

i-flex Solutions Limited

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

(Amounts in thousands of Indian Rupees)

	March 31, 2008	March 31, 2007
<u>SOURCES OF FUNDS</u>		
Shareholders' funds		
Share capital	418,737	416,443
Share application money pending allotment	265	401,679
Reserves and surplus	27,351,571	23,202,085
Deferred tax liability	4,677	1,745
Minority Interest	6,273	-
	27,781,523	24,021,952
<u>APPLICATION OF FUNDS</u>		
Fixed Assets		
Cost	11,088,250	9,626,043
Less: Accumulated depreciation, amortisation and impairment	2,575,047	2,030,937
Net book value	8,513,203	7,595,106
Capital work-in-progress and advances	1,313,536	1,346,108
	9,826,739	8,941,214
Investments	54,935	59,167
Deferred tax asset	230,280	141,483
Current assets, loans and advances		
Sundry debtors	8,453,962	7,494,396
Cash and bank balances	8,977,532	7,197,754
Other current assets	1,137,091	1,194,592
Loans and advances	5,241,646	4,325,016
	23,810,231	20,211,758
Less: Current liabilities and provisions		
Current liabilities	5,613,689	4,910,518
Provisions	526,973	421,152
	6,140,662	5,331,670
Net current assets	17,669,569	14,880,088
	27,781,523	24,021,952

i-flex Solutions Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008 (Amounts in thousands of Indian Rupees, except per share data)

	March 31,	
	2008	2007
Revenue	23,802,363	20,609,382
Cost of revenue	(13,040,290)	(11,066,050)
Gross profit	10,762,073	9,543,332
Operating expenses		
Selling and marketing expenses	(2,697,519)	(2,395,495)
General and administrative expenses	(3,392,247)	(2,723,336)
Depreciation and amortisation	(705,888)	(653,023)
Income from operations	3,966,419	3,771,478
Non-operating income (expenses)		
Interest income	464,767	376,907
Other income (expenses), net	174,938	(17,253)
Income before provision for taxes	4,606,124	4,131,132
Provision for taxes		
Current tax	(774,424)	(413,192)
MAT credit	362,605	-
Deferred tax	85,867	70,625
Fringe benefit tax	(115,733)	(73,391)
Net income for the year before share of profit of associate company and minority interest	4,164,439	3,715,174
Share of (loss) profit of associate company	(4,128)	7,622
Net income for the year before share of minority interest	4,160,311	3,722,796
Share of Minority interest	(4,425)	-
Net income for the year	4,155,886	3,722,796
Profit and loss account, beginning of the year	4,352,335	630,950
Amount available for appropriation	8,508,221	4,353,746
Appropriations :		
Dividend paid on stock options exercised	-	(1,237)
Tax on dividend paid on stock options exercised	-	(174)
Surplus carried to Balance Sheet	8,508,221	4,352,335
Earnings per share of Rs 5/- each (in Rs)		
Basic	49.66	47.05
Diluted	49.58	45.76

i-flex Solutions Limited

**Schedules annexed to and forming part of the accounts as at March 31, 2008
(Amounts in thousands of Indian Rupees, except share and per share data)**

SEGMENT INFORMATION

Business segments are defined as components of an enterprise 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 Group is organized geographically and by business segment. For management purposes the Group is primarily organised on a worldwide basis into three business segments:

- a) Product licenses and related activities ('Products') and
- b) IT solutions and consulting services ('Services')
- c) Knowledge Processing Services ('KPO-Services')

The business segments are the basis on which the Group reports its primary operational information to management. Product licenses and related activities segment deals with banking software products like the FLEXCUBE suite of products, Reveleus, Microbanker, Daybreak and anti-money laundering and compliance solutions 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. Product segment further comprises of casualty insurance carriers which include insurance product and process configuration, policy administration, customer management, billing and claims management.

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.

KPO - Services comprises of knowledge process outsourcing services to the mortgage banking industry

The activities of the joint venture are disclosed as a separate segment.

