

i-flex Solutions Limited

NON-GAAP Condensed Consolidated Statement of Operations (Amounts in thousands, except per share data)

	Year ended March 31,								
	2007		2007		2006		2006		Increase (Decrease)
	US GAAP	Adj.	Non- GAAP	US GAAP	Adj.	Non- GAAP	US GAAP	Non- GAAP	
	\$	\$	\$	\$	\$	\$	%	%	
Revenue	472,879	–	472,879	333,526	–	333,526	42%	42%	
Total Operating Expenses	(409,009)	11,891	(397,118)	(279,737)	4,243	(275,494)	46%	44%	
Stock based Compensation	(4,544)	4,544	–	–	–	–			
Amortisation of Intangible assets	(6,571)	6,571	–	(2,940)	2,940	–			
Impairment of Goodwill -	–	–	–	(1,303)	1,303	–			
Acquisition related expenses	(776)	776	–	–	–	–			
Operating Income	63,870	11,891	75,761	53,789	4,243	58,032	19%	31%	
Interest and Other Income	8,087	–	8,087	6,873	–	6,873			
Provision for income taxes	(7,946)	(1,313)	(9,259)	(11,582)	(810)	(12,392)			
Equity in net income of equity investees	213	–	213	106	–	106			
Minority interest	–	–	–	58	–	58			
Net income	64,224	10,578	74,802	49,244	3,433	52,677	30%	42%	
Earnings per share									
Basic	0.82	0.13	0.95	0.65	0.05	0.70			
Diluted	0.79	0.13	0.92	0.63	0.04	0.68			

This presentation includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

To supplement our financial results presented on a GAAP basis, we prepared the non-GAAP measures indicated in the table above, which exclude certain business combination accounting entries and expenses related to acquisitions as well as other significant expenses including stock-based compensation that we believe are helpful in understanding our financial performance.

Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effect:

- Stock-based compensation expenses: We adopted FASB Statement No. 123R, Share-Based Payments, on April 1, 2006 under the modified prospective method. Statement 123R requires us to record non-cash operating expenses associated with stock option awards at their estimated fair values.
- Amortization of intangible assets expenses: We have excluded the effect of amortization of intangibles from our non-GAAP operating expenses and net income. Amortization of intangible assets expense is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions.
- Acquisition related charges and restructuring expenses: We incurred expenses in connection with acquisitions, which we would not have otherwise incurred in the periods presented. Acquisition related charges primarily consist of personnel related expenses for transitional employees.