The interest rate payable by the trust to the beneficiaries every year is notified by the government and the company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. Liability with regard to the same is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary.

Superannuation:

The Company made contributions to a scheme administered by an insurance company in respect of superannuation for applicable employees. The Company had no further obligations to the superannuation plan beyond its monthly contributions.

Compensated absences:

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the service that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Gratuity:

The Company provides for gratuity, a defined benefit retirement plan. The plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company.

Liability with regard to compensated absences and gratuity is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. Gains and losses arising out of actuarial evaluations are recognised immediately in the Profit and Loss account as income or expense.

State Plans:

The Company's contribution to State Plans namely Employee State Insurance Fund and Employees Pension Scheme are charged to Revenue every year.

Subsidiaries in the US

The Company has a saving and investment plan under section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to income in the period in which they accrue. Leave encashment is accrued based on actuarial valuation at the balance sheet date.

Subsidiaries in Europe

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

Subsidiaries in Australia

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

Subsidiaries in Malaysia and Singapore

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

r) *Impairment of assets*

Impairment loss, if any, is provided to the extent of the excess, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price, and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

s) *Provisions and contingent liabilities*

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources

Schedules to the consolidated financial statements

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

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

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

t) *Employee stock option based compensation*

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

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

a) ***Jones Apparel Group***

In June 2002, the Company entered into an agreement with Jones Apparel Group Inc. ("Jones"), under which two new companies were established in Bermuda and Delaware. The Company contributed Rs. 4.0 crores towards a 51% equity interest in the new companies. Jones contributed cash amounting to Rs. 1 crore and other intangible assets. As a part of this transaction, the Company has obtained binding commitments for the provision of IT enabled services to Jones, with an aggregate contract value of Rs. 84.0 crores up to June 30, 2005 and Rs. 21 crores in each of the two succeeding years. During the previous years, the Company and Jones have made additional equity contribution of Rs. 2.9 crores and Rs. 2.75 crores respectively.

During December 2007, the Company and Jones have entered into an agreement ("Termination Agreement ") to terminate the joint venture agreement entered in June 2002. As a part of the termination agreement, a subsidiary of the Company has obtained binding commitments for the provision of IT services to Jones, with an aggregate contract value of Rs. 96.8 crores upto 2012.The joint venture entities continue to exist at the year end.

b) **Acquisition of 41.91% in HCL EAI Services Inc. ("HCL EAI"), United States of America**

The Company had acquired 19.03% stake in Aalayance Inc through one of its subsidiaries, HCL Bermuda Limited for a cash consideration in January 2003. During January 2005, the Company had acquired an additional stake by way of subscription of 9,081,268 equity shares of Aalayance Inc. for a cash consideration of Rs. 8.64 crores which had resulted in goodwill of Rs. 3.60 crores. Consequent to the acquisition, the Company's stake had increased to 58.09% (51% on fully diluted basis) making HCL EAI Services Inc, and its subsidiaries, HCL EAI Services Limited, India and Aalayance UK Limited, UK, subsidiaries of the Company.

During the current year, pursuant to shareholders' agreement, the Company acquired the balance equity interest in HCL EAI for a purchase consideration amounting to Rs. 11.76 crores. HCL EAI had granted options for 2,112,868 equity shares to its employees and employees of its subsidiaries, prior to HCL EAI becoming the subsidiary of the Company. As a part of the transaction, these options have also been acquired by the Company at a cash consideration of Rs 1.84 crores. This transaction was accounted for by following the purchase method and resulted in goodwill amounting to Rs 13.32 crores. The goodwill has been allocated to the software services reporting segment.

c) **Acquisition of Capital Stream Inc.**

During February 2008, the Company through its wholly owned subsidiary HCL America Inc acquired Capital Stream Inc., US for a cash consideration of Rs.160 crores. Capital Stream Inc. provides Software & related services to the commercial finance industry. This transaction has been accounted for by following the purchase method and resulted in goodwill aggregating to Rs. 140.21 crores. The goodwill has been allocated to software segment.

The acquisition will enhances HCL's ability to provide end-to-end solutions through product and multi-service delivery capability to commercial and retail financial institutions.

3. **Components of Deferred Tax Assets / Liabilities**

Components of deferred tax assets/liabilities are:

	As at 30 June 2008	As at 30 June 2007
Deferred Tax Assets		
Business losses/Carry forward long term capital losses	32.38	1.60
Provision for doubtful debts	8.24	4.52
Accrued employee costs	58.76	22.71
Unrealized Loss on derivative financial instruments	78.78	-
Depreciation and amortization	64.39	37.74
Employee stock compensation	21.69	13.45
Others	7.14	5.72
	271.38	**85.74**
Deferred tax liabilities:		
Depreciation and amortization	0.14	0.22
Others	2.73	-
	2.87	**0.22**
Net deferred tax assets	**268.51**	**85.52**

Schedules to the consolidated financial statements

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

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

4. Employee Stock Option Plan (ESOP)

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004, for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 84 months respectively from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

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

As at 30 June 2008 2,822,430 (previous year 3,442,289) options were outstanding with the employees of the Company under the ESOP 1999 Plan.

