

Oracle Financial Services Software Limited

Annual Report
2010-2011

From the Chairman's desk

Oracle Financial Services Software has completed another stellar year. In the year under review, on a consolidated basis, we delivered a 44 percent increase in net income driven by a 21 percent increase in license revenue and a 14 percent increase in support revenue. We won several marquee customer names for our product and service offerings. Our leadership in the markets we operate in together with our focus on operational excellence has led to superior performance.

Innovation is the key to our success and we have added new functionality and features to our existing products and introduced new products. New releases of Oracle FLEXCUBE added additional modules. In addition, FLEXCUBE's existing business functionality that helps bank manage a wide range of banking activity was enriched to meet the needs of our focus countries. New releases of Oracle Financial Services Analytical Applications that address enterprise risk and enterprise performance management have helped us gain new customers and momentum. Oracle's Liquidity Risk Management solution helps financial institutions identify and assess enterprise-wide liquidity risk under normal and extreme market conditions, and develop strategies to effectively bridge liquidity gaps. Oracle Financial Services Data Warehouse is designed to specifically address the complex and cross-functional analytical challenges of global financial institutions. Oracle's Energy and Commodity Trading Compliance solution automates the surveillance of the trading activity of energy and commodities market participants.

Our products and services continue to win industry accolades and recognition. Leading research and advisory firm, Celent, has named Oracle a leader in core banking sales for 2010. Operational Risk & Regulation (formerly OpRisk & Compliance) readers once again ranked Oracle Financial Services Software as a leader for compliance software based on the publication's 2010 Annual Compliance Software Survey. The publication's readers named Oracle (including Sun) as a leading vendor across seven of the survey's eight compliance software categories. No other vendor achieved this distinction in the 2010 survey. Oracle Financial Services Software Limited customers, Jibun Bank and United Bank Limited Pakistan, were honoured with 2010 Model Bank Awards from industry analyst firm Celent.

Though the global economy is on a firmer footing than it was that in 2008 and 2009, financial institutions are all too aware of the need to align their management of finance and risk. A recent study conducted by the Economist Intelligence Unit (EIU) and sponsored by Oracle Financial Services titled "Transforming the CFO Role in Financial Institutions: Towards Better Alignment of Risk, Finance and Performance Management" found a positive correlation between greater alignment of risk and finance functions and financial performance in financial institutions. Also, several studies have confirmed that because of their fragmented IT infrastructure many banks were not able to track their overall risk exposure prior to and during the downturn. Regulatory authorities are now demanding that banks rectify these gaps and we are uniquely placed to help banks confront these challenges. The opportunities are exciting and we look forward to another rewarding year at Oracle Financial Services Software.

Our employees are our major asset. Their commitment to our mission and to our customer's success has been the reason for our Company's performance.

Regards,

William T Comfort, Jr.
Chairman
Oracle Financial Services Software Limited

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Contents

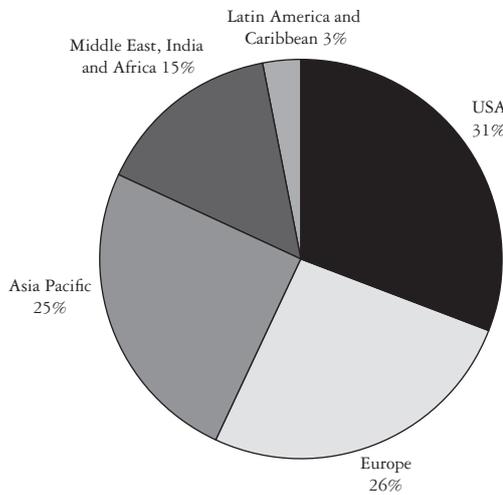
Financials at a Glance	4
Corporate Information	6
Directors' Report	9
Corporate Governance Report	16
Financials	
Indian GAAP	
– Unconsolidated	33
– Consolidated	85
Annual General Meeting Notice	129
Attendance Slip & Proxy Form	143

