

**i-flex solutions Limited**

**CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2008**

**(Amounts in thousands of Indian Rupees)**

	<b>June 30, 2008</b>	<b>March 31, 2008</b>
<b><u>SOURCES OF FUNDS</u></b>		
Shareholders' funds		
Share capital	418,760	418,737
Share application money pending allotment	1,331	265
Reserves and surplus	28,714,774	27,351,571
Deferred tax liability	4,234	4,677
Minority Interest	6,842	6,273
	<b>29,145,941</b>	<b>27,781,523</b>
<b><u>APPLICATION OF FUNDS</u></b>		
Fixed Assets		
Cost	11,488,070	11,088,250
Less: Accumulated depreciation, amortisation and impairment	2,708,401	2,575,047
Net book value	8,779,669	8,513,203
Capital work-in-progress and advances	1,429,178	1,313,536
	10,208,847	9,826,739
Investments	15,162	54,935
Deferred tax asset	237,883	230,280
Current assets, loans and advances		
Sundry debtors	8,655,889	8,453,962
Cash and bank balances	9,788,094	8,965,620
Other current assets	1,234,561	1,137,091
Loans and advances	5,552,545	5,241,646
	25,231,089	23,798,319
Less: Current liabilities and provisions		
Current liabilities	6,006,846	5,601,777
Provisions	540,194	526,973
	6,547,040	6,128,750
Net current assets	18,684,049	17,669,569
	<b>29,145,941</b>	<b>27,781,523</b>

## i-flex solutions Limited

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2008 (Amounts in thousands of Indian Rupees, except per share data)

	June 30,	
	2008	2007
Revenue	6,318,330	5,133,365
Cost of revenue	(3,685,605)	(3,123,059)
Gross profit	2,632,725	2,010,306
Operating expenses		
Selling and marketing expenses	(1,042,912)	(551,952)
General and administrative expenses	(900,546)	(765,416)
Depreciation and amortisation	(137,847)	(164,094)
Income from operations	551,420	528,844
Non-operating income (expenses)		
Interest income	146,706	116,576
Other income (expenses), net	491,876	(198,037)
Income before provision for taxes	1,190,002	447,383
Provision for taxes		
Current tax	(183,075)	(106,920)
MAT credit	67,797	30,780
Deferred tax	7,819	17,711
Fringe benefit tax	(20,551)	(20,450)
Net income for the year before share of profit of associate company and minority interest	1,061,992	368,504
Share of (loss) profit of associate company	(6,272)	(1,359)
Net income for the period before share of minority interest	1,055,720	367,145
Share of Minority interest	(95)	-
Net income for the period	1,055,625	367,145
Earnings per share of Rs 5/- each (in Rs)		
Basic	12.60	4.39
Diluted	12.59	4.38

**i-flex Solutions Limited**

**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2008**  
(Amounts in thousands of Indian Rupees)

	<b>Three months period ended</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
<b>Cash flows from operating activities</b>		
Income before provision for taxes	1,190,002	447,383
Adjustments to reconcile income before provision for taxes to cash used in operating activities :		
Depreciation and amortization	137,847	164,094
Deferred compensation expense	-	15,126
Loss on sale of fixed assets, net	178	-
Marked to market of current investment	248	27
Interest income	(146,706)	(116,576)
Effect of exchange difference on cash and bank balances	(117,029)	10,102
Finance charge on leased assets	943	943
Provision for doubtful debts, net	278,931	(2,745)
	<b>1,344,414</b>	<b>518,354</b>
Changes in assets and liabilities, net of effect of acquisition		
Increase in sundry debtors and unbilled revenue	(627,108)	1,247,235
Increase in loans and advances	(109,814)	(116,390)
Increase in current liabilities and provisions	440,947	(81,999)
Cash from operating activities	1,048,439	1,567,200
Payment of domestic and foreign taxes	(247,621)	(167,482)
<b>Net cash provided by operating activities</b>	<b>800,818</b>	<b>1,399,718</b>
<b>Cash flows from investing activities</b>		
Additions to fixed assets including capital work in progress	(130,575)	(497,186)
Net Investment in lease	2,575	2,455
Proceeds from sale of fixed assets	143	2,536
Bank fixed deposits having maturity of more than 90 days matured	2,321,011	2,328,979
Bank fixed deposits having maturity of more than 90 days booked	(732,621)	(2,074,028)
Interest received	86,127	119,110
<b>Net cash used in investing activities</b>	<b>1,546,660</b>	<b>(118,134)</b>
<b>Cash flows from financing activities</b>		
Issue of shares against ESOP scheme and options to IBM	927	-
Advance against equity shares to be issued under ESOP Scheme	1,331	13,542
Payment of lease obligations	(3,081)	(6,209)
<b>Net cash provided by (used in) financing activities</b>	<b>(823)</b>	<b>7,333</b>
<b>Effect of exchange difference on translation</b>	<b>64,219</b>	<b>(10,102)</b>
Net increase (decrease) in cash and cash equivalents	2,410,874	1,278,815
Cash and cash equivalents at beginning of the period	3,215,679	3,351,773
<b>Cash and cash equivalents at end of the period</b>	<b>5,626,553</b>	<b>4,630,588</b>

**Note 1 :**

**Component of cash and cash equivalent**

	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash and bank balances	9,788,094	8,221,617
Less:		
Bank deposits having maturity of more than 90 days	(4,153,677)	(3,570,195)
Margin money deposit/Escrow account	(6,067)	(18,770)
Unclaimed dividend accounts	(1,797)	(2,064)
<b>Cash and cash equivalents at end of the period</b>	<b>5,626,553</b>	<b>4,630,588</b>

**i-flex Solutions Limited**

**Notes forming part of the accounts for the Three month period ended June 30, 2008**  
(All amounts in thousands of Indian Rupees)

**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

- 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 and Daybreak 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. Anti-money laundering and compliance solutions are the new additions to product segment on acquisition of Mantas.

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.

**Three month Period ended June 30, 2008**

Particulars	Products	Services	KPO - Services	Joint ventures	Corporate	Eliminations	Total
Revenue							
External revenue	3,633,638	2,544,037	140,655	-	-	-	6,318,330
Inter-segment revenue	-	-	28,522	-	-	(28,522)	-
Total revenue	3,633,638	2,544,037	169,177	-	-	(28,522)	6,318,330
Cost of revenue	(1,787,749)	(1,806,726)	(91,130)	-	-	-	(3,685,605)
Gross profit	1,845,889	737,311	78,047	-	-	(28,522)	2,632,725
Selling and marketing expenses	(826,351)	(188,770)	(27,791)	-	-	-	(1,042,912)
General and administrative expenses	(283,081)	(182,759)	(33,249)	-	(401,457)	-	(900,546)
Depreciation and amortisation	(61,877)	(48,774)	(6,371)	-	(20,825)	-	(137,847)
Inter segment expense	-	(28,522)	-	-	-	28,522	-
Income (loss) from operations	674,580	288,486	10,636	-	(422,282)	-	551,420
Interest income							146,706
Other expenses, net							491,876
Income before provision for taxes							1,190,002
Provision for taxes							(128,010)
Net income for the period before share of loss of associate company and minority interest							1,061,992
Share of loss of associate company							(6,272)
Net income for the period before share of minority interest							1,055,720
Share of Minority interest							(95)
Net income							1,055,625