Movement in Stock options	Year ended 30 June 2008	Year ended 30 June 2007
Outstanding at the beginning of the year	3,442,289	5,914,361
Add: Granted during the year	-	-
Less: Forfeited during the year	(245,688)	(519,995)
Exercised during the year	(183,871)	(1,564,580)
Expired during the year	(190,300)	(387,497)
Options outstanding at the end of the year	**2,822,430**	**3,442,289**

As at 30 June 2008 4,091,441 (previous year 5,041,132) options were outstanding with the employees of the Company under the ESOP 2000 Plan.

Movement in Stock options	Year ended 30 June 2008	Year ended 30 June 2007
Outstanding at the beginning of the year	5,041,132	8,453,526
Add: Granted during the year	-	-
Less: Forfeited during the year	(358,796)	(898,137)
Exercised during the year	(267,275)	(2,185,299)
Expired during the year	(323,620)	(328,958)
Options outstanding at the end of the year	**4,091,441**	**5,041,132**

As at 30 June 2008 3,325,543 (previous year 3,752,886) options were outstanding with the employees of the Company under the ESOP 2004 Plan.

Movement in Stock options	Year ended 30 June 2008	Year ended 30 June 2007
Outstanding at the beginning of the year	3,752,886	2,669,400
Add: Granted during the year	-	1,720,200
Less: Forfeited during the year	(210,780)	(214,720)
Exercised during the year	(213,143)	(421,994)
Expired during the year	(3,420)	-
Options outstanding at the end of the year	**3,325,543**	**3,752,886**

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

	Year ended June 30 2008	Year ended June 30 2007
Net income- As reported	**1,051.41**	**1,318.31**
Net income - Proforma	**1,046.84**	**1,298.99**
Earnings per share (Rs.)		
Basic - As reported	15.82	20.20
- Proforma	15.76	19.90
Diluted - As reported	15.35	19.46
- Proforma	15.28	19.18

Schedules to the consolidated financial statements

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

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

Assumptions

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

	Year ended June 30 2007
Dividend yield	3.65%
Expected term	Up to 35 months
Risk free interest rates	8.10%
Volatility	26.67%

The volatility of the share has been determined on the basis of Company's historical share price for the period of 3 years 6 months. There has been no grants during the year.

5. Segment Reporting

(i) Business Segments

The operations of the Company and its subsidiaries predominately relate to providing IT services, delivered to customers located globally. Further, subsidiaries are also engaged in the business of rendering networking services including sale of networking equipment, software and business processing outsourcing services, which are in the nature of customer contact centers and technical help desks. The Chairman of the Company, who is the Chief Strategy Officer, evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by types of service provided by the Company and geographic segmentation of customers.

Accordingly, revenue from service segments comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

(ii) Geographic Segments

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

The Company is presenting only revenue for geographic segments.

(iii) Segment accounting policies

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

a) Segment assets and liabilities

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

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

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan. Segment liabilities do not include share capital, reserves and provision for taxes.

b) Segment revenue and expenses

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

Schedules to the consolidated financial statements

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

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

Financial information about the business segments for the year ended 30 June, 2008 is as follows:

	IT services	Business process outsourcing services	Networking services	Inter segment transactions	Total
Revenue					
- External revenue	5,517.64	902.49	1,142.65	-	7,562.78
- Internal revenue	-	-	-	-	-
Total	**5,517.64**	**902.49**	**1,142.65**	**-**	**7,562.78**
Segment results	**1,129.04**	**192.59**	**159.73**	**-**	**1,481.36**
Unallocated corporate expenses					(491.22)
Other Income					192.72
Net profit before taxes					**1,182.86**
Tax expense					129.03
Minority Interest					2.42
Net profit after taxes					**1,051.41**
Assets					
Segment assets	3,318.53	375.31	682.77	-	4,376.61
Unallocated assets					2,427.39
Total assets					**6,804.00**
Liabilities					
Segment liabilities	1,202.52	104.91	317.29	-	1,624.72
Unallocated liabilities					998.26
Total liabilities					**2,622.98**
Others					
Capital expenditure (including capital work in progress)	319.87	21.92	49.47	-	391.26
Unallocated corporate capital expenditure					235.85
Total					**627.11**
Significant non-cash adjustments					
Depreciation	164.59	55.39	56.26	-	276.24
Unallocated corporate depreciation					22.60
Total					**298.84**
Provision for doubtful debts/Advances and bad debts /advances written off	9.68	0.04	9.73	-	19.45

Financial information about the business segments for the year ended 30 June, 2007 is as follows:

	IT services	Business process outsourcing services	Networking services	Inter segment transactions	Total
Revenue					
- External revenue	4,408.96	803.88	855.90	-	6,068.74
- Internal revenue	-	-	-	-	-
Total	**4,408.96**	**803.88**	**855.90**	**-**	**6,068.74**
Segment results	**894.63**	**157.83**	**105.12**	**-**	**1,157.58**
Unallocated corporate expenses					(177.45)
Other Income					447.82
Net profit before taxes					**1,427.95**
Tax expense					104.08
Minority Interest					5.56
Net profit after taxes					**1,318.31**
Assets					
Segment assets	2,337.15	335.48	444.60	(13.40)	3,103.83
Unallocated assets					2,217.17
Total assets					**5,321.00**
Liabilities					
Segment liabilities	703.87	94.31	193.08	(13.40)	977.86
Unallocated liabilities					275.91
Total liabilities					**1,253.77**