Financials at a glance

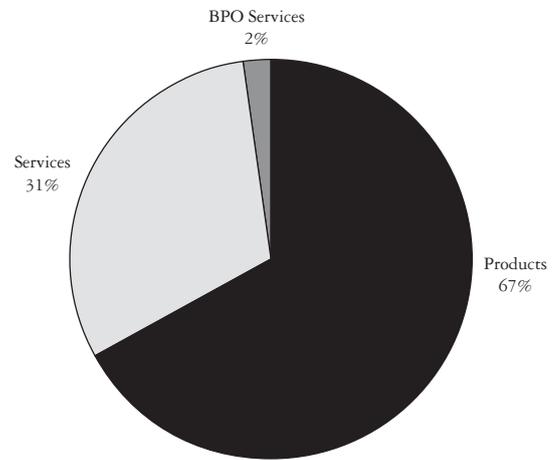
Key performance indicators 2010–2011

As per Indian GAAP Consolidated results

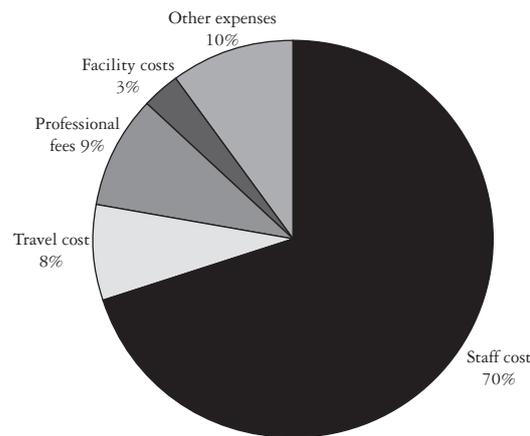
Fiscal year 2010–2011 break up in terms of operating revenue by region, operating revenue by portfolio and expense by category



Operating revenue by region



Operating revenue by portfolio



Expense by category

(All figures in ₹ millions except EPS & Book Value)

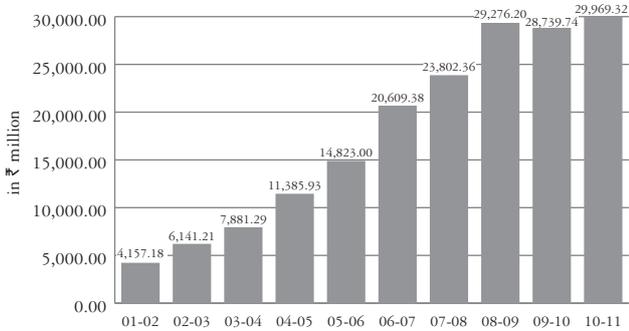
Our 10 years in the industry

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Operating Revenue	4,157.18	6,141.21	7,881.29	11,385.93	14,823.00	20,609.38	23,802.36	29,276.20	28,739.74	29,969.32
Interest and Other Income (expense)	138.09	97.93	136.58	259.28	290.54	367.28	631.16	1,763.89	(858.03)	1,668.26
Total Revenue	4,295.27	6,239.14	8,017.87	11,645.21	15,113.54	20,976.66	24,433.52	31,040.09	27,881.71	31,637.58
Total Expenses	2,991.95	4,277.53	5,703.26	8,693.82	12,176.60	16,837.91	19,835.95	22,839.30	18,947.38	19,157.57
EBT	1,303.32	1,961.61	2,314.61	2,951.39	2,936.94	4,138.75	4,597.57	8,200.79	8,934.33	12,480.01
Tax	150.33	252.73	526.75	627.06	560.41	415.95	441.68	835.36	1,197.69	1,370.12
EAT	1,152.99	1,708.88	1,787.86	2,324.33	2,376.53	3,722.80	4,155.89	7,365.43	7,736.64	11,109.89
EPS	13.74	20.37	21.31	27.71	28.33	44.37	49.54	87.79	92.22	132.43
Book Value	56.17	92.12	111.20	136.52	164.45	281.53	331.01	417.77	511.31	644.34

