

CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2007
(Amounts in thousands of Indian Rupees)

	December 31, 2007	March 31, 2007
<u>SOURCES OF FUNDS</u>		
Shareholders' funds		
Share capital	418,715	416,443
Share application money pending allotment	795	401,679
Reserves and surplus		
Securities premium	9,449,806	9,011,876
General reserve	10,145,192	10,145,191
Profit and loss account	6,465,147	4,009,569
	26,479,655	23,984,758
<u>APPLICATION OF FUNDS</u>		
Fixed assets		
Cost	4,006,561	3,232,748
Less: Accumulated depreciation and amortisation	2,117,381	1,739,532
Net book value	1,889,180	1,493,216
Capital work-in-progress and advances	1,247,704	1,270,678
	3,136,884	2,763,894
Investments		
Long term investments		
Unquoted	6,724	6,724
Quoted	33,123	33,123
In wholly owned subsidiaries (unquoted)	7,279,792	6,043,163
Current investments (quoted)	9,421	9,190
Deferred tax assets	166,966	131,351
Current assets, loans and advances		
Sundry debtors	8,628,259	10,419,437
Cash and bank balances	5,484,181	5,007,470
Other current assets	1,021,249	987,275
Loans and advances	5,036,066	4,866,857
	20,169,755	21,281,039
Less: Current liabilities and provisions		
Current liabilities	3,942,549	5,930,401
Provisions	380,461	353,325
	4,323,010	6,283,726
Net current assets	15,846,745	14,997,313
	26,479,655	23,984,758

Condensed notes referred to attached herein form an integral part of these accounts

i-flex Solutions Limited

CONDENSED PROFIT AND LOSS ACCOUNT FOR THE THREE AND NINE MONTH PERIOD ENDED DECEMBER 31, 2007
(Amounts in thousands of Indian Rupees, except share and per share data)

	Three month period ended December 31,		Nine month period ended December 31,	
	2007	2006	2007	2006
Revenue	4,567,411	3,955,632	12,765,488	11,007,538
Cost of revenue	(2,544,990)	(2,293,555)	(7,556,626)	(6,531,560)
Gross profit	2,022,421	1,662,077	5,208,862	4,475,978
Operating expenses				
Selling and marketing expenses	(213,835)	(161,654)	(570,484)	(536,723)
General and administrative expenses	(617,522)	(462,750)	(1,707,655)	(1,334,957)
Depreciation and amortisation	(166,498)	(142,059)	(477,414)	(406,589)
Income from operations	1,024,566	895,614	2,453,309	2,197,709
Non-operating income (expense)				
Provision for diminution in value of investments	-	-	(120,000)	-
Interest income	112,762	78,637	327,346	276,987
Foreign exchange gain (loss), net	19,118	(36,376)	(48,818)	(8,971)
Other income	191	39	2,615	5,539
Income before provision for taxes	1,156,637	937,914	2,614,452	2,471,264
Provision for taxes				
Current tax	(149,907)	(26,507)	(329,012)	(188,636)
MAT credit	96,252	-	198,286	-
Deferred tax	27,859	16,087	35,613	44,987
Fringe benefit tax	(23,006)	(17,000)	(63,761)	(52,200)
Net income for the period	1,107,835	910,494	2,455,578	2,275,415
Earnings per share of Rs 5/- each (in Rs)				
Basic	13.23	11.22	29.35	29.06
Diluted	13.20	10.92	29.26	28.27
Number of shares used in computing earnings per share				
Basic	83,740,120	81,129,965	83,667,923	78,309,112
Diluted	83,896,425	83,413,052	83,911,335	80,498,157

Condensed notes referred to attached herein form an integral part of these accounts

i-flex Solutions Limited

**Notes forming part of the condensed accounts for the three and nine month period ended
December 31, 2007**

(Amount in thousands of Indian Rupees, except share data)

1. Accounting policies

The Company has followed the same accounting policies in preparing the interim financial statements as were followed for the year ended March 31, 2007.