Schedules to the consolidated financial statements

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

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

Financial information about the business segments for the year ended 30 June, 2007 is as follows:

	IT services	Business process outsourcing services	Networking services	Inter segment transactions	Total
Others					
Capital expenditure (including capital work in progress)	317.19	43.75	43.50	-	404.44
Unallocated corporate capital expenditure					11.20
Total					**415.64**
Significant non-cash adjustments					
Depreciation	134.56	62.48	48.01	-	245.05
Unallocated corporate depreciation					8.81
Total					**253.86**
Provision for doubtful debts/Advances and bad debts /advances written off	6.80	0.46	5.08	-	12.34

The Company has four geographic segments: America, Europe, India and Others. Revenue from the geographic segments based on domicile of the customer is as follows:

	Year ended June 30 2008	Year ended June 30 2007
America	4,073.69	3,315.59
Europe	2,285.34	1,817.80
India	490.45	431.13
Others	713.30	504.22
	7,562.78	**6,068.74**

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

6. Related Parties

a) Related parties where control exists

Others
HCL Corporation Limited
HCL Technologies Limited Employees Trust

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

Jointly controlled entities
NEC HCL System Technologies Limited

Key Management Personnel
Shiv Nadar – Chairman and Chief Strategy Officer.

Others (Significant influence)
HCL Corporation Ltd*
HCL Infosystems Limited
HCL Peripherals Ltd**

* Holding Company till 27 March 2007
** Fellow subsidiary till 27 March 2007

Schedules to the consolidated financial statements

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

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

c) Transactions with related parties in the normal course of business.

Particulars	Fellow subsidiaries Year ended 30 June		Jointly controlled entities Year ended 30 June		Others (Significant influence) Year ended 30 June		Key management personnel Year ended 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007
Sale of materials and services	–	–	10.62	10.53	7.31	6.79	–	–
Other Receipts	–	–	0.67	1.57	–	–	–	–
Purchase of materials and services	–	0.21	–	–	25.36	27.53	–	–
Payment for use of facilities	–	0.50	0.18	–	1.63	0.97	–	–
Loan (net of repayments)	–	–	–	–	–	–	–	–
Provision for doubtful debts/ advances	–	–	–	–	–	0.23	–	–
Purchase of capital equipments	–	0.67	–	–	40.67	53.70	–	–
Remuneration	–	–	–	–	–	–	3.43	1.39

d) Outstanding balances

Particulars	Fellow subsidiaries As at 30 June		Jointly controlled entities As at 30 June		Others (Significant influence) As at 30 June		Key management personnel As at 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007
Debtors	–	–	1.67	3.55	2.91	1.73	–	–
Other receivables	–	0.04	0.15	0.26	4.92	2.93	–	–
Creditors	–	0.17	–	–	6.22	11.83	–	–

7. Leases

i) The future lease obligations in respect of vehicles taken on finance lease are as follows:

	Total minimum lease payments outstanding as on 30 June 2008	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	13.67	3.37	10.30
	(8.80)	(1.72)	(7.08)
Later than one year and not later than 5 years	21.53	4.15	17.38
	(13.51)	(1.74)	(11.77)
	35.20	**7.52**	**27.68**
	(22.31)	(3.46)	(18.85)

Previous year figures are in brackets.

ii) The Company's significant leasing arrangements are in respect of operating leases for office space and accommodation for its employees. The aggregate lease rental expense recognized in the profit and loss account for the year amounts to Rs. 211.50 crores (previous year Rs. 123.19 crores). Future minimum lease payments and payment profile of non-cancellable operating lease are as follows:

	Year ended 30 June 2008	2007
Not later than one year	163.62	97.83
Later than one year and not later than 5 years	394 .31	242.67
Later than five years	419.47	53.48

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

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

iii) The Company has given networking equipment to its customers on non-cancellable operating leases for a maximum period of three years. The lease rental income recognized in the profit and loss account for the year is Rs. 0.48 crores (previous year Rs. 0.54 crores). The future minimum lease receivables under such operating leases are as follows:

	Year ended 30 June 2008	2007
Not later than one year	-	0.38
Later than one year and not later than 5 years	-	0.08

iv) The Company has given networking equipments to its customers on finance lease basis. The future lease payments in respect of assets given on finance lease on or after 1 April, 2001 are as follows:

	Total minimum lease payments receivable as on 30 June 2008	Interest included in minimum lease payments receivable	Present value of minimum lease payments receivable
Not later than one year	2.02	0.76	1.26
	(2.03)	(0.77)	(1.26)
Later than one year and not later than 5 years	1.04	0.23	0.81
	(1.26)	(0.70)	(1.56)
	3.06	**0.99**	**2.07**
	(3.29)	(1.47)	(1.82)

Previous year figures are in brackets.

v) During the year ended 30 June 2006, the Company has entered into a lease agreement for a plot of land and building under which on expiry of five year period, lessor was bound to sell and company was required to purchase it. On getting possession of the same in the previous year, the Company has capitalised the aforesaid property by treating the transaction as a finance lease and amount apportioned to freehold land and building on a fair value basis.

