

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

CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2008

(Amounts in thousands of Indian Rupees)

	December 31, 2008	March 31, 2008
<u>SOURCES OF FUNDS</u>		
Shareholders' funds		
Share capital	418,847	418,737
Share application money pending allotment	106	265
Reserves and surplus		
Securities premium	9,454,958	9,444,295
General reserve	10,145,191	10,145,191
Foreign currency translation reserve	(798,461)	(747,043)
Gain on dilution of equity investment in joint venture	907	907
Profit and loss account	13,133,589	8,508,221
Deferred tax liability	4,227	4,677
Minority Interest	18,965	6,273
	32,378,329	27,781,523
<u>APPLICATION OF FUNDS</u>		
Fixed assets		
Cost	12,124,687	11,088,250
Less: Accumulated depreciation and amortisation	2,981,954	2,575,047
Net book value	9,142,733	8,513,203
Capital work-in-progress and advances	1,031,136	1,313,536
	10,173,869	9,826,739
Investments		
Long term investments		
Unquoted	420	12,726
Quoted	-	33,123
Current investments (quoted)	9,449	9,086
Deferred tax assets	244,657	230,280
Current assets, loans and advances		
Sundry debtors	7,951,643	8,453,962
Cash and bank balances	12,676,436	8,965,620
Other current assets	1,669,942	1,137,091
Loans and advances	6,151,331	5,241,646
	28,449,352	23,798,319
Less: Current liabilities and provisions		
Current liabilities	5,790,330	5,601,777
Provisions	709,088	526,973
	6,499,418	6,128,750
Net current assets	21,949,934	17,669,569
	32,378,329	27,781,523

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**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2008**

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

	Nine month period ended December 31,	
	2008	2007
Revenue	21,327,376	17,087,338
Cost of revenue	(11,072,673)	(9,633,028)
Gross profit	10,254,703	7,454,310
Operating expenses		
Selling and marketing expenses	(2,865,200)	(1,963,274)
General and administrative expenses	(2,775,092)	(2,514,800)
Depreciation and amortisation	(421,219)	(550,486)
Income from operations	4,193,192	2,425,750
Non-operating income (expense)		
Interest income	537,087	340,319
Other income (expenses) , net	811,271	(155,976)
Exceptional item	(468,900)	-
Income before provision for taxes	5,072,650	2,610,093
Provision for taxes		
Current tax	(640,147)	(460,504)
MAT credit	269,283	198,286
Deferred tax	14,775	25,096
Fringe benefit tax	(66,325)	(63,809)
Net income for the period before share of profit of associate	4,650,236	2,309,162
Share of loss of associate company	(12,176)	(1,710)
Net income for the period before share of minority interest	4,638,060	2,307,452
Share of Minority interest	(12,692)	-
Net income for the period	4,625,368	2,307,452
Profit and loss account, beginning of the period	8,508,221	4,354,871
Surplus carried to Balance Sheet	13,133,589	6,662,323
Earnings per share of Rs 5/- each (in Rs)		
Basic	55.22	27.58
Diluted	55.17	27.50
Number of shares used in computing earnings per share		
Basic	83,756,716	83,667,923
Diluted	83,833,924	83,911,335

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Notes forming part of the condensed accounts for the nine month period ended December 31, 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.

Nine month Period ended December 31, 2008

Particulars	Products	Services	KPO - Services	Joint ventures	Corporate	Eliminations	Total
Revenue							
External revenue	12,947,263	7,874,049	506,064		-		21,327,376
Inter-segment revenue	-	28,522	-		-	(28,522)	-
Total revenue	12,947,263	7,902,571	506,064	-	-	(28,522)	21,327,376
Cost of revenue	(5,525,011)	(5,330,233)	(217,429)		-	-	(11,072,673)
Gross profit	7,422,252	2,572,338	288,635	-	-	(28,522)	10,254,703
Selling and marketing expenses	(2,178,483)	(600,602)	(86,115)		-	-	(2,865,200)
General and administrative expenses	(888,424)	(634,599)	(101,606)		(1,150,463)	-	(2,775,092)
Depreciation and amortisation	(200,994)	(154,361)	(14,272)		(51,592)	-	(421,219)
Inter segment expense	-	(28,522)	-	-	-	28,522	-
Income (loss) from operations	4,154,351	1,154,254	86,642	-	(1,202,055)	-	4,193,192
Interest income							537,087
Other expenses, net							811,271
Exceptional item							(468,900)
Income before provision for taxes							5,072,650
Provision for taxes							(422,414)
Net income for the period before share of loss of associate company and minority interest							4,650,236
Share of loss of associate company							(12,176)
Net income for the period before share of minority interest							4,638,060
Share of Minority interest							(12,692)
Net income							4,625,368

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Notes forming part of the condensed accounts for the nine month period ended December 31, 2008
(All amounts in thousands of Indian Rupees)