2. Commitments and contingent liabilities

(a) Contracts remaining to be executed on capital account and not provided for (net of advances) aggregates to Rs. 1,707,385 (includes capital commitment through issuance of letter of intents of Rs. 616,012) as at December 31, 2007 (March 31, 2007 - Rs 1,875,264).

(b) Financial bank guarantees given to banks on behalf of subsidiaries, aggregates to Rs. 43,351 as at December 31, 2007 (March 31, 2007 - Rs 39,384).

3. Movement in Company's share based compensation plans

	(Number of shares)			
	Three months period ended December 31,		Nine months period ended December 31,	
	2007	2006	2007	2006
Employee stock purchase scheme				
Opening balance of unallocated shares	149,561	129,885	142,116	120,888
Shares forfeited during the period	2,197	9,418	9,642	18,415
Closing balance of unallocated shares	151,758	139,303	151,758	139,303
Opening balance of allocated shares	265,114	1,769,546	355,212	2,080,546
Shares exercised during the period	(7,349)	(901,659)	(90,002)	(1,203,662)
Shares forfeited during the period	(2,197)	(9,418)	(9,642)	(18,415)
Closing balance of allocated shares	255,568	858,469	255,568	858,469
Shares eligible for exercise	124,393	679,594	124,393	679,594
Shares not eligible for exercise	131,175	178,875	131,175	178,875
Total allocated shares	255,568	858,469	255,568	858,469
Employee stock option plan				
Outstanding at beginning of period	461,953	2,847,730	530,485	2,756,880
Granted	-	-	-	373,000
Exercised	(14,100)	(394,443)	(58,832)	(641,893)
Forfeited	(12,100)	(7,000)	(35,900)	(41,700)
Outstanding at end of the period	435,753	2,446,287	435,753	2,446,287

Notes forming part of the condensed accounts for the three and nine month period ended December 31, 2007
(All amounts in thousands of Indian Rupees)

4 Segment information.

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 Company does not track assets and liabilities geographically.

Three month period ended December 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	2,829,384	1,738,027	-	4,567,411
Cost of revenue	(1,270,208)	(1,274,782)	-	(2,544,990)
Gross profit	1,559,176	463,245	-	2,022,421
Selling and marketing expenses	(181,760)	(32,075)	-	(213,835)
General and administrative expenses	(141,755)	(106,576)	(369,191)	(617,522)
Depreciation and amortisation	(70,499)	(62,451)	(33,548)	(166,498)
Income from operations	1,165,162	262,142	(402,739)	1,024,566
Interest income				112,762
Foreign exchange gain, net				19,118
Other income, net				191
Income before provision for taxes				1,156,637
Provision for taxes				(48,802)
Net income				1,107,835
<u>Other information</u>				
Segment assets	7,915,139	6,683,515	16,204,011	30,802,665
Segment liabilities	2,461,720	1,574,030	287,260	4,323,010
Capital employed	5,453,420	5,109,484	15,916,751	26,479,655

Three month period ended December 31, 2006

Particulars	Products	Services	Corporate	Total
Revenue	2,359,911	1,595,721	-	3,955,632
Cost of revenue	(996,702)	(1,296,853)	-	(2,293,555)
Gross profit	1,363,209	298,868	-	1,662,077
Selling and marketing expenses	(137,852)	(23,802)	-	(161,654)
General and administrative expenses	(103,180)	(101,482)	(258,088)	(462,750)
Depreciation and amortisation	(62,977)	(60,357)	(18,725)	(142,059)
Income from operations	1,059,200	113,227	(276,813)	895,614
Interest income				78,637
Foreign exchange loss, net				(36,376)
Other income, net				39
Income before provision for taxes				937,914
Provision for taxes				(27,420)
Net income				910,494
<u>Other information</u>				
Segment assets	7,329,637	7,566,679	12,650,525	27,546,841
Segment liabilities	3,016,161	2,434,369	301,493	5,752,023
Capital employed	4,313,476	5,132,310	12,349,032	21,794,818

i-flex Solutions Limited

Notes forming part of the condensed accounts for the three and nine month period ended December 31, 2007
(All amounts in thousands of Indian Rupees)