During the current year, the Company has purchased the said land and building at a value of Rs.22.76 crores which has resulted in an adjustment to the values of land and building capitalised earlier on the basis of fair values. Accordingly, addition to freehold land of Rs. 3.55 crores (previous year Rs. Nil) and deletion from building of Rs. 4.60 crores (previous year Rs. Nil) has been made.

The total minimum lease payments and maturity profile of finance leases at the Balance Sheet date, the element of interest included in such payments, and the present value of the minimum lease payments as of 30 June 2008 are as follows:

	Total minimum lease payments outstanding as on 30 June 2008	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	-	-	-
	(2.57)	(1.38)	(1.19)
Later than one year and not later than five years	-	-	-
	(25.17)	(3.84)	(21.33)
	-	**-**	**-**
	(27.74)	**(5.22)**	**(22.52)**

Previous year figures are in brackets.

8. Research and Development Expenditure

	Year ended June 30, 2008	Year ended June 30, 2007
Revenue	23.05	12.07
Capital	-	-
	23.05	**12.07**

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

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

9. Earnings Per Share (EPS)

The computation of earnings per share is as follows:

	Year ended June 30, 2008	Year ended June 30, 2007
Net profit as per Profit and Loss Account for computation of EPS	1,051.41	1,318.31
Weighted average number of equity shares outstanding in computation of basic EPS	664,424,330	652,626,782
Dilutive effect of stock options outstanding	20,528,490	24,760,964
Weighted average number of equity shares and equity equivalent shares outstanding in c omputing diluted EPS	684,952,820	677,387,746
Nominal value of equity shares (Rs.)	2	2
Earnings per equity share (Rs.)		
Basic	15.82	20.20
Diluted	15.35	19.46

10. Employee Benefit Plans

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

A. Defined Contribution Plans and State Plans

Total contribution made by the Company and its subsidiaries during the year in respect of defined contribution and state plans is Rs 47.59 crores.

B. Defined Benefit Plans

a) Gratuity

b) Employers Contribution to Provident Fund

Gratuity

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

	Year ended June 30, 2008
Particulars	
Defined benefit obligations at period beginning	41.16
Service Cost	10.55
Interest cost	3.82
Actuarial (gain)/loss	5.18
Benefits paid	(3.07)
Present value of plan assets	-
Defined benefit obligations at period end	**57.64**
Liability recognised in the balance sheet	**57.64**
Expense recognized in Profit and Loss account	
Service cost	10.55
Interest cost	3.82
Expected return on plan assets	-
Actuarial (gain)/loss	5.34
Net gratuity cost	**19.71**
Experience Adjustments	
Plan Liabilities	5.09
Assumptions	
Interest rate	8%
Estimated Rate of salary increases	6%-12%

Employers Contribution to Provident Fund

The Guidance on implementing AS 15 , Employee Benefits (revised 2005) issued by Accounting Standard Board (ASB) states benefits involving employer established provident funds, which requires interest shortfall to be recompensed are to be considered as defined benefits plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliable measure provident fund liabilities. Accordingly the company is unable to exhibit the related information.

During the year ended 30 June 2008, the Company has contributed Rs. 36.93 crores towards Employers' contribution to the Provident Fund.

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

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

C. **Other Long Term Benefits**

Compensated Absences

Effective 01 July 2007, the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 3.21 crores for Compensated Absences which has been recorded by transfer to general reserves

Previous year figures have not been given since the disclosure as per AS 15 (Revised) has been given for the first time.

11. Commitments And Contingent Liabilities

			As at June 30, 2008	As at June 30, 2007
i)	**Capital & Other Commitments**			
	a)	**Capital commitments**		
		Estimated amount of unexecuted capital contracts (net of advances)	311.04	213.22
	b)	**Outstanding letters of credit**	17.01	18.29
			328.05	**231.51**
ii)	**Contingent Liabilities**			
	a)	Disputed Income Tax (excluding interest)	33.20	32.81
	b)	Disputed Sales tax	-	0.13
	c)	Others	9.96	9.18
			43.16	**42.12**

d) Guarantees have been given by the Company against credit facilities, financial assistance and office premises taken on lease amounting to Rs. 84.44 crores (previous year Rs. 59.44 crores). These guarantees have been given in the normal course of the Company's operations and are not expected to result in any loss to the Company, on the basis of the Company fulfilling its ordinary commercial obligations.

The amounts shown in the item (a) (b) and (c) above represent best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes.