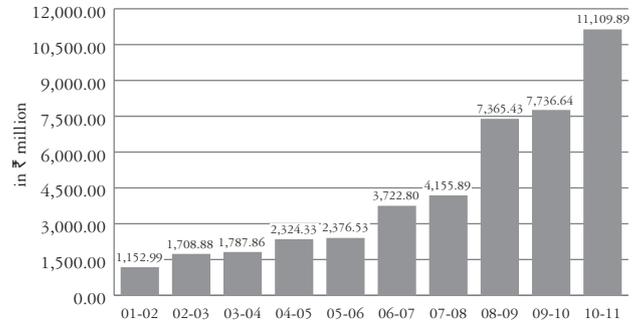
Note: All EPS and Book Values are computed based on the current equity capital base of 83,894,802 shares as on March 31, 2011.

Key metrics 2001–2011

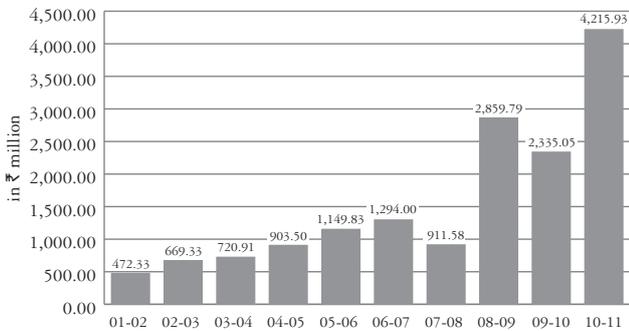
Operating revenue



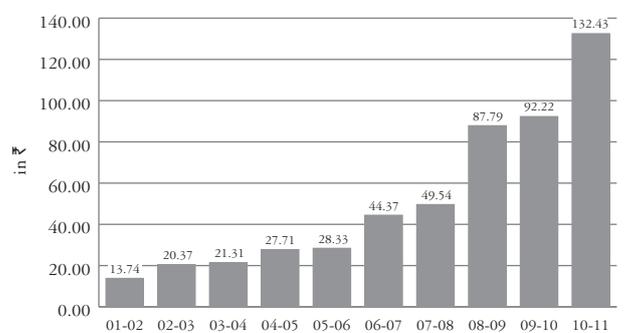
Net income



Economic Value Added

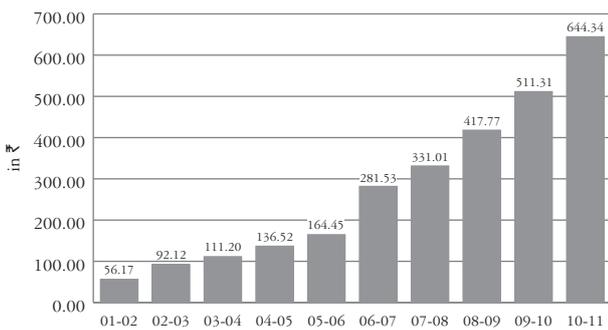


Earnings Per Share



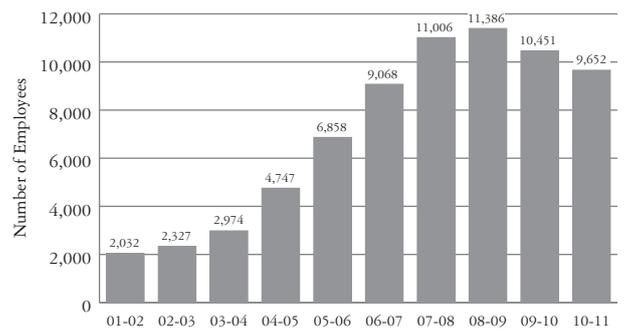
Earnings per share is computed on the equity capital base of 83,894,802 shares as on March 31, 2011

Book value

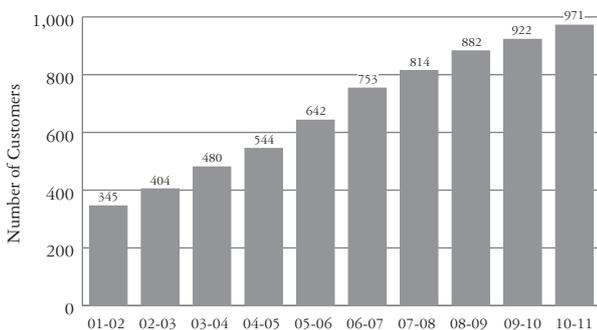


Book Value is computed on the equity capital base of 83,894,802 shares as on March 31, 2011

