

HCL TECHNOLOGIES LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2007 AND 2008
AND FOR THE THREE YEARS ENDED JUNE 30, 2008
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**

HCL TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEETS
(Thousands of US Dollars except per share data and as stated otherwise)

	As of June 30,	
	2007	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$88,049	\$108,154
Short term deposit with banks	73,295	125,505
Restricted cash	645	936
Accounts receivables, net of allowances	265,445	364,303
Unbilled revenue	33,933	72,994
Investment securities, available for sale	396,610	335,564
Due from related parties	2,003	2,815
Inventories	11,074	17,668
Employee receivables	9,008	13,958
Deferred income taxes	21,948	13,384
Other current assets	146,275	156,520
Total current assets	1,048,285	1,211,801
Employee receivables	870	304
Deferred income taxes	7,690	70,027
Investment securities, held to maturity	2,946	2,788
Investments in affiliates	2,356	2,354
Property and equipment, net	257,606	309,453
Intangible assets, net	8,011	8,472
Goodwill	189,857	214,246
Other assets	34,738	47,323
Total assets	\$1,552,359	1,866,768

HCL TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEETS
(Thousands of US Dollars except per share data and as stated otherwise)

	As of June 30,	
	2007	2008
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$2,029	\$2,393
Accounts payable	28,264	43,607
Due to related parties	2,944	1,446
Short term loans	8,681	4,962
Accrued employee costs	39,016	63,953
Deferred revenue	22,133	45,074
Deferred income taxes	2,208	1,255
Taxes payable	76,611	128,187
Other current liabilities	104,207	222,318
Total current liabilities	286,093	513,195
Long term debt	-	1,390
Capital lease obligations, excluding current portion	8,123	4,040
Deferred income taxes	54	3,272
Other liabilities	23,544	131,138
Total liabilities	317,814	653,035
Commitments and Contingencies (refer note 26)		
Minority interest	3,566	1,313
Stockholders' equity		
Equity shares, 750,000,000 and 750,000,000 shares authorized		
Issued and outstanding 663,683,116 and 666,340,272 shares as of June 30, 2007 and 2008 respectively	33,036	33,166
Additional paid-in capital	516,466	548,072
Share application money pending allotment	-	397
Retained earnings	581,204	682,627
Accumulated other comprehensive income / (loss)	100,273	(51,842)
Total stockholders' equity	1,230,979	1,212,420
Total liabilities, minority interest and stockholders' equity	\$1,552,359	\$1,866,768

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

HCL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(Thousands of US Dollars except per share data and as stated otherwise)

	Year ended June 30,		
	2006	2007	2008
Revenues	\$976,030	\$1,389,577	\$1,878,865
Cost of revenues (exclusive of depreciation and amortization shown separately below)	622,915	874,915	1,163,144
Selling, general and administrative expenses	151,837	230,265	323,573
Depreciation and amortization	42,624	58,316	74,612
Income from operations	158,654	226,081	317,536
Other income, net	(645)	101,870	(29,323)
Income before income taxes, share of equity in Earnings of affiliates and minority interest	158,009	327,951	288,213
Income taxes	13,403	32,939	29,453
Income before share of equity in earnings of affiliates and minority interest	144,606	295,012	258,760
Equity in earnings/(losses) of affiliates	(139)	(229)	130
Minority interest	(352)	(1,263)	(647)
Net income	\$144,115	\$293,520	\$258,243
Earnings per equity share			
Basic	\$0.22	\$0.45	\$0.39
Diluted	\$0.21	\$0.43	\$0.38
Weighted average number of equity shares used in computing earnings per equity share			
Basic	642,788,960	652,626,782	664,424,330
Diluted	684,311,714	675,290,388	682,748,596

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

HCL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Thousands of US Dollars except per share data and as stated otherwise)

