

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

CONDENSED 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	9,454,648	9,443,984
General reserve	10,145,191	10,145,191
Profit and loss account	12,136,378	8,118,314
	32,155,170	28,126,491
<u>APPLICATION OF FUNDS</u>		
Fixed assets		
Cost	4,986,360	4,030,206
Less: Accumulated depreciation and amortisation	2,541,465	2,226,083
Net book value	2,444,895	1,804,123
Capital work-in-progress and advances	1,026,156	1,310,154
	3,471,051	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)	9,449	9,086
Deferred tax assets	236,722	221,714
Current assets, loans and advances		
Sundry debtors	10,432,701	9,033,141
Cash and bank balances	8,731,211	6,400,880
Other current assets	1,468,726	976,894
Loans and advances	6,876,347	5,858,496
	27,508,985	22,269,411
Less: Current liabilities and provisions		
Current liabilities	5,651,283	4,279,726
Provisions	611,563	433,334
	6,262,846	4,713,060
Net current assets	21,246,139	17,556,351
	32,155,170	28,126,491

Condensed notes referred to attached herein form an integral part of these accounts

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

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

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

	Three month period ended December 31,		Nine month period ended December 31,	
	2008	2007	2008	2007
Revenue	5,930,324	4,567,411	15,928,882	12,765,488
Cost of revenue	(2,870,169)	(2,544,990)	(9,048,756)	(7,556,626)
Gross profit	3,060,155	2,022,421	6,880,126	5,208,862
Operating expenses				
Selling and marketing expenses	(264,943)	(213,835)	(874,498)	(570,484)
General and administrative expenses	(700,927)	(617,522)	(2,112,678)	(1,707,655)
Depreciation and amortisation	(111,271)	(166,498)	(322,631)	(477,414)
Income from operations	1,983,014	1,024,566	3,570,319	2,453,309
Non-operating income (expense)				
Provision for diminution in value of investments	-	-	-	(120,000)
Interest income	205,270	112,762	501,502	327,346
Foreign exchange gain (loss), net	(124,949)	19,118	566,973	(48,818)
Other income	1,624	191	4,105	2,615
Income before exceptional item and provision for taxes	2,064,959	1,156,637	4,642,899	2,614,452
Exceptional item (Refer Note 2)	-	-	(468,900)	-
Income before provision for taxes	2,064,959	1,156,637	4,173,999	2,614,452
Provision for taxes				
Current tax	(221,789)	(149,907)	(375,629)	(329,012)
MAT credit	162,532	96,252	269,283	198,286
Deferred tax	(3,889)	27,859	15,008	35,613
Fringe benefit tax	(18,088)	(23,006)	(64,597)	(63,761)
Net income for the period	1,983,725	1,107,835	4,018,064	2,455,578
Earnings per share of Rs 5/- each (in Rs)				
Basic	23.68	13.23	47.97	29.35
Diluted	23.67	13.20	47.95	29.26
Number of shares used in computing earnings per share				
Basic	83,769,386	83,740,120	83,760,954	83,667,923
Diluted	83,792,482	83,896,425	83,821,068	83,911,335

Condensed notes referred to attached herein form an integral part of these accounts

Oracle Financial Services Software Limited
(formerly known as i-flex Solutions Limited)
Notes forming part of the condensed accounts for the three and nine month period ended
December 31, 2008
(Amount in thousands of Indian Rupees)

1. 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 and nine month period ended December 31, 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 and nine month period ended December 31, 2008 is higher by Rs 6,101 and Rs 245,975, respectively and that the revenue and income from operations is higher by Rs. 27,741 and Rs. 169,223, respectively for Products segment and lower by Rs 21,640 and higher by Rs 76,752, respectively for Services segment.

- (b) During the three and nine month period ended December 31, 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 the three and nine month period ended December 31, 2008 is lower by Rs 41,189 and Rs. 161,641, respectively for Products segment and by Rs. 51,514 and Rs. 178,528, respectively for Services segment. The Company has regrouped previous period figures to conform with current period's presentation.
2. The Company has settled a dispute with a party for Rs. 468,900 for full release of all alleged claims and has disclosed the same as an exceptional item in the financial results for the nine month period ended December 31, 2008.