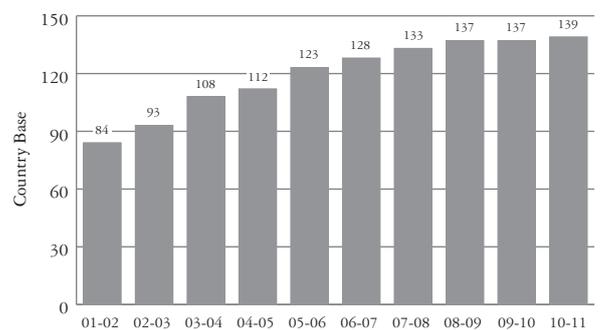
Number of employees including subsidiaries



Customers serviced



Country presence



Corporate information

Oracle Financial Services Software

Board of Directors

Chaitanya Kamat
(Managing Director and CEO)
Derek H Williams
Dorian Daley
Frank Brienzi
Robert K Weiler
S Venkatachalam
William Corey West
William T Comfort, Jr. (Chairman)
Y M Kale

Senior Management

A Srinivasan
Abhik Ray
Anand Pitre
Atul Gupta
Bhaskar Jayaraman
Buddhadeb Das Gupta
Chandrasekaran Balsubramanian
Dinakar Kuntadi Kini
Dinesh Shetty
Don Ganguly
G Narasimhan
Ganesh Ramakrishnan
George Thomas
Girish Chhatpar
Gulhati Arvind
H S Teji
Jambu Natarajan
K Kochappan Davis
K Sanjay Iyer
K Surya
Karthick R Prasad
Kiran Narsu
Kishore Kapoor
Laura Balachandran

Loganathan Damodaran
M Ravikumar
Madhukar Harbanslal Kapoor
Mahesh Rao
Manmath Kulkarni
Manoj Narayan Kulkarni
Meenakshy Iyer
Mini S Muralidhar
Mustafa Moonim
Naveen Grover
Nikos G Goutsoulas
P Suresh Kumar
Patrick T O'Laughlin
Peter Martin Hill
Pradeep Godbole
Rajendra Potdar
Rajesh Makhija
Ravi Pandit
Ravikumar V
Salmon Seth P
Sanjay Bajaj
Sanjay V Deshpande
Sanjeet Prakash Rao
Sivaramakrishnan G
Sridhar Ramachandran
Sunder Annamraju
Surendra Shukla
Tejus Sheth
Uttam Gadkary
V Srivatsan
Venkata Subramanian
Vijay Alexander
Vijay Sharma
Vikram Gupta
Vinayak Hampihallikar
Vivek Govilkar

Company Secretary

Hoshi D Bhagwagar

Chief Financial Officer

Makarand Padalkar

Chief Accounting Officer

Avadhut (Vinay) Ketkar

Solicitors

Ramesh P Makhija & Co.

Auditors

S. R. Batliboi & Associates

Bankers

Bank of India
Canara Bank
Central Bank of Libya
Citibank N.A.
HDFC Bank Ltd.
Kotak Mahindra Bank Ltd.
Syndicate Bank
State Bank of Mauritius Ltd.
Yes Bank Ltd.

Registrars & Transfer Agents

Link Intime India Private Limited
C/13 Pannalal Silk Mills Compound
L.B.S. Road, Bhandup (West)
Mumbai 400078

Registered Office

Oracle Financial Services Software Limited
Oracle Park
Off Western Express Highway
Goregaon (East)
Mumbai 400063 Maharashtra, India

Offices

399, Subhash Road
Vile Parle (East)
Mumbai 400057 Maharashtra, India

Nirlon Compound
Off Western Express Highway
Goregaon (East)
Mumbai 400063 Maharashtra, India