	<u>Equity shares</u>		<u>Additional paid-in</u>	<u>Shares application money pending</u>	<u>Deferred Stock</u>	<u>Retained</u>	<u>Comprehensive</u>	<u>Accumulated other Comprehensive</u>	<u>Total stockholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>allotment</u>	<u>Compensation</u>	<u>Earnings</u>	<u>Income / (Loss)</u>	<u>Income / (Loss)</u>	<u>Equity</u>
Balances as of June 30, 2005	319,214,784	\$17,215	\$418,034	\$377	\$(1,150)	\$409,782	\$-	\$26,139	\$870,397
Issuance of equity shares on exercise of options	4,227,566	187	19,710	(377)					19,520
Issuance of shares by trust									-
Share application money pending allotment				290					290
Compensation relating to stock options			(1,150)		1,150				-
Amortization of employee stock compensation cost			15,236						15,236
Income tax benefit on exercise of stock options			1,850						1,850
Cash dividend						(131,380)			(131,380)
Comprehensive income									
Net income						144,115	144,115		144,115
Other comprehensive income									
• Unrealized gain (loss) on available for sale securities, net							943		
• Unrealized gain (loss) on cash flow hedges, net							(5,072)		
• Gain/(loss) on foreign currency translation							(34,798)		
Total other comprehensive income							(38,927)		(38,927)
Total comprehensive income							<u>105,188</u>		
Balances as of June 30, 2006	323,442,350	\$17,402	\$453,680	\$290	\$-	\$422,517	\$-	\$(12,788)	\$881,101

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

HCL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Thousands of US Dollars except per share data and as stated otherwise)

	<u>Equity shares</u>		<u>Additional paid-in Capital</u>	<u>Shares application money pending allotment</u>	<u>Deferred Stock Compensation</u>	<u>Retained Earnings</u>	<u>Comprehensive Income / (Loss)</u>	<u>Accumulated other Comprehensive Income / (Loss)</u>	<u>Total stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>							
Balances as of June 30, 2006	323,442,350	\$17,402	\$453,680	\$290	\$-	\$422,517	\$-	\$(12,788)	\$881,101
Issuance of equity shares on exercise of options	14,786,848	677	51,529	(290)					51,916
Share application money pending allotment									
Compensation relating to stock options									
Amortization of employee stock compensation cost			23,451						23,451
Stock split effected in the form of stock dividend	325,453,918	14,957	(14,957)						
Income tax benefit on exercise of stock options			2,763						2,763
Cash dividend						(134,833)			(134,833)
Comprehensive income									
Net income						293,520	293,520		293,520
Other comprehensive income									
• Unrealized gain (loss) on available for sale securities, net							9,788		
• Unrealized gain (loss) on cash flow hedges, net									
• Adjustments to adopt SFAS 158, net of tax							(1,979)		
• Gain/(loss) on foreign currency translation							105,252		
Total other comprehensive income							113,061	113,061	113,061
Total comprehensive income							<u>406,581</u>		
Balances as of June 30, 2007	663,683,116	\$33,036	\$516,466	\$-	\$-	\$581,204	\$-	\$100,273	\$1,230,979

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

HCL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Thousands of US Dollars except per share data and as stated otherwise)

	<u>Equity shares</u>		Additional paid-in <u>Capital</u>	Shares application money pending <u>allotment</u>	Deferred Stock <u>Compensation</u>	Retained <u>Earnings</u>	Comprehensive <u>Income / (Loss)</u>	Accumulated other Comprehensive <u>Income / (Loss)</u>	Total stockholders' <u>Equity</u>
	<u>Shares</u>	<u>Amount</u>							
Balances as of June 30, 2007	663,683,116	\$33,036	\$516,466	\$-	\$-	\$581,204	\$-	\$100,273	\$1,230,979
Issuance of equity shares on exercise of options	2,657,156	130	7,331						7,461
Share application money pending allotment				397					397
Compensation relating to stock options									
Amortization of employee stock compensation cost			23,904						23,904
Stock split effected in the form of stock dividend									
Income tax benefit on exercise of stock options			371						371
Cash dividend						(156,820)			(156,820)
Comprehensive income									
Net income						258,243	258,243		258,243
Other comprehensive income									
• Unrealized gain (loss) on available for sale securities, net							(195)		
• Unrealized gain (loss) on cash flow hedges, net							(95,700)		
• Unrecognized actuarial gain/(loss) net							(472)		
• Gain/(loss) on foreign currency translation							(55,748)		
Total other comprehensive income							(152,115)	(152,115)	(152,115)
Total comprehensive income							<u>106,128</u>		
Balances as of June 30, 2008	666,340,272	33,166	548,072	397	-	682,627		(51,842)	1,212,420