Year ended March 31, 2008

Particulars	Products	Services	KPO - Services	Joint ventures	Corporate	Eliminations	Total
Revenue							
External revenue	13,871,996	9,371,230	475,464	83,673	-	-	23,802,363
Inter-segment revenue	7,811	7,832	93,873	11,320	-	(120,836)	-
Total revenue	13,879,807	9,379,062	569,337	94,993	-	(120,836)	23,802,363
Cost of revenue	(5,986,685)	(6,606,863)	(394,487)	(52,255)	-	-	(13,040,290)
Gross profit	7,893,122	2,772,199	174,850	42,738	-	(120,836)	10,762,073
Selling and marketing expenses	(2,230,936)	(337,630)	(125,432)	(3,521)	-	-	(2,697,519)
General and administrative expenses	(979,916)	(583,987)	(117,378)	(8,361)	(1,702,605)	-	(3,392,247)
Depreciation and amortisation	(328,086)	(244,600)	(27,100)	(7,531)	(98,571)	-	(705,888)
Inter segment expense	(11,320)	(93,873)	(7,832)	(7,811)	-	120,836	-
Income (loss) from operations	4,342,864	1,512,109	(102,892)	15,514	(1,801,176)	-	3,966,419
Interest income							464,767
Other income, net							174,938
Income before provision for tax:							4,606,124
Provision for taxes							(441,685)
Net income for the year before share of loss of associate company and minority interest							4,164,439
Share of loss of associate company							(4,128)
Net income for the year before share of minority interest							4,160,311
Share of Minority interest							(4,425)
Net income for the year							4,155,886
<u>Other information</u>							
Capital expenditure by segment	1,090,753	825,999	7,997	-	185,571	-	2,110,320
Segment assets	13,795,127	6,222,022	321,872	-	13,583,164	-	33,922,185
Segment liabilities	3,434,543	1,049,677	98,230	-	1,569,162	-	6,151,612
Shareholders' funds	-	-	-	-	27,770,573	-	27,770,573

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Schedules annexed to and forming part of the accounts as at March 31, 2008
(Amounts in thousands of Indian Rupees, except share and per share data)

Year ended March 31, 2007

Particulars	Products	Services	KPO - Services	Joint ventures	Corporate	Eliminations	Total
Revenue							
External revenue	11,193,090	8,919,800	444,775	51,717	-	-	20,609,382
Inter-segment revenue	17,953	-	-	-	-	(17,953)	-
Total revenue	11,211,043	8,919,800	444,775	51,717	-	(17,953)	20,609,382
Cost of revenue	(4,350,515)	(6,391,068)	(298,432)	(26,035)	-	-	(11,066,050)
Gross profit	6,860,528	2,528,732	146,343	25,682	-	(17,953)	9,543,332
Selling and marketing expenses	(1,961,393)	(320,373)	(112,588)	(1,141)	-	-	(2,395,495)
General and administrative expenses	(820,356)	(458,868)	(125,056)	631	(1,319,687)	-	(2,723,336)
Depreciation and amortization	(307,078)	(241,485)	(24,624)	(5,685)	(74,151)	-	(653,023)
Inter segment expense	-	-	-	(17,953)	-	17,953	-
Income (loss) from operations	3,771,701	1,508,006	(115,925)	1,534	(1,393,838)	-	3,771,478
Interest income							376,907
Other expenses, net							(17,253)
Income before provision for tax:							4,131,132
Provision for taxes							(415,958)
Net income for the year before share of profit of associate company							3,715,174
Share of profit of associate company							7,622
Net income							3,722,796
<u>Other information</u>							
Capital expenditure by segment	5,686,716	191,662	13,100	7,857	85,784	-	5,985,119
Segment assets	12,999,204	5,732,294	336,175	36,378	10,249,571	-	29,353,622
Segment liabilities	3,118,195	930,957	115,417	8,129	1,160,717	-	5,333,415
Shareholders' funds	-	-	-	-	24,020,207	-	24,020,207

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 and knowledge process outsourcing 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. 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 and liabilities.