12. Derivative Financial Instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets / liabilities, forecasted cash flows denominated in foreign currency. The use of derivatives to hedge foreign currency forecasted cash flows is governed by the Company's strategy , which provide principles on the use of such forward contracts and currency options consistent with the Company's Risk Management Policy. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material. A majority of the forward foreign exchange/option contracts mature between one to 32 months and the forecasted transactions are expected to occur during the same period. The Company does not use forward covers and currency options for speculative purposes.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

Foreign Currency	As at June 30, 2008 Rupee Equivalent (Rs in Crores)	As at June 30, 2007
U.S. Dollar	7,950.89	4,798.76
Sterling Pound	353.26	624.23
Euro	282.54	446.28
Australian Dollar	26.49	111.53
	8,613.18	**5,980.80**

The following table summarizes activity in the General Reserves related to all derivatives classified as cash flow hedges during the years ended 30 June 2008:

Particulars	Year ended June 30, 2008	Year ended June 30, 2007
Balance as at the beginning of the year	-	-
Unrealized gain/ (losses) on cash flow hedging derivatives during the year	(418.01)	-
Net gains / (losses) reclassified into net income on occurrence of hedged transactions	(72.62)	-
Balance as at the end of the year	(490.63)	-
Deferred tax	78.78	-
	(411.85)	-

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

At 30 June 2008, the estimated net amount of existing gains/ (loss) that is expected to be reclassified into the income statement within the next twelve months is Rs. (78.72) crores.

13. Joint Venture

The Company has an interest in the following jointly controlled entity:

Name of the Company	Shareholding	Incorporated in
NEC HCL System Technologies Limited	49%	India

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Company in the above jointly controlled entities are given hereunder:

	Year ended June 30, 2008	Year ended June 30, 2007
Revenue from software services	21.11	8.99
Other income	0.59	0.69
Total	**21.70**	**9.68**
Personnel expenses	4.09	1.81
Other expenses	16.56	8.50
Depreciation and amortization	0.43	0.31
Total	**21.08**	**10.62**
Profit/(loss) before Tax	**0.62**	**(0.94)**
Provision for tax	0.09	0.05
Net profit/(loss) after tax	**0.53**	**(0.99)**

	As at June 30, 2008	As at June 30, 2007
Assets		
Fixed assets	0.69	0.84
Investments	4.62	5.88
Sundry debtors	6.00	4.20
Cash and bank balances	1.12	0.24
Other Current assets	0.81	0.74
Liabilities		
Current liabilities and provisions	3.27	2.44

Note: NEC HCL System Technologies Limited financial statements are for the period ending 31 March, 2008 and 2007 respectively.

14. Auditor's Remuneration

	Year ended June 30, 2008	Year ended June 30, 2007
Statutory audit	3.13	2.08
Tax audit fee	0.32	0.27
Other services	-	-
	3.45	**2.35**

15. Movement In Provision For Warranty

	Year ended June 30, 2008	Year ended June 30, 2007
Opening provision	1.58	3.04
Additional provision made during the year	0.87	1.14
Utilisation during the year	(1.06)	(2.60)
Closing provision	**1.39**	**1.58**

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

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

Non-scheduled Banks	Closing balance		Maximum balance	
	As at 30 June 2008	As at 30 June 2007	Year ended 30 June 2008	Year ended 30 June 2007
- On Current account				
ABN Amro Bank, N.V., Netherlands	5.03	0.85	12.38	1.97
ANZ Bank, Sydney	-	5.52	5.52	12.07
Australia and New Zealand Banking Group Ltd., Australia	12.69	7.99	12.69	12.07
Australia and New Zealand Banking Group Ltd., Wellington, New Zealand	8.71	5.20	8.71	7.20
Bank of America, Boston, United States of America	0.32	0.98	0.98	2.76
Bank of Bermud, Bermuda	0.05	0.05	0.05	0.36
Bank of Ireland - collection account, Belfast, Ireland	8.57	5.42	18.46	16.59
BOM, Canada	-	-	-	0.02
Bank of Ireland - payment account, Belfast, Ireland	2.47	0.63	8.96	10.69
The Bank of Bermuda Limited	0.01	0.27	0.29	0.27
Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan	2.27	7.52	7.52	8.82
Bank of Tokyo - Mitsubishi Ltd., Tokyo, Japan, USD	13.25	4.35	18.28	4.35
Bank Brussels Lambert, Brussels, Belgium	0.56	0.67	2.00	1.02
Banque St. Generale, France	-	0.01	0.01	0.01
Bank Trust, New York USA	-	-	-	0.44
Bank of Austria, Austria	0.19	0.19	1.49	0.84
Bank of America, CA	0.40	-	4.57	-
Citi Bank N.A. Singapore-SGD	0.23	0.19	0.23	0.21
Citi Bank N.A. Singapore-USD	0.22	0.21	0.22	0.24
Citi National Bank, EUR	0.02	0.01	0.02	0.01
Citi Bank, US $ IB Basic Account	0.00	-	1.60	-
Citi Bank, US $ IB Collection Account	0.22	-	0.49	-
Citi Bank, RMB IB Primary Account	0.28	-	1.14	-
Comercia Bank	8.26	-	21.33	-
Deutsche Bank, New York, United States of America	38.44	30.32	71.52	44.76
Deutsche Bank, Singapore	1.26	1.53	2.29	2.73
Deutsche Bank, Singapore (2nd account)	-	0.49	-	0.53
Deutsche Bank, London, United Kingdom	21.46	55.31	209.36	106.24
Deutsche Bank, Delaware	-	-	-	37.24
Deutsche Bank, Franco -Euro	-	-	-	0.04
Dresdner Bank, Frankfurt, Germany	4.31	1.33	6.59	5.11
DSL Bank, Frankfurt, Germany	0.03	0.03	0.04	2.67
Fleet Bank, United states of America	-	0.12	-	0.28
HANDLOWY - Inco	0.29	0.33	11.50	0.33
Hong Kong & Shanghai Banking Corporation Limited, Hong Kong	0.31	0.39	4.95	5.96
Hong Kong & Shanghai Bank corporation Ltd, Hongkong-USD a/c	0.45	2.72	3.05	3.42
Hong Kong & Shanghai Banking Corporation Limited, Malaysia	0.05	0.02	0.12	0.64
Hong Kong & Shanghai Banking Corporation Limited, Sydney	-	-	-	-
Indian Overseas Bank, Singapore, SGD Account	1.46	2.16	14.54	6.44
Indian Overseas Bank, Singapore, USD Account	0.89	-	3.04	0.72
Industrial and Commercial Bank, Singapore, SGD Account	2.19	0.19	7.40	5.21
Kredyt Bank SA- Inco EUR	-	0.09	0.10	0.09
Lloyds TSB, London, United Kingdom	3.29	6.47	52.19	29.28
Lloyds TSB, UK	0.76	-	20.65	3.61
PNC Bank	15.45	-	28.12	-
Public Bank Bhd, Malaysia	1.65	1.77	5.04	5.40
SBI International (Mauritius) Ltd., Mauritius	-	-	-	0.01

