

i-flex Solutions Limited

BALANCE SHEET AS AT MARCH 31, 2008

(Amounts in thousands of Indian Rupees)

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
<u>SOURCES OF FUNDS</u>		
Shareholders' funds		
Share capital	418,737	416,443
Share application money pending allotment	265	401,679
Reserves and surplus	27,707,489	23,166,636
	<u>28,126,491</u>	<u>23,984,758</u>
<u>APPLICATION OF FUNDS</u>		
Fixed assets		
Cost	4,030,206	3,232,748
Less: Accumulated depreciation and amortisation	2,226,083	1,739,532
Net book value	1,804,123	1,493,216
Capital work-in-progress and advances	1,310,154	1,270,678
	<u>3,114,277</u>	<u>2,763,894</u>
Investments	7,234,149	6,092,200
Deferred tax assets	221,714	131,351
Current assets, loans and advances		
Sundry debtors	9,033,141	10,419,437
Cash and bank balances	6,400,880	5,007,470
Other current assets	976,894	987,275
Loans and advances	5,858,496	4,866,857
	<u>22,269,411</u>	<u>21,281,039</u>
Less: Current liabilities and provisions		
Current liabilities	4,279,726	5,930,401
Provisions	433,334	353,325
	<u>4,713,060</u>	<u>6,283,726</u>
Net current assets	17,556,351	14,997,313
	<u>28,126,491</u>	<u>23,984,758</u>

i-flex Solutions Limited

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	17,929,718	15,523,444
Cost of revenue	(10,312,571)	(8,884,576)
Gross profit	7,617,147	6,638,868
Operating expenses		
Selling and marketing expenses	(772,427)	(725,502)
General and administrative expenses	(2,292,755)	(1,885,836)
Depreciation and amortisation	(603,095)	(565,351)
Income from operations	3,948,870	3,462,179
Provision for diminution in value of investment	(120,000)	-
Non-operating income (expenses)		
Interest income	419,974	365,535
Other income (expenses), net	66,556	(17,232)
Income before provision for taxes	4,315,400	3,810,482
Provision for taxes		
Current tax	(543,981)	(251,032)
MAT credit	362,605	-
Deferred tax	90,365	60,589
Fringe benefit tax	(115,644)	(73,300)
Net income for the year	4,108,745	3,546,739
Profit and loss account, beginning of the year	4,009,569	464,241
Amount available for appropriation	8,118,314	4,010,980
Appropriations:		
Dividend paid on stock options exercised	-	(1,237)
Tax on dividend paid on stock options exercised	-	(174)
Surplus carried to Balance Sheet	8,118,314	4,009,569
Earnings per share of Rs 5/- each (in Rs)		
Basic	49.10	44.82
Diluted	49.02	43.60

i-flex Solutions Limited

**Schedules annexed to and forming part of the accounts for the year ended March 31, 2008
(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.

Year ended March 31, 2008

Particulars	Products	Services	Corporate	Total
Revenue	11,035,574	6,894,144	-	17,929,718
Cost of revenue	(5,018,021)	(5,294,550)	-	(10,312,571)
Gross profit	6,017,553	1,599,594	-	7,617,147
Selling and marketing expenses	(663,425)	(109,002)	-	(772,427)
General and administrative expenses	(540,344)	(457,310)	(1,295,101)	(2,292,755)
Depreciation and amortisation	(267,005)	(237,521)	(98,569)	(603,095)
Income from operations	4,546,779	795,761	(1,393,670)	3,948,870
Provision for diminution in value of investment				(120,000)
Interest income				419,974
Other income, net				66,556
Income before provision for taxes				4,315,400
Provision for taxes				(206,655)
Net income				4,108,745

Other information

Capital expenditure by segment	104,918	728,940	85,073	918,931
Segment assets	8,147,551	6,631,903	18,060,097	32,839,551
Segment liabilities	2,922,572	1,464,146	326,342	4,713,060
Shareholders' funds	-	-	28,126,491	28,126,491

Year ended March 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	8,909,532	6,613,912	-	15,523,444
Cost of revenue	(3,864,229)	(5,020,347)	-	(8,884,576)
Gross profit	5,045,303	1,593,565	-	6,638,868
Selling and marketing expenses	(627,123)	(98,379)	-	(725,502)
General and administrative expenses	(444,829)	(424,040)	(1,016,967)	(1,885,836)
Depreciation and amortisation	(255,130)	(236,065)	(74,156)	(565,351)
Income from operations	3,718,221	835,081	(1,091,123)	3,462,179
Interest income				365,535
Other expense, net				(17,232)
Income before provision for taxes				3,810,482
Provision for taxes				(263,743)
Net income				3,546,739

