

# Oracle Financial Services Software Limited

(formerly known as i-flex Solutions Limited)

## BALANCE SHEET AS AT MARCH 31, 2009

(Amounts in thousands of Indian Rupees)

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
<b><u>SOURCES OF FUNDS</u></b>		
Shareholders' funds		
Share capital	418,847	418,737
Share application money pending allotment	106	265
Reserves and surplus	34,675,269	27,707,489
	<u><b>35,094,222</b></u>	<u><b>28,126,491</b></u>
<b><u>APPLICATION OF FUNDS</u></b>		
Fixed assets		
Gross block	5,007,785	4,030,206
Less: Accumulated depreciation and amortisation	2,641,693	2,226,083
Net book value	<u>2,366,092</u>	<u>1,804,123</u>
Capital work-in-progress and advances	<u>1,013,261</u>	<u>1,310,154</u>
	<u><b>3,379,353</b></u>	<u><b>3,114,277</b></u>
Investments	7,201,374	7,234,149
Deferred tax assets	305,103	221,714
Current assets, loans and advances		
Sundry debtors	11,710,383	9,033,141
Cash and bank balances	10,842,275	6,400,880
Other current assets	1,481,697	966,731
Loans and advances	7,254,297	5,880,119
	<u>31,288,652</u>	<u>22,280,871</u>
Less: Current liabilities and provisions		
Current liabilities	6,421,296	4,269,563
Provisions	658,964	454,957
	<u>7,080,260</u>	<u>4,724,520</u>
Net current assets	24,208,392	17,556,351
	<u><b>35,094,222</b></u>	<u><b>28,126,491</b></u>

# Oracle Financial Services Software Limited

(formerly known as i-flex Solutions Limited)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

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

	Year ended March 31,	
	2009	2008
Revenue	22,126,231	17,929,718
Cost of revenue	(11,927,641)	(10,349,057)
Gross profit	10,198,590	7,580,661
Operating expenses		
Selling and marketing expenses	(1,040,245)	(777,293)
General and administrative expenses	(2,620,979)	(2,251,403)
Depreciation and amortisation	(428,405)	(603,095)
Operating profit	6,108,961	3,948,870
Provision for diminution in value of investment	-	(120,000)
Non-operating income (expenses)		
Interest income	723,511	419,974
Other income (expenses), net	959,353	66,556
Profit before exceptional item and provision for taxes	7,791,825	4,315,400
Exceptional item	(468,900)	-
Profit before provision for taxes	7,322,925	4,315,400
Provision for taxes		
Current tax	(372,803)	(181,376)
Deferred tax	83,389	90,365
Fringe benefit tax	(76,395)	(115,644)
Net profit for the year	6,957,116	4,108,745
Profit and loss account, beginning of the year	8,118,314	4,009,569
Surplus carried to Balance Sheet	15,075,430	8,118,314
Earnings per share of Rs 5/- each (in Rs)		
Basic	83.06	49.10
Diluted	83.03	49.02

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

**STATEMENT OF CASH FLOW FOR YEAR ENDED MARCH 31, 2009**

(Amounts in thousands of Indian Rupees)

	<b>Year ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Cash flows from operating activities		
Profit before provision for taxes	7,322,925	4,315,400
Adjustments to reconcile profit before provision for taxes to cash (used in) provided by operating activities :		
Depreciation and amortisation	428,405	603,095
Loss/(profit) on sale of fixed assets, net	185	(443)
Marked to market of current investment	(479)	104
Interest income	(723,511)	(419,974)
Effect of exchange rate changes:		
- On cash and bank balances	(93,371)	28,777
- On loan to subsidiaries	(120,701)	38,106
- On working capital	(183,380)	(232,823)
Finance charge on leased assets	2,948	2,064
Deferred rent	22,770	18,009
Provision for diminution in value of investment	-	120,000
Provision for doubtful debts, net	348,913	152,714
Bad debts	4,480	13,392
<b>Operating Profit before Working Capital changes</b>	<b>7,009,184</b>	<b>4,638,421</b>
Changes in assets and liabilities		
Decrease (increase) in sundry debtors and unbilled revenue	(3,092,239)	1,637,023
Decrease (increase) in loans and advances	(62,856)	30,346
Increase (decrease) in current liabilities and provisions	1,880,043	(1,580,492)
Cash from operating activities	5,734,132	4,725,298
Payment of domestic and foreign taxes	(1,411,692)	(745,107)
<b>Net cash provided by operating activities</b>	<b>4,322,440</b>	<b>3,980,191</b>
Cash flows from investing activities		
Additions to fixed assets including capital work-in-progress	(686,366)	(980,548)
Net investment in lease	9,420	9,902
Investment in subsidiary companies	-	(1,262,053)
Loan to subsidiaries	-	(110,000)
Deposit for office premises	(10,991)	(640,536)
Proceeds from sale of fixed assets	569	559
Bank fixed deposits having maturity of more than 90 days matured	10,817,366	6,866,148
Bank fixed deposits having maturity of more than 90 days booked	(14,670,052)	(8,472,217)
Proceeds from maturity of investments	33,254	-
Interest received	682,121	402,465
<b>Net cash (used) in investing activities</b>	<b>(3,824,679)</b>	<b>(4,186,280)</b>
Cash flows from financing activities		
Issue of shares against Employee Stock Option scheme	10,509	40,024
Advance against equity shares to be issued under ESOP scheme	106	265
Share issue expenses	-	(7,301)
Payment of lease obligations	(12,038)	(11,779)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,423)</b>	<b>21,209</b>
Net increase in cash and cash equivalents	496,338	(184,880)
Cash and cash equivalents at beginning of the year	967,458	1,181,115
Effect of exchange rate changes	93,371	(28,777)
<b>Cash and cash equivalents at end of the year (Note 1)</b>	<b>1,557,167</b>	<b>967,458</b>