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

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

Non-scheduled Banks	Closing balance		Maximum balance	
	As at 30 June 2008	As at 30 June 2007	Year ended 30 June 2008	Year ended 30 June 2007
Scotia Bank, Winnipeg, Canada	-	-	-	-
South Shore Saving Bank, MA,USA	-	1.59	1.59	10.59
Skandinaviska Enskilda Banken AB, Stockholm, Sweden	4.87	1.03	5.26	5.60
Skandinaviska Enskilda Banken AB, Stockholm, Sweden (USD account)	2.00	-	2.79	-
Silicon Valley Bank, CA, USA, United States of America	0.27	1.48	13.22	20.53
Sumitomo Bank limited, Tokyo, Japan	1.13	1.24	1.56	2.07
Suntrust Bank	-	-	-	0.60
St George Bank	0.15	1.44	7.71	3.24
Wells Fargo Bank, CA, United States of America	13.36	25.72	26.89	25.72
Westpac	0.09	0.08	0.09	0.08
Total	**177.91**	**175.91**		
- On Deposit accounts				
Australia and New Zealand Banking Group Limited, Sydney, Australia –USD account	-	-	-	2.75
Australia and New Zealand Banking Group Limited, Wellington, New Zealand - Call Account	-	-	-	2.12
Australia and New Zealand Banking Group Limited, Sydney, Australia - Cash Management	-	-	-	3.29
Australia and New Zealand Banking Group Limited, Wellington, New Zealand- USD account	-	-	-	0.01
Australia and NZ Banking group Ltd, Sydney, Australia-Term deposit	0.13	0.18	0.13	0.18
Industrial & Commercial bank ,Singapore	-	-	-	0.16
Bank of Austria	2.44	4.22	4.16	5.08
Indian Overseas Bank, Singapore, SGD Account	38.57	12.51	38.57	15.71
Bank of Ireland, Ireland	15.11	13.65	29.12	24.67
South Shore Bank	-	-	-	2.77
Public Bank Bhd, MA, USA	24.73	18.76	27.20	18.76
PNC Bank -	-	20.23	20.23	20.23
St. George Bank Australia	-	-	-	2.82
Westpac	1.40	0.79	1.40	0.79
Lloyds TSB, UK	-	19.39	19.39	19.39
Total	**82.38**	**89.73**		

17. Micro, Small and Medium Enterprises

As per information available with the management, the dues payable to enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" are as follows:

Particulars	Year ended June 30, 2008		Year ended June 30, 2007	
	Principal	Interest	Principal	Interest
Amount due to Vendor	-	-	-	-
Principal amount paid beyond the appointed date	0.01	-	-	-
Interest under normal credit terms -	-	-	-	-
Accrued during the year	-	-	-	-
Unpaid	-	-	-	-
Total Interest payable -	-	-	-	-
Accrued during the year	-	-	-	-
Unpaid	-	-	-	-

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

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

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

18. The Company and its various subsidiaries are required to comply with the local transfer pricing regulations, which are contemporaneous in nature. The Company appoints independent consultants annually for conducting a Transfer pricing study to determine whether transactions with associate enterprises are undertaken, during the financial year, on an arms length basis. Adjustments, if any, arising from the transfer pricing study in the respective jurisdictions shall be accounted for as and when the study is completed for the current financial year. The management is of the opinion that its international transactions are at arms length so that aforesaid legislation will not have any impact on the financial statements.