Geographical segments

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

Regions	Year ended March 31, 2008		Year ended March 31, 2007	
	Amount	%	Amount	%
United States of America	7,840,933	33%	8,145,729	39%
Europe	8,110,823	34%	5,699,472	28%
Asia Pacific	4,513,093	19%	3,639,511	18%
Middle East, India and Africa	3,172,847	13%	2,984,815	14%
Latin America and Caribbean	164,667	1%	139,855	1%
	23,802,363	100%	20,609,382	100%

i-flex Solutions Limited

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2008

(Amounts in thousands of Indian Rupees)

	Year ended	
	March 31, 2008	March 31, 2007
Cash flows from operating activities		
Income before provision for taxes	4,606,124	4,131,132
Adjustments to reconcile income before provision for taxes to cash used in operating activities :		
Depreciation and amortization	705,888	653,023
Deferred compensation expense	90,809	33,451
Loss on sale of fixed assets, net	7,820	4,554
Advances written off	-	8,351
Marked to market of current investment	104	810
Interest income	(464,767)	(376,907)
Effect of exchange difference on cash and bank balances	(18,499)	10,102
Finance charge on leased assets	4,164	5,284
Bad debts	15,465	-
Provision for doubtful debts, net	174,775	87,611
	5,121,883	4,557,411
Changes in assets and liabilities, net of effect of acquisition		
Increase in sundry debtors and unbilled revenue	(735,610)	(2,564,646)
Increase in loans and advances	128,511	(422,597)
Increase in current liabilities and provisions	544,618	1,159,238
Cash from operating activities	5,059,402	2,729,405
Payment of domestic and foreign taxes	(961,498)	(1,083,505)
Net cash provided by operating activities	4,097,904	1,645,900
Cash flows from investing activities		
Additions to fixed assets including capital work in progress	(1,167,043)	(1,242,105)
Net Investment in lease	9,903	(20,610)
Acquisition of company, net of cash acquired	(892,762)	(5,520,840)
Deposits for Office Premises	(653,332)	(1,258,128)
Proceeds from sale of fixed assets	2,683	13,157
Bank fixed deposits having maturity of more than 90 days matured	6,875,037	7,679,391
Bank fixed deposits having maturity of more than 90 days booked	(8,791,167)	(6,741,189)
Proceeds from sale of investments	-	20,000
Interest received	458,407	352,312
Net cash used in investing activities	(4,158,274)	(6,718,012)
Cash flows from financing activities		
Issue of shares against ESOP scheme and options to IBM	40,025	678,514
Share application money from GE	-	361,238
Share issue expenses	(7,301)	-
Issue of shares to Oracle Global Mauritius Limited	-	5,814,999
Advance against equity shares to be issued under ESOP Scheme	265	-
Repayment of loan by Employee Stock Purchase Scheme ('ESPS') Trust	-	4,925
Payment of dividend and tax thereon	-	(436,350)
Payment of lease obligations	(19,341)	(16,302)
Net cash provided by (used in) financing activities	13,648	6,407,024
Effect of exchange difference on cash and cash equivalents	(89,372)	(68,428)
Net increase (decrease) in cash and cash equivalents	(136,094)	1,266,483
Cash and cash equivalents at beginning of the year	3,351,773	2,085,290
Cash and cash equivalents at end of the year (Note 1)	3,215,679	3,351,773

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

	March 31,	
	2008	2007
Cash in hand	2,172	2,133
Cheques on hand	9,748	50,111
Balances with scheduled banks:		
Current accounts in foreign currency	756,915	463,916
Other current accounts	127,634	84,079
Deposit accounts	5,539,750	3,715,847
Deposit amount of		
Unutilised IPO funds	-	287,190
Preferential issue	-	497,263
Margin money deposit/Escrow account	134,289	19,292
Unclaimed dividend amount	1,807	2,065
Balances with non-scheduled banks:		
Current accounts in foreign currency	2,005,270	1,743,342
Deposit account in foreign currency	399,947	332,516
Total cash and bank balances	8,977,532	7,197,754
Less:		
Bank deposits having maturity of more than 90 days	(5,625,757)	(3,824,624)
Margin money deposit/Escrow account	(134,289)	(19,292)
Unclaimed dividend accounts	(1,807)	(2,065)
Cash and cash equivalents at end of the year	3,215,679	3,351,773