

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2006**  
**(Amounts in thousands of Indian Rupees)**

	<u>December 31, 2006</u>	<u>March 31, 2006</u>
<b><u>SOURCES OF FUNDS</u></b>		
Shareholders' funds		
Share capital	406,888	381,442
Reserves and surplus	21,453,048	13,415,421
Deferred tax liability	1,756	1,649
	<b><u>21,861,692</u></b>	<b><u>13,798,512</u></b>
<b><u>APPLICATION OF FUNDS</u></b>		
Fixed Assets		
Cost	9,537,946	3,966,811
Less: Accumulated depreciation, amortisation and impairment	1,858,421	1,389,133
Net book value	<u>7,679,525</u>	<u>2,577,678</u>
Capital work-in-progress and advances	<u>1,014,458</u>	<u>581,356</u>
	8,693,983	3,159,034
Investments	59,577	52,355
Deferred tax asset	153,097	70,762
Current assets, loans and advances		
Sundry debtors	6,669,152	5,257,917
Cash and bank balances	6,269,050	6,869,435
Other current assets	1,020,645	309,124
Loans and advances	<u>3,958,064</u>	<u>2,049,494</u>
	17,916,911	14,485,970
Less: Current liabilities and provisions		
Current liabilities	4,612,046	3,371,041
Provisions	<u>349,830</u>	<u>598,568</u>
	4,961,876	3,969,609
Net current assets	12,955,035	10,516,361
	<b><u>21,861,692</u></b>	<b><u>13,798,512</u></b>

**i-flex Solutions Limited**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTH PERIOD ENDED  
DECEMBER 31, 2006**

(Amounts in thousands of Indian Rupees, except per share data)

	<b>Nine month period ended</b>	
	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Revenue	14,598,417	10,117,172
Cost of revenue	(8,093,816)	(5,678,659)
Gross profit	6,504,601	4,438,513
Operating expenses		
Selling and marketing expenses	(1,937,672)	(1,442,167)
General and administrative expenses	(1,689,099)	(1,318,024)
Depreciation and amortisation	(471,367)	(318,246)
Income from operations	2,406,463	1,360,076
Non-operating income		
Interest income	279,584	215,820
Other income, net	2,078	(79,449)
Income before provision for taxes and prior period items	2,688,125	1,496,447
Provision for taxes	(297,335)	(427,038)
Net income for the period before share of profit of associate company and prior period items	2,390,790	1,069,409
Share of profit of associate company	7,591	4,853
Net income for the period before prior period items	2,398,381	1,074,262
Prior period items	-	(97,409)
Net income	2,398,381	976,853
Earnings per share of Rs 5/- each (in Rs )		
Basic	30.63	12.96
Diluted	29.79	12.61

**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE NINE MONTH PERIOD ENDED  
DECEMBER 31, 2006**

(Amounts in thousands of Indian Rupees)

	Nine month period ended	
	December 31, 2006	December 31, 2005
Cash flows from operating activities		
Income before provision for taxes and prior period items	2,688,125	1,496,447
Adjustments to reconcile income before provision for taxes to cash used in operating activities :		
Depreciation and amortization	471,367	318,246
Deferred compensation expense	17,708	-
Profit on sale of fixed assets, net	-	(203)
Reversal of provision for diminution in value of investments	-	(5,528)
Loss on sale of investments	-	4,785
Advances written off	-	28,952
Prior Period items	-	(57,860)
Marked to market of current investment	369	-
Interest income	(279,584)	(215,820)
Effect of exchange difference on cash and bank balances	4,839	(11)
Finance charge on leased assets	4,230	1,854
Provision for doubtful debts, net	63,913	17,506
	2,970,967	1,588,368
Changes in assets and liabilities, net of effect of acquisition		
Increase in sundry debtors and unbilled revenue	(2,031,749)	(815,593)
Increase in loans and advances	(1,718,351)	(532,854)
Increase in current liabilities and provisions	1,318,783	424,976
Cash from operating activities	539,650	664,897
Payment of domestic and foreign taxes	(692,167)	(716,716)
<b>Net cash used in operating activities</b>	<b>(152,517)</b>	<b>(51,819)</b>
Cash flows from investing activities		
Additions to fixed assets including capital work in progress	(781,003)	(845,147)
Acquisition of customer contract and IPRs	-	(38,555)
Acquisition of companies, net of cash acquired	(5,492,194)	(26,564)
Proceeds from sale of fixed assets	11,569	8,739
Bank fixed deposits having maturity of more than 90 days matured	6,560,514	5,373,725
Bank fixed deposits having maturity of more than 90 days booked	(5,254,646)	(5,147,966)
Proceeds from sale/maturity of investments	20,000	2,621
Interest received	256,986	206,244
<b>Net cash used in investing activities</b>	<b>(4,678,774)</b>	<b>(466,903)</b>
Cash flows from financing activities		
Issue of shares against ESOP scheme	161,576	299,857
Issue of shares to Oracle Global Mauritius Limited	5,814,999	-
Advance towards grant of options and warrant	-	40,441
Advance against equity shares to be issued under ESOP Scheme	5,234	6,725
Repayment of loan by Employee Stock Purchase Scheme ('ESPS') Trust	4,925	85,000
Payment of dividend and tax thereon	(436,350)	(428,207)
Payment of lease obligations	(13,509)	(7,496)
<b>Net cash provided by (used in) financing activities</b>	<b>5,536,875</b>	<b>(3,680)</b>
<b>Effect of exchange difference on cash and bank balances</b>	<b>(4,839)</b>	<b>11</b>
Net increase (decrease) in cash and cash equivalents	700,745	(522,391)
Cash and cash equivalents at beginning of the period	2,085,290	2,373,497
<b>Cash and cash equivalents at end of the period (Note 1)</b>	<b>2,786,035</b>	<b>1,851,106</b>

**Note 1 :****Component of cash and cash equivalent**

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
Cash in hand	13,835	1,194
Cheques on hand	199	71,185
Funds in Transit	-	2,575
Balances with scheduled banks:		
Current accounts in foreign currency	296,079	363,551
Other current accounts	67,219	27,259
Deposit accounts	3,170,115	3,393,665
Deposit amount of unutilised IPO funds/preferential issue	522,505	758,728
Margin money deposit	8,046	1,883
Unclaimed dividend amount	2,129	2,106
Balances with non-scheduled banks:		
Current accounts in foreign currency	2,179,708	371
Deposit account in foreign currency	9,215	1,264,137
Total cash and bank balances	<u>6,269,050</u>	<u>5,886,654</u>
Less:		
Bank deposits having maturity of more than 90 days	(3,472,840)	(4,033,442)
Margin money deposit	(8,046)	-
Unclaimed dividend accounts	(2,129)	(2,106)
<b>Cash and cash equivalents at end of the period</b>	<b><u>2,786,035</u></b>	<b><u>1,851,106</u></b>