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

For **HCL Technologies Limited**

Shiv Nadar
Chairman and Chief Strategy Officer

T S R Subramanian
Director

Vineet Nayar
CEO & Wholetime Director

Ranjit Narasimhan
President & CEO - BPO Division

Anil Chanana
Executive Vice President -Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 01 August 2008

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

S.No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest in the subsidiary at the end of financial year		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are not dealt with in the Company's accounts (All amounts in Rupees thousands)		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)	
			Shareholding (No. of shares)	Extent of holding (%)	For the year ended June 30, 2008	For previous financial years of the subsidiary since it became the Holding Company's subsidiary	For the year ended June 30, 2008	For previous financial years of the subsidiary since it became the Holding Company's subsidiary
1	HCL Bermuda Limited	30-Jun-08	113,170,582	100	141,060	(1,722,223)	Nil	Nil
2	HCL America Inc.	30-Jun-08	6,089,870	100	431,716	255,242	Nil	Nil
3	HCL Great Britain Limited	30-Jun-08	10,568,334	100	176,888	(339,944)	Nil	Nil
4	HCL Sweden AB	30-Jun-08	10,000	100	19,852	(344)	Nil	Nil
5	HCL (Netherlands) BV	30-Jun-08	400	100	143,932	(133,044)	Nil	Nil
6	HCL GmbH	30-Jun-08	3	100	54,417	(125,349)	Nil	Nil
7	HCL Italy SLR	30-Jun-08	20,000,000	100	(16,601)	(6,017)	Nil	Nil
8	HCL Belgium NV	30-Jun-08	2,750	100	(2,486)	(15,807)	Nil	Nil
9	HCL Australia Services Pty. Limited	30-Jun-08	500,000	100	41,907	47,494	Nil	Nil
10	HCL (New Zealand) Limited	30-Jun-08	10	100	2,884	29,835	Nil	Nil
11	HCL Hong Kong SAR Limited	30-Jun-08	193,167	100	41,383	(48,963)	Nil	Nil
12	HCL Japan Limited	30-Jun-08	4,400	100	44,702	(53,073)	Nil	Nil
13	HCL Holdings GmbH	31-Dec-07	6,500,000	100	124,062	4,140,061	Nil	Nil
14	Intelicent India Limited	30-Jun-08	106,070	100	24,439	178,640	Nil	Nil
15	HCL Comnet Systems and Services Limited	30-Jun-08	12,793,904	99.88	1,073,883	1,997,795	4,500	10,958
16	HCL Enterprise Solutions Limited	30-Jun-08	60,000	100	1,417	(3,815)	Nil	Nil
17	DSI Financial Solutions Pte Limited	30-Jun-08	10,000	100	(134)	804	Nil	Nil
18	HCL BPO Services (NI) Limited	30-Jun-08	4,444,445	100	87,046	322,175	Nil	Nil
19	HCL Comnet Limited	30-Jun-08	949,840	99.88	121,893	364,259	Nil	Nil
20	HCL Jones Technologies LLC	30-Jun-08	1,714,000	51	12,615	20,710	Nil	Nil
21	HCL Jones Technologies (Bermuda) Limited	30-Jun-08	510	51	13,398	112,046	Nil	Nil
22	HCL Singapore Pte Limited	30-Jun-08	2,000,000	100	189,716	333,249	Nil	45,245
23	HCL (Malaysia) Sdn. Bhd	30-Jun-08	100,000	100	24,084	180,564	Nil	Nil
24	HCL EAI Services Inc.	30-Jun-08	18,825,655	100	(4,444)	(23,188)	Nil	Nil
25	HCL EAI Services Limited	30-Jun-08	1,050,100	100	19,992	13,525	Nil	Nil
26	Aalayance (UK) Limited	30-Jun-08	100	100	(87)	223	Nil	Nil
27	HCL Technoparks Limited	30-Jun-08	1,000,000	100	(699)	(245)	Nil	Nil
28	HCL Poland Sp.z.o.o.	30-Jun-08	17,000	100	(19,441)	(19,441)	Nil	Nil
29	HCL Technologies (Shanghai) Limited	31-Dec-07	Not Applicable	100	(18,233)	(18,233)	Nil	Nil
30	Capital Stream Inc.[refer note (b)]	30-Jun-08	Not Applicable	100	(92,174)	(92,174)	Nil	Nil

Notes:

a) In respect of the subsidiaries whose financial year do not concide with the financial year of the Company, neither there has been change in the holding company's interest in the subsidiary nor any material transaction has occurred.

b) Capital Stream Inc. has become subsidiary of the company w.e.f. February 15, 2008

For **HCL Technologies Limited**

Shiv Nadar
Chairman and Chief Strategy Officer

T S R Subramanian
Director

Vineet Nayar
CEO & Wholetime Director

Ranjit Narasimhan
President & CEO-BPO Division

Anil Chanana
Executive Vice President -Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 01 August 2008

The Ministry of Company Affairs, Government of India, vide its approval letter no. 47/434/2008-CL-III dated July 09, 2008, has granted exemption to the Company from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under Section 212 of the Companies Act, 1956, for the year ended June 30, 2008. The Company would provide the annual accounts of the subsidiaries and the related detailed information to the shareholders of the Company and its subsidiaries on specific requests made to it in this regard by the said shareholders. The annual accounts of the subsidiaries will also be kept for inspection by any shareholder at the registered office of the Company and that of the subsidiary company concerned.

