

**Oracle Financial Services Software Limited**  
(formerly known as i-flex solutions limited)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2008**

(Amounts in thousands of Indian Rupees)

	<b>September 30, 2008</b>	<b>March 31, 2008</b>
<b><u>SOURCES OF FUNDS</u></b>		
Shareholders' funds		
Share capital	418,847	418,737
Share application money pending allotment	337	265
Reserves and surplus		
Securities premium	9,454,958	9,444,295
General reserve	10,145,191	10,145,191
Foreign currency translation reserve	(790,476)	(747,043)
Gain on dilution of equity investment in joint venture	907	907
Profit and loss account	10,498,096	8,508,221
 Deferred tax liability	 4,114	 4,677
 Minority Interest	 9,187	 6,273
	<b>29,741,161</b>	<b>27,781,523</b>
<b><u>APPLICATION OF FUNDS</u></b>		
Fixed assets		
Cost	11,738,770	11,088,250
Less: Accumulated depreciation and amortisation	2,850,774	2,575,047
Net book value	8,887,996	8,513,203
Capital work-in-progress and advances	1,003,666	1,313,536
	9,891,662	9,826,739
 Investments		
Long term investments		
Unquoted	4,562	12,726
Quoted	-	33,123
Current investments (quoted)	8,621	9,086
 Deferred tax assets	 251,932	 230,280
 Current assets, loans and advances		
Sundry debtors	8,103,807	8,453,962
Cash and bank balances	11,404,370	8,965,620
Other current assets	2,136,803	1,137,091
Loans and advances	6,101,387	5,241,646
	27,746,367	23,798,319
 Less: Current liabilities and provisions		
Current liabilities	7,578,216	5,601,777
Provisions	583,767	526,973
	8,161,983	6,128,750
 Net current assets	 19,584,384	 17,669,569
	<b>29,741,161</b>	<b>27,781,523</b>

**Oracle Financial Services Software Limited**  
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**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2008**

(Amounts in thousands of Indian Rupees, except share and per share data)

	<b>Six month period ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Revenue	13,392,053	10,891,369
Cost of revenue	(7,660,798)	(6,369,072)
Gross profit	5,731,255	4,522,297
Operating expenses		
Selling and marketing expenses	(1,941,632)	(1,275,381)
General and administrative expenses	(1,904,391)	(1,600,434)
Depreciation and amortisation	(275,730)	(359,394)
Income from operations	1,609,502	1,287,088
Non-operating income (expense)		
Interest income	320,254	237,283
Other income (expenses) , net	758,551	(111,865)
Exceptional item	(468,900)	-
Income before provision for taxes	2,219,407	1,412,506
Provision for taxes	(219,074)	(172,428)
Net income for the period before share of profit of associate	2,000,333	1,240,078
Share of loss of associate company	(8,033)	745
Net income for the period before share of minority interest	1,992,300	1,240,823
Share of Minority interest	(2,434)	-
Net income for the period	1,989,866	1,240,823
Earnings per share of Rs 5/- each (in Rs)		
Basic	23.76	14.82
Diluted	23.74	14.78

**Oracle Financial Services Software Limited**

**Notes forming part of the condensed accounts for the Six month period ended September 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.

**Six month Period ended September 30, 2008**

Particulars	Products	Services	KPO - Services	Joint ventures	Corporate	Eliminations	Total
Revenue							
External revenue	8,067,192	5,006,329	318,532	-	-	-	13,392,053
Inter-segment revenue	-	28,522	-	-	-	(28,522)	-
Total revenue	8,067,192	5,034,851	318,532	-	-	(28,522)	13,392,053
Cost of revenue	(3,793,397)	(3,709,575)	(157,826)	-	-	-	(7,660,798)
Gross profit	4,273,795	1,325,276	160,706	-	-	(28,522)	5,731,255
Selling and marketing expenses	(1,410,869)	(475,989)	(54,774)	-	-	-	(1,941,632)
General and administrative expenses	(588,974)	(369,730)	(66,540)	-	(879,147)	-	(1,904,391)
Depreciation and amortisation	(132,990)	(98,041)	(10,316)	-	(34,383)	-	(275,730)
Inter segment expense	-	(28,522)	-	-	-	28,522	-
Income (loss) from operations	2,140,962	352,994	29,076	-	(913,530)	-	1,609,502
Interest income							320,254
Other expenses, net							758,551
Exceptional item							(468,900)
Income before provision for taxes							2,219,407
Provision for taxes							(219,074)
Net income for the period before share of loss of associate company and minority interest							2,000,333
Share of loss of associate company							(8,033)
Net income for the period before share of minority interest							1,992,300
Share of Minority interest							(2,434)
Net income							1,989,866