3. **Commitments and contingent liabilities**

Particulars	December 31, 2008	March 31, 2008
Contracts remaining to be executed on capital account not provided for (net of advances) including capital commitment through issuance of letter of intents of Rs. 260,505 (March 31, 2008 – Rs. 260,505)	1,431,311	1,654,626
Disputed liability in respect of Income-tax demands	248,200	-
Financial bank guarantee given to banks on behalf of subsidiary	-	8,052

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Notes forming part of the condensed accounts for the three and nine month period ended December 31, 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 December 31, 2008

Particulars	Products	Services	Corporate	Total
Revenue	3,711,559	2,218,765	-	5,930,324
Cost of revenue	(1,429,407)	(1,440,762)	-	(2,870,169)
Gross profit	2,282,152	778,003	-	3,060,155
Selling and marketing expenses	(234,065)	(30,878)	-	(264,943)
General and administrative expenses	(207,080)	(230,301)	(263,546)	(700,927)
Depreciation and amortisation	(50,528)	(48,594)	(12,149)	(111,271)
Income from operations	1,790,479	468,230	(275,695)	1,983,014
Interest income				205,270
Foreign exchange loss, net				(124,949)
Other income, net				1,624
Income before provision for taxes				2,064,959
Provision for taxes				(81,234)
Net income				1,983,725

Three month period ended December 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	2,829,384	1,738,027	-	4,567,411
Cost of revenue	(1,270,208)	(1,274,782)	-	(2,544,990)
Gross profit	1,559,176	463,245	-	2,022,421
Selling and marketing expenses	(181,760)	(32,075)	-	(213,835)
General and administrative expenses	(184,503)	(158,424)	(274,595)	(617,522)
Depreciation and amortisation	(71,160)	(61,171)	(34,167)	(166,498)
Income from operations	1,121,753	211,575	(308,762)	1,024,566
Interest income				112,762
Foreign exchange gain, net				19,118
Other income, net				191
Income before provision for taxes				1,156,637
Provision for taxes				(48,802)
Net income				1,107,835

Nine month period ended December 31, 2008

Particulars	Products	Services	Corporate	Total
Revenue	10,111,399	5,817,483	-	15,928,882
Cost of revenue	(4,605,095)	(4,443,661)	-	(9,048,756)
Gross profit	5,506,304	1,373,822	-	6,880,126
Selling and marketing expenses	(714,193)	(160,305)	-	(874,498)
General and administrative expenses	(637,359)	(539,411)	(935,908)	(2,112,678)
Depreciation and amortisation	(148,453)	(132,668)	(41,510)	(322,631)
Income from operations	4,006,299	541,438	(977,418)	3,570,319
Interest income				501,502
Foreign exchange gain, net				566,973
Other income, net				4,105
Income before exceptional item and provision for taxes				4,642,899
Exceptional item				(468,900)
Income before provision for taxes				4,173,999
Provision for taxes				(155,935)
Net income				4,018,064

Other information

Capital expenditure by segment	108,667	492,246	364,752	965,665
Segment assets	7,707,298	7,051,586	23,659,132	38,418,016
Segment liabilities	3,909,248	1,836,313	517,285	6,262,846
Shareholders' funds	3,798,050	5,215,273	23,141,847	32,155,170

Nine month period ended December 31, 2007

Particulars	Products	Services	Corporate	Total
Revenue	7,633,569	5,131,919	-	12,765,488
Cost of revenue	(3,645,220)	(3,911,406)	-	(7,556,626)
Gross profit	3,988,349	1,220,513	-	5,208,862
Selling and marketing expenses	(491,773)	(78,711)	-	(570,484)
General and administrative expenses	(505,686)	(494,786)	(707,183)	(1,707,655)
Depreciation and amortisation	(208,741)	(191,152)	(77,521)	(477,414)
Income from operations	2,782,149	455,864	(784,704)	2,453,309
Provision for diminution in value of investments				(120,000)
Interest income				327,346
Foreign exchange loss, net				(48,818)
Other income, net				2,615
Income before provision for taxes				2,614,452
Provision for taxes				(158,874)
Net income				2,455,578

