

i-flex Solutions Limited

CONDENSED BALANCE SHEET AS AT JUNE 30, 2008

(Amounts in thousands of Indian Rupees)

	June 30, 2008	March 31, 2008
<u>SOURCES OF FUNDS</u>		
Shareholders' funds		
Share capital	418,760	418,737
Share application money pending allotment	1,331	265
Reserves and surplus		
Securities premium	9,445,154	9,443,984
General reserve	10,145,191	10,145,191
Profit and loss account	9,040,149	8,118,314
	29,050,585	28,126,491
 <u>APPLICATION OF FUNDS</u>		
Fixed assets		
Cost	4,058,273	4,030,206
Less: Accumulated depreciation and amortisation	2,327,457	2,226,083
Net book value	1,730,816	1,804,123
Capital work-in-progress and advances	1,424,316	1,310,154
	3,155,132	3,114,277
Investments		
Long term investments		
Unquoted	6,593	6,724
Quoted	-	33,123
In wholly owned subsidiaries (unquoted)	7,185,216	7,185,216
Current investments (quoted)	8,838	9,086
Deferred tax assets	227,573	221,714
Current assets, loans and advances		
Sundry debtors	9,413,646	9,033,141
Cash and bank balances	7,222,834	6,400,880
Other current assets	960,287	976,894
Loans and advances	6,172,407	5,858,496
	23,769,174	22,269,411
Less: Current liabilities and provisions		
Current liabilities	4,845,451	4,279,726
Provisions	456,490	433,334
	5,301,941	4,713,060
Net current assets	18,467,233	17,556,351
	29,050,585	28,126,491

Condensed notes attached herein form an integral part of these accounts

i-flex Solutions Limited

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

	Three month period ended June 30,	
	2008	2007
Revenue	4,627,973	3,846,401
Cost of revenue	(2,929,597)	(2,435,229)
Gross profit	1,698,376	1,411,172
Operating expenses		
Selling and marketing expenses	(423,108)	(145,852)
General and administrative expenses	(665,652)	(497,353)
Depreciation and amortisation	(105,641)	(142,702)
Income from operations	503,975	625,265
Non-operating income (expense)		
Interest income	135,989	106,315
Foreign exchange gain (loss), net	351,315	(107,803)
Other income	3,336	2,160
Income before provision for taxes	994,615	625,937
Provision for taxes		
Current tax	(125,885)	(77,244)
MAT credit	67,797	39,878
Deferred tax	5,859	13,846
Fringe benefit tax	(20,551)	(20,421)
Net income for the period	921,835	581,996
Earnings per share of Rs 5/- each (in Rs)		
Basic	11.01	6.97
Diluted	11.00	6.94
Number of shares used in computing earnings per share		
Basic	83,749,122	83,553,715
Diluted	83,835,732	83,858,876

Condensed notes attached herein form an integral part of these accounts

i-flex Solutions Limited

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

	Three month period ended	
	June 30, 2008	June 30, 2007
Net cash provided by operating activities	900,320	655,321
Net cash provided by/used in investing activities	1,423,984	(9,910)
Net cash used in/provided by financing activities	(487)	(49,378)
Effect of exchange difference on cash and bank balances	(24,627)	(15,751)
Net increase in cash and cash equivalents	2,299,190	580,282
Cash and cash equivalents at beginning of the period	965,651	1,179,050
Cash and cash equivalents at end of the period	3,264,841	1,759,332
Cash and bank balances as per balance sheet	7,222,834	5,332,801
Less:		
Bank deposits having maturity of more than 90 days	(3,950,129)	(3,565,337)
Margin money deposit	(6,067)	(6,067)
Unclaimed dividend accounts	(1,797)	(2,065)
Cash and cash equivalents at the end of the period	3,264,841	1,759,332

i-flex Solutions Limited

Notes forming part of the condensed accounts for the three month period ended June 30, 2008

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

1. During the quarter ended June 30, 2008, the Board has approved change of name of the Company to "Oracle Financial Services Software Limited". The Registrar of Companies approved this new name on June 25, 2008. The change will be effective subject to the approval of the shareholders and other regulatory approvals. The approval of the shareholders is being sought at the Extraordinary General Meeting to be held on August 11, 2008.

2. Accounting policies

- (a) The Company has followed the same accounting policies in preparing the interim financial statements as were followed for the year ended March 31, 2008 except for change in policy of revenue recognition for fixed price contracts.