Nine month period ended December 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	7,633,569	5,131,919	-	12,765,488
Cost of revenue	<u>(3,645,220)</u>	<u>(3,911,406)</u>	-	<u>(7,556,626)</u>
Gross profit	3,988,349	1,220,513	-	5,208,862
Selling and marketing expenses	(491,773)	(78,711)	-	(570,484)
General and administrative expenses	(370,639)	(345,082)	(991,934)	(1,707,655)
Depreciation and amortisation	<u>(206,944)</u>	<u>(192,761)</u>	<u>(77,709)</u>	<u>(477,414)</u>
Income from operations	2,918,992	603,959	(1,069,643)	2,453,309
Provision for diminution in value of investments				(120,000)
Interest income				327,346
Foreign exchange loss, net				(48,818)
Other income, net				2,615
Income before provision for taxes				<u>2,614,452</u>
Provision for taxes				<u>(158,874)</u>
Net income				<u><u>2,455,578</u></u>

Nine month period ended December 31, 2006

Particulars	Products	Services	Corporate	Total
Revenue	6,235,722	4,771,816	-	11,007,538
Cost of revenue	<u>(2,792,962)</u>	<u>(3,738,598)</u>	-	<u>(6,531,560)</u>
Gross profit	3,442,760	1,033,218	-	4,475,978
Selling and marketing expenses	(462,472)	(74,251)	-	(536,723)
General and administrative expenses	(335,699)	(300,314)	(698,944)	(1,334,957)
Depreciation and amortisation	<u>(185,643)</u>	<u>(165,348)</u>	<u>(55,598)</u>	<u>(406,589)</u>
Income from operations	2,458,946	493,305	(754,542)	2,197,709
Interest income				276,987
Foreign exchange loss, net				(8,971)
Other income, net				5,539
Income before provision for taxes				<u>2,471,264</u>
Provision for taxes				<u>(195,849)</u>
Net income				<u><u>2,275,415</u></u>

Notes forming part of the condensed accounts for the three and nine month period ended December 31, 2007
(All amounts in thousands of Indian Rupees)

4 Segment information.

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 Company does not track assets and liabilities geographically.

Three month period ended December 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	2,829,384	1,738,027	-	4,567,411
Cost of revenue	(1,270,208)	(1,274,782)	-	(2,544,990)
Gross profit	1,559,176	463,245	-	2,022,421
Selling and marketing expenses	(181,760)	(32,075)	-	(213,835)
General and administrative expenses	(141,755)	(106,576)	(369,191)	(617,522)
Depreciation and amortisation	(70,499)	(62,451)	(33,548)	(166,498)
Income from operations	1,165,162	262,142	(402,739)	1,024,566
Interest income				112,762
Foreign exchange gain, net				19,118
Other income, net				191
Income before provision for taxes				1,156,637
Provision for taxes				(48,802)
Net income				1,107,835
<u>Other information</u>				
Segment assets	7,915,139	6,683,515	16,204,011	30,802,665
Segment liabilities	2,461,720	1,574,030	287,260	4,323,010
Capital employed	5,453,420	5,109,484	15,916,751	26,479,655

Three month period ended December 31, 2006

Particulars	Products	Services	Corporate	Total
Revenue	2,359,911	1,595,721	-	3,955,632
Cost of revenue	(996,702)	(1,296,853)	-	(2,293,555)
Gross profit	1,363,209	298,868	-	1,662,077
Selling and marketing expenses	(137,852)	(23,802)	-	(161,654)
General and administrative expenses	(103,180)	(101,482)	(258,088)	(462,750)
Depreciation and amortisation	(62,977)	(60,357)	(18,725)	(142,059)
Income from operations	1,059,200	113,227	(276,813)	895,614
Interest income				78,637
Foreign exchange loss, net				(36,376)
Other income, net				39
Income before provision for taxes				937,914
Provision for taxes				(27,420)
Net income				910,494
<u>Other information</u>				
Segment assets	7,329,637	7,566,679	12,650,525	27,546,841
Segment liabilities	3,016,161	2,434,369	301,493	5,752,023
Capital employed	4,313,476	5,132,310	12,349,032	21,794,818

i-flex Solutions Limited

Notes forming part of the condensed accounts for the three and nine month period ended December 31, 2007
(All amounts in thousands of Indian Rupees)