Other information

Capital expenditure by segment	82,706	721,490	73,912	878,108
Segment assets	7,149,896	5,789,304	17,863,465	30,802,665
Segment liabilities	2,461,720	1,574,030	287,260	4,323,010
Shareholders' funds	4,688,176	4,215,274	17,576,205	26,479,655

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 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.

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Notes forming part of the condensed accounts for the three and nine month period ended December 31, 2008

(All amounts in thousands of Indian Rupees)

5. Aggregate expenses

	Three month period ended December 31,		Nine month period ended December 31,	
	2008	2007	2008	2007
Salaries and bonus	2,361,170	2,024,692	7,541,411	5,956,561
Staff welfare expenses	65,853	75,530	216,507	211,381
Contribution to provident and other funds	147,499	64,233	297,252	199,116
Travel related expenses (net of recoveries)	412,025	360,987	1,260,815	1,301,097
Professional fees	354,462	258,034	1,017,374	712,803
Application software	60,020	200,958	357,730	452,303
Communication expenses	40,075	47,628	126,983	130,828
Rent	138,937	122,516	407,352	321,837
Advertising expenses	10,853	12,067	22,579	27,776
Power	51,998	48,447	171,436	146,513
Insurance	2,381	11,802	14,976	42,629
Repairs and maintenance:				
Leasehold premises	8,635	8,280	26,260	15,654
Computer equipments	3,920	7,528	33,725	15,126
Others	5,912	8,479	26,901	30,670
Rates and taxes	10,417	11,298	37,824	19,550
Finance charge on leased assets	491	401	2,022	1,601
Provision for doubtful debts, net	67,927	80,000	310,087	145,660
Bad debts	-	-	-	4,864
Other expenses	93,464	33,467	164,698	98,796
	3,836,039	3,376,347	12,035,932	9,834,765

6. Employee costs for the three month period ended December 31, 2008 are net of Rs. 213,380 pertaining to write back of discretionary bonus provisions of earlier quarters within the financial year, no longer required due to changes in compensation policy of the Company.
7. Considering the changes in economic and business environment, the Company has provided accelerated amortization of visa costs amounting to Rs. 34,572. Consequently, the profit of the three and nine month period ended December 31, 2008 is lower by the same amount.
8. During the nine month period ended December 31, 2007, the Company had recorded provision for diminution in value of its investments in ISP Internet Mauritius Company and Equinox Global Services Private Limited.
9. For the three and nine month period ended December 31, 2007, general and administrative expenses includes prior period expense pertaining to stamp duty on allotment of shares of Rs. 9,087.
10. Prior period amounts have been regrouped/reclassified, where necessary to confirm with current period's presentation.
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Oracle Financial Services Software Limited
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CONDENSED 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, 2008	December 31, 2007
Net cash provided by operating activities	2,596,571	2,329,473
Cash flows from investing activities	(2,443,672)	(2,294,996)
Cash flows from financing activities	1,806	(79,745)
Effect of exchange difference on cash and bank balances	66,213	(47,719)
Net increase in cash and cash equivalents	220,918	(92,987)
Cash and cash equivalents at beginning of the period	965,651	1,179,050
Cash and cash equivalents at end of the period	1,186,569	1,086,063
Cash and bank balances as per balance sheet	8,731,211	5,484,181
Less:		
Bank deposits having maturity of more than 90 days	(7,537,242)	(4,389,190)
Margin money deposit	(6,067)	(7,067)
Unclaimed dividend accounts	(1,333)	(1,861)
Cash and cash equivalents at the end of the period	1,186,569	1,086,063