With effect from April 1, 2008, the Company changed its policy of revenue recognition pertaining to fixed price contracts. Hitherto, such revenue was restricted to the lower of proportionate completed efforts and acceptance received from the customer for the milestone achieved. During the three month period ended June 30, 2008, revenue is recognized using proportionate completion method till contract reach 90% completion. Balance revenue is recognized in the period customer acceptance is received. As a result of this change in policy, revenue and net income for the three month period ended June 30, 2008 is higher by Rs 88,711 and that the revenue and income from operations for Products and Services segments is higher by Rs 63,587 and Rs 25,124 respectively.

- (b) During the three month period ended June 30, 2008, the Company has allocated certain expenses to its primary segments – Products and Services which were included in corporate expenses in the earlier period/year. As a result, income from operations for Products and Services segment is lower by Rs 60,083 and Rs 56,871 respectively. The Company has regrouped previous period figures to confirm with current period's presentation.

3. Commitments and contingent liabilities

- (a) Contracts remaining to be executed on capital account and not provided for (net of advances) aggregates to Rs. 1,656,981 (includes capital commitment through issuance of letter of intents of Rs.260,505) as at June 30, 2008 (March 31, 2008 - Rs 1,654,626).
- (b) Financial bank guarantee given to banks on behalf of subsidiary, aggregates to Rs. 8,586 as at June 30, 2008 (March 31, 2008 - Rs 8,052).

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Notes forming part of the condensed accounts for the three month period ended June 30, 2008
(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 June 30, 2008

Particulars	Products	Services	Corporate	Total
Revenue	2,823,257	1,804,716	-	4,627,973
Cost of revenue	(1,471,840)	(1,457,757)	-	(2,929,597)
Gross profit	1,351,417	346,959	-	1,698,376
Selling and marketing expenses	(320,705)	(102,403)	-	(423,108)
General and administrative expenses	(222,882)	(151,407)	(291,363)	(665,652)
Depreciation and amortisation	(48,237)	(42,100)	(15,304)	(105,641)
Income from operations	759,593	51,049	(306,667)	503,975
Interest income				135,989
Foreign exchange gain, net				351,315
Other income, net				3,336
Income before provision for taxes				994,615
Provision for taxes				(72,780)
Net income				921,835
<u>Other information</u>				
Capital expenditure by segment	14,060	11,545	7,250	32,855
Segment assets	6,166,441	8,785,706	19,400,379	34,352,526
Segment liabilities	3,284,809	1,582,602	434,530	5,301,941
Capital employed	2,881,632	7,203,104	18,965,849	29,050,585

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Notes forming part of the condensed accounts for the three month period ended June 30, 2008

(All amounts in thousands of Indian Rupees)

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	(128,052)	(17,800)	-	(145,852)
General and administrative expenses	(138,685)	(148,314)	(210,354)	(497,353)
Depreciation and amortisation	(66,455)	(55,754)	(20,493)	(142,702)
Income from operations	677,093	179,019	(230,847)	625,265
Interest income				106,315
Foreign exchange loss, net				(107,803)
Other income, net				2,160
Income before provision for taxes				625,937
Provision for taxes				(43,941)
Net income				581,996
<u>Other information</u>				
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
Capital employed	4,491,469	6,004,454	14,084,374	24,580,297

i-flex Solutions Limited

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

5. Aggregate expenses

	Three month period ended	
	June 30,	
	2008	2007
Salaries and bonus	2,532,707	1,873,267
Staff welfare expenses	66,702	58,094
Contribution to provident and other funds	75,026	50,120
Travel related expenses (net of recoveries)	346,875	479,351
Professional fees	275,047	237,933
Application software	151,568	150,497
Communication expenses	38,112	26,636
Rent	138,333	84,415
Advertising expenses	1,344	4,851
Power	60,163	44,399
Insurance	8,689	17,069
Repairs and maintenance:		
Leasehold premises	8,881	1,550
Computer equipments	20,751	1,862
Others	10,616	8,263
Rates and taxes	10,639	2,206
Finance charge on leased assets	608	518
Provision for doubtful debts, net	233,623	1,010
Bad debts	-	4,864
Other expenses	38,673	31,530
	4,018,357	3,078,435

6. Prior period amounts have been reclassified, where necessary to confirm with current period's presentation.