Statement regarding Subsidiary Companies as required by the approval granted under Section 212(8) of the Companies Act, 1956

(All amounts in Rupees thousands)

S. No.	Name of the Subsidiary Company	Share Capital	Reserves	Total Assets	Total Liabilities	Investments (other than in subsidiaries)*	Turnover	Profit before tax	Provison for tax	Profit after tax	Proposed dividend
1	HCL Bermuda Limited	4,870,296	(1,128,682)	3,902,242	160,628	-	271,750	141,060	-	141,060	-
2	HCL America Inc.[refer note (a)]	1,208,848	1,177,466	12,917,996	10,531,683	139,045	27,757,829	509,114	77,398	431,716	-
3	HCL Great Britain Limited	905,452	112,813	7,943,776	6,925,511	-	11,136,041	238,670	61,782	176,888	-
4	HCL Sweden AB	717	24,048	402,867	378,102	-	334,097	19,852	-	19,852	-
5	HCL (Netherlands) BV	1,231	(24,362)	656,310	679,440	-	941,687	143,932	-	143,932	-
6	HCL GmbH	1,743	(83,501)	1,458,998	1,540,755	-	918,261	54,417	-	54,417	-
7	HCL Italy SLR	678	(24,154)	545	24,021	-	170	(16,601)	-	(16,601)	-
8	HCL Belgium NV	4,624	(22,018)	226,406	243,799	-	168,591	(2,486)	-	(2,486)	-
9	HCL Australia Services Pty. Limited	20,600	132,745	630,192	476,847	-	2,195,853	67,522	25,615	41,907	-
10	HCL (New Zealand) Limited	1,514	40,361	330,760	288,885	-	682,462	7,121	4,237	2,884	-
11	HCL Hong Kong SAR Limited	1,066	(10,561)	131,417	140,912	-	127,606	13,149	(28,235)	41,383	-
12	HCL Japan Limited	89,650	(6,480)	491,696	408,526	-	1,376,126	78,021	33,319	44,702	-
13	HCL Holdings GmbH	27,436	4,785,532	4,901,761	88,793	-	206,673	183,471	59,176	124,295	-
14	Intelicent India Limited	1,061	203,079	206,254	2,115	118,963	31,858	30,743	6,304	24,439	-
15	HCL Comnet Systems and Services Limited	578,094	3,264,749	5,868,205	2,025,362	207,300	4,953,705	1,121,575	41,897	1,079,678	4,500
16	HCL Enterprise Solutions Limited	2,582	(2,582)	-	-	-	253,850	1,417	-	1,417	-
17	DSI Financial Solutions Pte Limited	316	4,008	5,098	774	-	146	(134)	-	(134)	-
18	HCL BPO Services (NI) Limited	342,789	475,244	1,348,281	530,248	-	2,865,773	140,508	53,462	87,046	-
19	HCL Comnet Limited	9,499	1,022,677	3,740,778	2,708,602	936,678	3,887,738	180,232	58,192	122,040	-
20	HCL Jones Technologies LLC	144,631	(28,552)	155,509	39,429	-	337,168	24,735	-	24,735	98,682
21	HCL Jones Technologies (Bermuda) Limited	516	7,513	31,923	23,894	-	81,182	26,270	-	26,270	125,859
22	HCL Singapore Pte Limited	63,231	549,926	965,388	352,230	-	1,575,031	231,148	41,432	189,716	-
23	HCL (Malaysia) Sdn. Bhd	1,318	274,040	385,308	109,949	-	254,679	31,335	7,251	24,084	-
24	HCL EAI Services Inc.	140,894	(101,270)	166,832	127,208	-	450,794	(4,444)	-	(4,444)	-
25	HCL EAI Services Limited	10,501	65,446	128,516	52,569	-	149,330	22,011	2,019	19,992	-
26	Aalayance (UK) Limited	9	173	2,237	2,055	-	89	(49)	39	(87)	-
27	HCL Technoparks Limited	10,000	(944)	167,091	158,035	-	-	(699)	-	(699)	-
28	HCL Poland Sp.z.o.o.	17,203	(24,681)	86,739	94,216	-	123,536	(19,441)	-	(19,441)	-
29	HCL Technologies (Shanghai) Limited	32,411	(18,233)	26,942	12,764	-	11,805	(18,233)	-	(18,233)	-
30	Capital Stream Inc. [refer note (b)]	1	(5,638)	2,013,269	2,018,907	-	393,105	(73,278)	18,896	(92,174)	-

Notes:

*All investments are in debt based mutual funds except investment of Rs. 3,880 by HCL America Inc. in the equity of a company.

a) Share capital includes Rs. 946,770,000 the share application money received pending allotment of shares.

b) Capital Stream Inc. has become subsidiary of the company w.e.f. February 15, 2008

For **HCL Technologies Limited**

Shiv Nadar
Chairman and Chief Strategy Officer

Vineet Nayar
CEO & Wholetime Director

Anil Chanana
Executive Vice President -Finance

Place: Noida (UP), India
Date: 01 August 2008

T S R Subramanian
Director

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President & CEO-BPO Division

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