**Oracle Financial Services Software Limited**

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

**Six month Period ended September 30, 2007**

<b>Particulars</b>	<b>Products</b>	<b>Services</b>	<b>KPO - Services</b>	<b>Joint ventures</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
Revenue							
External revenue	6,082,270	4,510,690	262,255	36,154	-	-	10,891,369
Inter-segment revenue	4,145	-	-	-	-	(4,145)	-
Total revenue	6,086,415	4,510,690	262,255	36,154	-	(4,145)	10,891,369
Cost of revenue	(2,781,441)	(3,390,589)	(188,564)	(8,478)	-	-	(6,369,072)
Gross profit	3,304,974	1,120,101	73,691	27,676	-	(4,145)	4,522,297
Selling and marketing expenses	(1,053,497)	(146,380)	(74,827)	(677)	-	-	(1,275,381)
General and administrative expenses	(505,671)	(386,308)	(72,152)	(17,032)	(619,271)	-	(1,600,434)
Depreciation and amortization	(163,611)	(131,939)	(13,957)	(2,511)	(47,376)	-	(359,394)
Inter segment expense	-	-	-	(4,145)	-	4,145	-
Income (loss) from operations	1,582,195	455,474	(87,245)	3,311	(666,647)	(0)	1,287,088
Interest income							237,283
Other expenses, net							(111,865)
Income before provision for taxes							1,412,506
Provision for taxes							(172,428)
Net income for the period before share of profit of associate company							1,240,078
Share of loss of associate company							745
Net income							1,240,823

**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 segments 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 :

<b>Regions</b>	<b>Period ended</b>		<b>Period ended</b>	
	<b>September 30, 2008</b>		<b>September 30, 2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
United States of America	4,125,298	31%	3,913,903	36%
Europe	4,808,748	36%	3,361,047	31%
Asia Pacific	2,493,699	19%	2,157,061	20%
Middle East, India and Africa	1,804,918	13%	1,359,405	12%
Latin America and Caribbean	159,390	1%	99,953	1%
	<b>13,392,053</b>	<b>100%</b>	<b>10,891,369</b>	<b>100%</b>

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**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2008**  
**(Amounts in thousands of Indian Rupees)**

	<b>Six months period ended</b>	
	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Cash flows from operating activities		
Income before provision for taxes	2,219,409	1,412,506
Adjustments to reconcile income before provision for taxes to cash used in operating activities :		
Depreciation and amortization	275,730	359,394
Deferred compensation expense	-	29,918
Loss on sale of fixed assets, net	133	(225)
Bad Debts	-	4,864
Marked to market of current investment	465	(103)
Interest income	(320,254)	(237,283)
Effect of exchange difference on cash and bank balances	(61,821)	21,552
Finance charge on leased assets	2,367	2,397
Provision for doubtful debts, net	474,119	77,528
	<b>2,590,148</b>	<b>1,670,548</b>
Changes in assets and liabilities, net of effect of acquisition		
Increase in sundry debtors and unbilled revenue	(1,095,559)	341,791
Increase in loans and advances	(304,353)	(82,851)
Increase in current liabilities and provisions	2,054,221	(139,473)
Cash from operating activities	3,244,457	1,790,015
Payment of domestic and foreign taxes	(762,225)	(419,267)
<b>Net cash provided by operating activities</b>	<b>2,482,232</b>	<b>1,370,748</b>
Cash flows from investing activities		
Additions to fixed assets including capital work in progress	(323,890)	(874,209)
Net Investment in lease	5,116	4,949
Acquisition of company, net of cash acquired	-	(669,154)
Proceeds from sale of fixed assets	1,977	7,239
Bank fixed deposits having maturity of more than 90 days matured	3,865,322	2,875,594
Bank fixed deposits having maturity of more than 90 days booked	(5,636,147)	(3,030,089)
Receipt of Margin Money	116,310	-
Interest received	235,146	187,860
<b>Net cash used in investing activities</b>	<b>(1,736,166)</b>	<b>(1,497,810)</b>
Cash flows from financing activities		
Issue of shares against ESOP scheme and options to IBM	10,508	33,138
Advance against equity shares to be issued under ESOP Scheme	337	5,946
Payment of lease obligations	(6,802)	(9,796)
<b>Net cash provided by (used in) financing activities</b>	<b>4,043</b>	<b>29,288</b>
<b>Effect of exchange difference on translation</b>	<b>34,598</b>	<b>(21,552)</b>
Net increase (decrease) in cash and cash equivalents	784,707	(119,326)
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>4,000,386</b>	<b>3,232,447</b>

**Note 1 :**

**Component of cash and cash equivalent**

	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash and bank balances	11,404,370	7,232,908
Less:		
Bank deposits having maturity of more than 90 days	(7,396,582)	(3,988,366)
Margin money deposit/Escrow account	(6,067)	(10,046)
Unclaimed dividend accounts	(1,335)	(2,049)
<b>Cash and cash equivalents at end of the period</b>	<b>4,000,386</b>	<b>3,232,447</b>