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

HCL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of US Dollars except per share data and as stated otherwise)

	Year ended June 30,		
	2006	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$144,115	\$293,520	\$258,243
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	42,624	58,316	74,612
Deferred income taxes	(3,204)	(14,949)	(28,634)
Loss/(gain) on sale of property and equipment	(320)	(98)	481
Amortization of deferred stock compensation	15,236	23,451	23,904
Excess tax benefits from employee stock based compensation	(1,850)	(2,763)	(371)
Other non cash charges	(571)	5,450	7,785
Loss/ (profit) on sale of investment securities	(15,746)	(18,029)	(28,185)
Profit on divestment of stake in affiliates	(2,186)	-	-
Share of income from affiliates	178	229	(130)
Minority interest	352	1,263	647
Changes in assets and liabilities, net			
Accounts receivable	(67,720)	(75,940)	(151,817)
Other assets	(2,529)	(76,340)	8,456
Accounts payable	2,827	2,161	18,907
Accrued employee costs	(4,517)	15,950	24,595
Other liabilities	59,111	37,886	141,962
Net cash provided by operating activities	165,800	250,107	350,455
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement in restricted cash	(13)	13	41
Short term deposit with banks	(1,330)	(55,765)	(52,210)
Purchase of property and equipment	(85,152)	(88,885)	(136,886)
Proceeds from sale of property and equipment	875	483	1,838
Purchase of investments	(698,810)	(994,130)	(1,305,906)
Proceeds from sale of investments	772,744	1,002,664	1,373,718
Proceeds from sale of stake in equity affiliates (net of expense)	10,980	144	-
Investments in affiliates	(2,342)	-	-
Stake Acquired from Minority	-	-	(3,411)
Net payments for business acquisitions	-	-	(37,155)
Net cash used in investing activities	(3,048)	(135,476)	(159,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment under principal capital lease obligations	(1,323)	(1,948)	(4,656)
Proceeds (repayment) from short term borrowings	(11,605)	(306)	(2,387)
Proceeds from issuance of long term debt	-	-	1,833
Repayment of long term debt	(28,868)	(2,560)	(1,775)
Proceeds from issuance of equity shares, net of expenses	19,897	52,206	7,461
Proceeds from subscription of shares pending allotment, net	(87)	-	397
Dividends paid	(131,380)	(134,833)	(156,820)
Dividends paid to minority shareholder of consolidated subsidiaries	(1,252)	-	(2,557)
Proceeds from issuance of equity shares to Minority	686	-	-
Excess tax benefits from employee stock based compensation	1,850	2,763	371
Net cash provided by (used in) financing activities	(152,082)	(84,678)	(158,133)
Effect of exchange rate on cash and cash equivalents	705	5,718	(12,246)
Net increase/ (decrease) in cash and cash equivalents	11,375	35,671	20,105
Cash and Cash Equivalent at the Beginning of the year	41,003	52,378	88,049
Cash and Cash Equivalent at the End of the year	\$52,378	\$88,049	108,154

HCL TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of US Dollars except per share data and as stated otherwise)

	Year ended June 30,		
	2006	2007	2008
SUPPLEMENTARY INFORMATION			
Cash paid for interest	\$2,482	\$1,186	\$3,309
Cash paid for income taxes (net)	\$8,286	\$10,591	\$52,813
Non-cash investing activities			
Property and equipment acquired under capital lease obligation	\$297	\$9,004	\$5,830

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