Nine month Period ended December 31, 2007

Particulars	Products	Services	KPO - Services	Joint ventures	Corporate	Eliminations	Total
Revenue							
External revenue	9,709,207	6,966,235	360,647	51,249	-	-	17,087,338
Inter-segment revenue	-	-	-	4,581	-	(4,581)	-
Total revenue	9,709,207	6,966,235	360,647	55,830	-	(4,581)	17,087,338
Cost of revenue	(4,318,296)	(5,051,662)	(250,194)	(12,876)	-	-	(9,633,028)
Gross profit	5,390,911	1,914,573	110,453	42,954	-	(4,581)	7,454,310
Selling and marketing expenses	(1,635,191)	(235,175)	(91,830)	(1,078)	-	-	(1,963,274)
General and administrative expenses	(820,997)	(586,761)	(95,841)	(29,312)	(981,889)	-	(2,514,800)
Depreciation and amortization	(251,197)	(195,065)	(19,316)	(3,365)	(81,543)	-	(550,486)
Inter segment expense	-	-	-	(4,581)	-	4,581	-
Income (loss) from operations	2,683,526	897,572	(96,534)	4,618	(1,063,432)	-	2,425,750
Interest income							340,319
Other expenses, net							(155,976)
Income before provision for taxes							2,610,093
Provision for taxes							(300,931)
Net income for the period before share of profit of associate company							2,309,162
Share of loss of associate company							(1,710)
Net income							2,307,452

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.

Geographical segments

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

Regions	Period ended		Period ended	
	December 31, 2008		December 31, 2007	
	Amount	%	Amount	%
United States of America	6,267,700	29%	5,854,072	34%
Europe	6,066,131	28%	5,562,838	33%
Asia Pacific	4,307,825	20%	3,423,898	20%
Middle East, India and Africa	4,333,376	20%	2,111,402	12%
Latin America and Caribbean	352,344	3%	135,128	1%
	21,327,376	100%	17,087,338	100%

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CONSOLIDATED STATEMENT OF CASH FLOW FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2008
(Amounts in thousands of Indian Rupees)

	Nine month period ended	
	December 31,	December 31,
	2008	2007
Cash flows from operating activities		
Income before provision for taxes	5,072,649	2,610,093
Adjustments to reconcile income before provision for taxes to cash used in operating activities :		
Depreciation and amortization	421,219	550,486
Deferred compensation expense	-	29,718
Stock compensation expense	-	45,495
Profit on sale of fixed assets, net	384	3,754
Bad Debts	-	4,864
Marked to market of current investment	(363)	(231)
Interest income	(537,087)	(340,319)
Effect of exchange difference on cash and bank balances	272,327	47,719
Finance charge on leased assets	3,042	3,197
Provision for doubtful debts, net	544,954	157,172
	5,777,125	3,111,948
Changes in assets and liabilities, net of effect of acquisition		
Increase in sundry debtors and unbilled revenue	(491,502)	515,397
Increase in loans and advances	(104,796)	33,281
Increase in current liabilities and provisions	381,728	(159,846)
Cash from operating activities	5,562,555	3,500,780
Payment of domestic and foreign taxes	(1,186,066)	(626,183)
Net cash provided by operating activities	4,376,489	2,874,597
Cash flows from investing activities		
Additions to fixed assets including capital work in progress	(717,242)	(1,042,440)
Net Investment in lease	7,218	7,511
Deposits for Office Premises	-	-
Acquisition of company, net of cash acquired	-	(1,020,672)
Proceeds from sale of fixed assets	778	1,747
Bank fixed deposits having maturity of more than 90 days matured	5,639,709	4,488,934
Bank fixed deposits having maturity of more than 90 days booked	(8,847,359)	(5,246,207)
Receipt of Margin Money	116,310	-
Proceeds from maturity of investments	33,254	-
Interest received	368,008	295,314
Net cash used in investing activities	(3,399,324)	(2,515,813)
Cash flows from financing activities		
Issue of shares against ESOP scheme and options to IBM	10,508	38,523
Advance against equity shares to be issued under ESOP Scheme	106	795
Payment of lease obligations	(7,527)	(9,586)
Net cash provided by financing activities	3,087	29,732
Effect of exchange difference on translation	(365,192)	(47,719)
Net increase in cash and cash equivalents	615,060	340,797
Cash and cash equivalents at beginning of the period	3,215,679	3,351,773
Cash and cash equivalents at end of the period	3,830,739	3,692,570

Note 1 :

	December 31,	December 31,
	2008	2007
Component of cash and cash equivalent		
Cash and bank balances	12,676,436	8,295,620
Less:		
Bank deposits having maturity of more than 90 days	(8,833,407)	(4,586,240)
Margin money deposit/Escrow account	(10,955)	(14,949)
Unclaimed dividend accounts	(1,335)	(1,861)
Cash and cash equivalents at end of the period	3,830,739	3,692,570