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**STATEMENT OF CASH FLOW FOR YEAR ENDED MARCH 31, 2009**  
(Amounts in thousands of Indian Rupees)

<b>Note 1 :</b> <b>Component of cash and cash equivalent</b>	<b>Year ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Cash and bank balances	10,842,275	6,400,880
Less:		
Bank deposits having maturity of more than 90 days	(9,279,041)	(5,426,355)
Margin money deposit	(6,067)	(7,067)
Cash and cash equivalents at the end of the year	<b>1,557,167</b>	<b>967,458</b>

\* Includes amount kept in unclaimed dividend accounts of Rs. 1,335 (March 31, 2008 Rs. 1,807) not available for use by the Company.

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**Schedules annexed to and forming part of accounts for the year ended March 31, 2009**

(Amounts in thousands of Indian Rupees)

**Segment information**

Business segments are defined as a distinguishable component of an enterprise that is engaged in providing a group of related products or services and that is subject to differing risks and returns and 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 Company is organised by business segment and geographically. 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 business segments are the basis on which the Company reports its primary segment information to management. Product licenses and related activities segment deals with banking software products like the FLEXCUBE suite of products, Reveleus and MicroBanker 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.

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.

**Year ended March 31, 2009**

<b>Particulars</b>	<b>Products</b>	<b>Services</b>	<b>Corporate</b>	<b>Total</b>
Revenue	14,391,599	7,734,632	-	22,126,231
Cost of revenue	(6,236,441)	(5,691,200)	-	(11,927,641)
Gross profit	8,155,158	2,043,432	-	10,198,590
Selling and marketing expenses	(876,050)	(164,195)	-	(1,040,245)
General and administrative expenses	(818,715)	(653,524)	(1,148,740)	(2,620,979)
Depreciation and amortisation	(194,881)	(177,585)	(55,939)	(428,405)
Operating profit	6,265,512	1,048,128	(1,204,679)	6,108,961
Interest income				723,511
Other expenses, net				959,353
Profit before exceptional item and provision for taxes				7,791,825
Exceptional item [Refer note 12 of Schedule 15]				(468,900)
Profit before provision for taxes				7,322,925
Provision for taxes				(365,809)
Net profit				6,957,116
<b>Other information</b>				
Capital expenditure by segment	66,844	608,308	318,494	993,646
Other non cash expenses	288,419	60,494	-	348,913
Segment assets	8,678,848	7,200,134	26,295,500	42,174,482
Segment liabilities	4,588,915	1,914,164	577,181	7,080,260
Shareholders' funds	-	-	35,094,222	35,094,222

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**Schedules annexed to and forming part of accounts for the year ended March 31, 2009**

(Amounts in thousands of Indian Rupees)

**Year ended March 31, 2008**

<b>Particulars</b>	<b>Products</b>	<b>Services</b>	<b>Corporate</b>	<b>Total</b>
Revenue	11,035,574	6,894,144	-	17,929,718
Cost of revenue	(5,035,797)	(5,313,260)	-	(10,349,057)
Gross profit	5,999,777	1,580,884	-	7,580,661
Selling and marketing expenses	(663,425)	(113,868)	-	(777,293)
General and administrative expenses	(694,654)	(627,245)	(929,504)	(2,251,403)
Depreciation and amortisation	(270,640)	(232,885)	(99,570)	(603,095)
Operating profit	4,371,058	606,886	(1,029,074)	3,948,870
Provision for diminution in value of investments				(120,000)
Interest income				419,974
Other income, net				66,556
Profit before provision for taxes				4,315,400
Provision for taxes				(206,655)
Net profit				4,108,745
<b>Other information</b>				
Capital expenditure by segment	104,918	728,940	85,073	918,931
Other non cash expenses	136,668	16,046		152,714
Segment assets	7,396,735	5,622,960	19,831,316	32,851,011
Segment liabilities	2,912,409	1,464,146	347,965	4,724,520
Shareholders' funds	-	-	28,126,491	28,126,491

**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 classified as unallocated corporate expenses and shown under corporate in the segment disclosure above.

**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 of 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 and liabilities.

**Geographical segments**

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

<b>Regions</b>	<b>Year ended March 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
United States of America	5,262,766	24%	4,349,898	24%
Europe	7,884,872	36%	6,808,422	38%
Asia Pacific	4,444,099	20%	3,552,274	20%
Middle East, India and Africa	4,127,499	19%	3,054,457	17%
Latin America and Caribbean	406,995	2%	164,667	1%
	<b>22,126,231</b>	<b>100%</b>	<b>17,929,718</b>	<b>100%</b>

The following table shows the Company's assets by geographical market :

<b>Regions</b>	<b>Year ended March 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
United States of America	11,239,232	27%	9,510,339	29%
Europe	4,466,519	11%	3,921,430	12%
Asia Pacific	3,388,629	8%	2,615,879	8%
Middle East, India and Africa	22,713,435	54%	16,525,033	50%
Latin America and Caribbean	366,667	1%	278,330	1%
	<b>42,174,482</b>	<b>100%</b>	<b>32,851,011</b>	<b>100%</b>