

i-flex Solutions Limited

BALANCE SHEET AS AT JUNE 30, 2007

(Amounts in thousands of Indian Rupees)

	<u>June 30, 2007</u>	<u>March 31, 2007</u>
<u>SOURCES OF FUNDS</u>		
Shareholders' funds		
Share capital	418,421	416,443
Share application money pending allotment	13,542	401,679
Reserves and surplus	24,148,334	23,166,636
	<u>24,580,297</u>	<u>23,984,758</u>
<u>APPLICATION OF FUNDS</u>		
Fixed assets		
Cost	3,276,012	3,232,748
Less: Accumulated depreciation and amortisation	1,879,352	1,739,532
Net book value	1,396,660	1,493,216
Capital work-in-progress and advances	1,565,942	1,270,678
	<u>2,962,602</u>	<u>2,763,894</u>
Investments	6,092,173	6,092,200
Deferred tax assets	145,197	131,351
Current assets, loans and advances		
Sundry debtors	9,222,453	10,419,437
Cash and bank balances	5,332,801	5,007,470
Other current assets	1,076,325	987,275
Loans and advances	5,104,552	4,866,857
	<u>20,736,131</u>	<u>21,281,039</u>
Less: Current liabilities and provisions		
Current liabilities	5,015,850	5,930,401
Provisions	339,956	353,325
	<u>5,355,806</u>	<u>6,283,726</u>
Net current assets	15,380,325	14,997,313
	<u>24,580,297</u>	<u>23,984,758</u>

i-flex Solutions Limited

PROFIT AND LOSS ACCOUNT FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2007

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

	Three month period ended	
	June 30, 2007	June 30, 2006
Revenue	3,846,401	3,083,904
Cost of revenue	(2,435,229)	(2,081,395)
Gross profit	1,411,172	1,002,509
Operating expenses		
Selling and marketing expenses	(139,977)	(142,794)
General and administrative expenses	(503,228)	(421,351)
Depreciation and amortisation	(142,702)	(127,942)
Income from operations	625,265	310,422
Non-operating income (expense)		
Interest income	106,315	103,396
Other expenses, net	(105,643)	(1,184)
Income before provision for taxes	625,937	412,634
Provision for taxes		
Current tax	(68,146)	(47,252)
MAT credit	30,780	-
Deferred tax	13,846	5,158
Fringe benefit tax	(20,421)	(15,000)
Net income for the period	581,996	355,540
Profit and loss account, beginning of the period	4,009,569	464,241
Profit and loss account, end of the period	4,591,565	819,781
Earnings per share of Rs 5/- each (in Rs.)		
Basic	6.97	4.65
Diluted	6.94	4.53

i-flex Solutions Limited

STATEMENT OF CASH FLOW FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2007
(Amounts in thousands of Indian Rupees)

	Three month period ended	
	June 30, 2007	June 30, 2006
Cash flows from operating activities		
Income before provision for taxes	625,937	412,634
Adjustments to reconcile income before provision for taxes to cash provided by operating activities :		
Depreciation and amortisation	142,702	127,942
Profit on sale of fixed assets, net	(92)	-
Marked to market of current investment	27	693
Interest income	(106,315)	(103,396)
Effect of exchange difference on cash and bank balances	15,751	(9,922)
Finance charge on leased assets	518	453
Bad debts provision for doubtful debts, net	5,874	857
	684,402	429,261
Changes in assets and liabilities, net of effect of acquisition		
Decrease (increase) in sundry debtors and unbilled revenue	1,101,930	(282,591)
Increase in loans and advances	(175,722)	(293,774)
(Decrease) increase in current liabilities and provisions	(891,711)	482,095
Cash from operating activities	718,899	334,991
Payment of domestic and foreign taxes	(92,158)	(126,907)
Net cash provided by operating activities	626,741	208,084
Cash flows from investing activities		
Additions to fixed assets including capital work-in-progress	(373,477)	(169,818)
Net investment in lease	2,455	-
Investment in subsidiary company	-	(500)
Proceeds from sale of fixed assets	-	11,569
Bank fixed deposits having maturity of more than 90 days matured	2,328,979	2,100,206
Bank fixed deposits having maturity of more than 90 days booked	(2,074,028)	(2,033,778)
Proceeds from maturity of investments	-	20,000
Interest received	106,161	54,285
Net cash used in investing activities	(9,910)	(18,036)
Cash flows from financing activities		
Issue of shares against Employee Stock Option Scheme and options to IBM	-	39,902
Advance against equity shares to be issued under ESOP scheme	13,542	9,103
Repayment of loan by Employee Stock Purchase Scheme ('ESPS') Trust	-	4,925
Loan to subsidiaries	(31,420)	-
Payment of lease obligations	(2,920)	(2,360)
Net cash (used in) provided by financing activities	(20,798)	51,570
Effect of exchange difference on cash and bank balances	(15,751)	9,922
Net increase in cash and cash equivalents	580,282	251,540
Cash and cash equivalents at beginning of the period	1,179,050	795,736
Cash and cash equivalents at end of the period (Note 1)	1,759,332	1,047,276