Other information

Capital expenditure by segment	226,932	153,112	50,925	430,969
Segment assets	8,051,748	8,202,353	14,014,383	30,268,484
Segment liabilities	3,547,580	2,481,813	254,333	6,283,726
Shareholders' funds	-	-	23,984,758	23,984,758

i-flex Solutions Limited

**Schedules annexed to and forming part of the accounts for the year ended March 31, 2008
(All amounts in thousands of Indian Rupees)**

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 of 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 Company's sales by geographical market :

Regions	Year Ended March 31,			
	2008		2007	
	Amount	%	Amount	%
United States of America	4,349,898	24%	5,333,405	34%
Europe	6,808,422	38%	4,541,764	30%
Asia Pacific	3,552,274	20%	3,002,966	19%
Middle East, India and Africa	3,054,457	17%	2,505,454	16%
Latin America and Caribbean	164,667	1%	139,855	1%
	17,929,718	100%	15,523,444	100%

i-flex Solutions Limited

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

(Amounts in thousands of Indian Rupees)

	Year ended March	
	2008	2007
Cash flows from operating activities		
Income before provision for taxes	4,315,400	3,810,482
Adjustments to reconcile income before provision for taxes to cash (used in) provided by operating activities :		
Depreciation and amortisation	603,095	565,351
Profit on sale of fixed assets, net	(443)	4,554
Marked to market of current investment	104	810
Interest income	(419,974)	(365,535)
Effect of exchange difference on cash and bank balances	28,777	(4,301)
Finance charge on leased assets	2,064	1,766
Provision for diminution in value of investment	120,000	-
Provision for doubtful debts, net	152,714	74,063
Bad debts	13,392	-
	4,815,129	4,087,190
Changes in assets and liabilities, net of effect of acquisition		
Decrease (increase) in sundry debtors and unbilled revenue	1,333,706	(3,664,637)
Decrease (increase) in loans and advances	52,232	(563,206)
(Increase) decrease in current liabilities and provisions	(1,527,665)	1,764,376
Cash from operating activities	4,673,402	1,623,723
Payment of domestic and foreign taxes	(730,059)	(818,170)
Net cash provided by operating activities	3,943,343	805,553
Cash flows from investing activities		
Additions to fixed assets including capital work-in-progress	(980,548)	(1,120,053)
Net investment in lease	9,902	(20,610)
Investment in subsidiary companies	(1,262,053)	(5,679,474)
Deposit for office premises	(640,536)	(1,225,252)
Proceeds from sale of fixed assets	559	11,608
Bank fixed deposits having maturity of more than 90 days matured	6,866,148	7,679,391
Bank fixed deposits having maturity of more than 90 days booked	(8,473,217)	(6,723,628)
Proceeds from maturity of investments	-	20,000
Interest received	402,465	314,787
Net cash used in investing activities	(4,077,280)	(6,743,231)
Cash flows from financing activities		
Issue of shares against Employee Stock Option scheme and options to IBM	40,024	678,514
Issue of shares to Oracle Global Mauritius Limited	-	5,814,999
Share application money from GE	-	361,238
Advance against equity shares to be issued under ESOP scheme	265	-
Share issue expenses	(7,301)	-
Repayment of loan by Employee Stock Purchase Scheme ('ESPS') Trust	-	4,925
Loan to subsidiaries	(71,894)	(96,313)
Payment of dividend and tax thereon	-	(436,350)
Payment of lease obligations	(11,779)	(10,322)
Net cash (used in) provided by financing activities	(50,685)	6,316,691
Effect of exchange difference on cash and bank balances	(28,777)	4,301
Net increase in cash and cash equivalents	(213,399)	383,314
Cash and cash equivalents at beginning of the year	1,179,050	795,736
Cash and cash equivalents at end of the year (Note 1)	965,651	1,179,050

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

	Year ended March	
	2008	2007
Cash in hand	527	985
Cheques on hand	9,748	-
Balances with scheduled banks:		
Current accounts in foreign currency	756,912	463,916
Other current accounts	83,773	44,813
Deposit accounts	5,513,108	3,699,052
Deposit amount		
Unutilised IPO funds	-	287,190
Preferential issue	-	497,263
Margin money deposit	7,067	6,067
Unclaimed dividend accounts	1,807	2,065
Balances with non-scheduled banks:		
Current accounts in foreign currency	27,591	5,739
Deposit account in foreign currency	347	380
Total Cash and bank balances	6,400,880	5,007,470
Less:		
Bank deposits having maturity of more than 90 days	(5,426,355)	(3,820,288)
Margin money deposit	(7,067)	(6,067)
Unclaimed dividend accounts	(1,807)	(2,065)
Cash and cash equivalents at the end of the year	965,651	1,179,050