Nine month period ended December 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	7,633,569	5,131,919	-	12,765,488
Cost of revenue	<u>(3,645,220)</u>	<u>(3,911,406)</u>	-	<u>(7,556,626)</u>
Gross profit	3,988,349	1,220,513	-	5,208,862
Selling and marketing expenses	(491,773)	(78,711)	-	(570,484)
General and administrative expenses	(370,639)	(345,082)	(991,934)	(1,707,655)
Depreciation and amortisation	<u>(206,944)</u>	<u>(192,761)</u>	<u>(77,709)</u>	<u>(477,414)</u>
Income from operations	2,918,992	603,959	(1,069,643)	2,453,309
Provision for diminution in value of investments				(120,000)
Interest income				327,346
Foreign exchange loss, net				(48,818)
Other income, net				2,615
Income before provision for taxes				<u>2,614,452</u>
Provision for taxes				<u>(158,874)</u>
Net income				<u><u>2,455,578</u></u>

Nine month period ended December 31, 2006

Particulars	Products	Services	Corporate	Total
Revenue	6,235,722	4,771,816	-	11,007,538
Cost of revenue	<u>(2,792,962)</u>	<u>(3,738,598)</u>	-	<u>(6,531,560)</u>
Gross profit	3,442,760	1,033,218	-	4,475,978
Selling and marketing expenses	(462,472)	(74,251)	-	(536,723)
General and administrative expenses	(335,699)	(300,314)	(698,944)	(1,334,957)
Depreciation and amortisation	<u>(185,643)</u>	<u>(165,348)</u>	<u>(55,598)</u>	<u>(406,589)</u>
Income from operations	2,458,946	493,305	(754,542)	2,197,709
Interest income				276,987
Foreign exchange loss, net				(8,971)
Other income, net				5,539
Income before provision for taxes				<u>2,471,264</u>
Provision for taxes				<u>(195,849)</u>
Net income				<u><u>2,275,415</u></u>

i-flex Solutions Limited

CONDENSED STATEMENT OF CASH FLOW FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2007
(Amounts in thousands of Indian Rupees)

	Nine month period ended	
	December 31, 2007	December 31, 2006
Net cash provided by/used in operating activities	2,402,749	(918,918)
Cash flows from investing activities	(2,411,526)	(4,785,926)
Cash flows from financing activities	(36,491)	5,477,370
Effect of exchange difference on cash and bank balances	(47,719)	(320)
Net decrease in cash and cash equivalents	(92,987)	(227,794)
Cash and cash equivalents at beginning of the period	1,179,050	795,736
Cash and cash equivalents at end of the period	1,086,063	567,942
Cash in hand	523	998
Funds in transit	6,732	-
Cheques on hand	4,486	199
Balances with scheduled banks:		
Current accounts in foreign currency	843,371	296,080
Other current accounts	175,315	34,393
Deposit accounts	4,443,111	3,169,102
Deposit amount		
Unutilised IPO funds	-	25,242
Preferential issue	-	497,263
Margin money deposit	7,067	3,410
Unclaimed dividend accounts	1,861	2,129
Balances with non-scheduled banks:		
Current accounts in foreign currency	1,372	8,290
Deposit account in foreign currency	343	385
Cash and bank balances as per balance sheet	5,484,181	4,037,491
Less:		
Bank deposits having maturity of more than 90 days	(4,389,190)	(3,464,010)
Margin money deposit	(7,067)	(3,410)
Unclaimed dividend accounts	(1,861)	(2,129)
Cash and cash equivalents at the end of the period	1,086,063	567,942

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

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

N R K Raman
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Sunil Bhumralkar
Partner
Membership No. 35141

Deepak Ghaisas
Company Secretary

Tarjani Vakil
Director

Bangalore, India
January 22, 2008

Mumbai, India
January 22, 2008