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

	Three month period ended	
	June 30, 2007	June 30, 2006
Cash in hand	964	958
Funds in transit	10,528	-
Balances with scheduled banks:		
Current accounts in foreign currency	729,973	334,755
Other current accounts	121,103	65,328
Deposit accounts	3,838,293	4,881,675
Deposit amount		
Unutilised IPO funds	122,402	473,157
Preferential issue	497,263	-
Margin money deposit	6,067	2,856
Unclaimed dividend accounts	2,065	2,013
Balances with non-scheduled banks:		
Current accounts in foreign currency	3,788	3,835
Deposit account in foreign currency	355	402
Total Cash and bank balances	5,332,801	5,764,979
Less:		
Bank deposits having maturity of more than 90 days	(3,565,337)	(4,712,834)
Margin money deposit	(6,067)	(2,856)
Unclaimed dividend accounts	(2,065)	(2,013)
Cash and cash equivalents at the end of the period	1,759,332	1,047,276

i-flex Solutions Limited

**Schedules annexed to and forming part of the accounts for the three month period ended June 30, 2007
(All amounts in thousands of Indian Rupees)**

Segment information

Business segments are defined as a distinguishable component of an enterprise that is engaged in providing a group of related products or services and that is subject to differing risks and returns and about which separate financial information is available. This information is reviewed and evaluated regularly by the management in deciding how to allocate resources and in assessing the performance.

The Company is organised geographically and by business segment. For management purposes the Company is primarily organised on a worldwide basis into two business segments:

- a) Product licenses and related activities ('Products') and
- b) IT solutions and consulting services ('Services').

The business segments are the basis on which the Company reports its primary segment information to management. Product licenses and related activities segment deals with banking software products like the FLEXCUBE suite of products, Reveleus and Microbanker which cater to needs of corporate, retail and investment banking as well as treasury operations and data warehousing requirements. The related activities include enhancements, implementation and maintenance activities.

IT solutions and consulting services comprise of bespoke software development, provision of computer software solutions and related consulting services arising from such activities. This segment is further sub-divided in the following sub-segments i.e. Business intelligence, Customer relationship management, Brokerage, e-commerce, Internet services and IT and Business consulting.

The Company does not track assets and liabilities geographically.

Three month period ended June 30, 2007

Particulars	Products	Services	Corporate	Total
Revenue	2,169,899	1,676,502	-	3,846,401
Cost of revenue	(1,159,614)	(1,275,615)	-	(2,435,229)
Gross profit	1,010,285	400,887	-	1,411,172
Selling and marketing expenses	(118,981)	(20,996)	-	(139,977)
General and administrative expenses	(109,750)	(106,250)	(287,228)	(503,228)
Depreciation and amortisation	(68,245)	(55,790)	(18,667)	(142,702)
Income from operations	713,309	217,851	(305,895)	625,265
Interest income				106,315
Other expenses, net				(105,643)
Income before provision for taxes				625,937
Provision for taxes				(43,941)
Net income				581,996

Other information

Capital expenditure by segment	27,845	12,254	6,905	47,004
Segment assets	7,522,171	7,913,048	14,500,884	29,936,103
Segment liabilities	3,030,702	1,908,594	416,510	5,355,806
Shareholders' funds	-	-	24,580,297	24,580,297

i-flex Solutions Limited

**Schedules annexed to and forming part of the accounts for the three month period ended June 30, 2007
(All amounts in thousands of Indian Rupees)**

Three month period ended June 30, 2006

Particulars	Products	Services	Corporate	Total
Revenue	1,670,056	1,413,848	-	3,083,904
Cost of revenue	(923,607)	(1,157,788)	-	(2,081,395)
Gross profit	746,449	256,060	-	1,002,509
Selling and marketing expenses	(121,375)	(21,419)	-	(142,794)
General and administrative expenses	(104,176)	(95,009)	(222,166)	(421,351)
Depreciation and amortisation	(52,763)	(55,885)	(19,294)	(127,942)
Income from operations	468,135	83,747	(241,460)	310,422
Interest income				103,396
Other expenses, net				(1,184)
Income before provision for taxes				412,634
Provision for taxes				(57,094)
Net income for the period				<u>355,540</u>
<u>Other information</u>				
Capital expenditure by segment	51,704	9,062	-	60,766
Segment assets	5,593,083	5,621,297	8,174,984	19,389,364
Segment liabilities	1,429,352	521,912	3,498,419	5,449,683
Shareholders' funds	-	-	13,939,681	13,939,681

Segment revenue and expense:

Revenue is generated through licensing of software products as well as by providing software solutions to the customers including consulting services. The expenses which are not directly attributable to a business segment are shown as corporate expenses.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of debtors, deposits for premises and fixed assets, net of allowances. Segment liabilities primarily includes deferred revenues, finance lease obligation, advance from customer, accrued employee cost and other current liabilities. While most such assets and liabilities can be directly attributed to individual segments, the carrying amount of certain assets and liabilities used jointly by two or more segments is allocated to the segment on a reasonable basis. Assets and liabilities that cannot be allocated between the segments are shown as part of corporate assets.

Geographical segments

The following table shows the distribution of the Company's sales by geographical market :

Regions	Three month period ended		Three month period ended	
	June 30, 2007		June 30, 2006	
	Amount	%	Amount	%
United States of America	1,145,059	30%	1,183,646	39%
Europe	1,352,575	35%	812,863	26%
Asia Pacific	650,562	17%	500,084	16%
Middle East, India and Africa	666,410	17%	565,143	18%
Latin America and Caribbean	31,795	1%	22,168	1%
	<u>3,846,401</u>	<u>100%</u>	<u>3,083,904</u>	<u>100%</u>