Oracle Park
Ambrosia
Pune 411021 Maharashtra, India

Embassy Business Park
C.V. Raman Nagar
Bangalore 560093 Karnataka, India

#333, Millenium Tower
Brookefields
Kundalahalli Road
Mahadevapura
Bangalore 560037 Karnataka, India

#150, Diamond District
B Tower, Lower Ground Floor
Kodihalli, Airport Road
Bangalore 560008 Karnataka, India

SJR I Park
Ground & First floor, Tower 2
EPIP Zone, Whitefield Road, Whitefield
Bangalore 560066 Karnataka, India

Gopalan Enterprises (I) Pvt. Ltd., (SEZ)
Global Axis, Unit 1&2
Plot # 152, EPIP Zone
Whitefield
Bangalore 560066 Karnataka, India

99, Venkatnarayana Road
T Nagar
Chennai 600017 Tamil Nadu, India

Greens i-tech, # 5
Muthiah Mudali Street
Off Cathedral Road
Chennai 600086 Tamil Nadu, India

18 Krasnopresnenskaya nab.
Block C, 9th floor
Moscow 123317, Russia

Building No. 03
128, 1st floor
205, 207, 2nd floor
Dubai Internet City
P.O. Box: 500053, Dubai, UAE

5th Floor, Middle East Bank House
Milimani Road
Nairobi, Kenya

Subsidiary Offices–India

Oracle (OFSS) ASP Private Limited
Oracle Park
Off Western Express Highway
Goregaon (East)
Mumbai 400063 Maharashtra, India

Oracle (OFSS) Processing Services Limited
399, Subhash Road
Vile Parle (East)
Mumbai 400057 Maharashtra, India

SDF-1, Unit 10, 11 & 12
SEEPZ - SEZ
Andheri (East)
Mumbai 400096 Maharashtra, India

Block A, NR Enclave, 4th Floor
Plot No. 1, EPIP Industrial Area
Village limits of Hoodi
Krishnarajapuram Hobli
Whitefield
Bangalore 560066 Karnataka, India

Oracle Financial Services Software Chile Limitada
Avenida del Valle 537 - 3rd Floor
Ciudad Empresarial
Huechuraba
Santiago, Chile, CP 8580678

Subsidiary Offices–Asia Pacific

Oracle Financial Services Software (Shanghai) Limited
Unit 806 in Henderson Metropolitan
155 Tianjin Road
Shanghai, PRC, China 2000001

Oracle Financial Services Software Pte. Ltd.
27, International Business Park
#02-01 iQUEST@IBP Building
Singapore 609924

Offices

21st Floor, Office Park Tower C
No-5, Jing Hua Nan Jie
Chaoyang District
Beijing 100020, China

Oracle Aoyama Center 3F
2-5-8 Kita Aoyama
Minato-ku
Tokyo 107-0061, Japan

Sunhwa Building 14F, 5-2
Sunhwa-dong
Jung-gu
Seoul, South Korea

12, 16, 36F ASEM Tower
Samsung-dong, Kangnam-Gu
Seoul, South Korea 135090

35F, No. 66, Sec. 1
Chung Hsiao W. Rd.
Taipei 10018, Taiwan, R.O.C

39/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

19/F Pacific Star Building
Sen. Gil Puyat corner Makati Avenue
Makati City, Philippines

Level 23, The gardens North Tower
Mid Valley City
Lingkaran Syed Putra
Kuala Lumpur 59200, Malaysia

Level 10, Margaret Street
Sydney, NSW 2000, Australia

Level 4, 4 Julius Avenue
North Ryde
Sydney, NSW 2113, Australia

Oracle Financial Services Consulting Pte. Ltd.
(subsidiary of Oracle Financial Services Software Pte. Ltd.)
27, International Business Park
#04-05 iQUEST@IBP Building
Singapore 609924

Subsidiary Office - Europe

Oracle Financial Services Software B.V.
Claude Debussylaan 32
14th floor/Vinoly Building
1082 MD Amsterdam, The Netherlands

Offices

Mainzer Landstrasse 49a
60329 Frankfurt am Main, Germany

121, Meridian Place
Off Marsh Wall, South Quay
London E14 9FE, UK

Level 25
40 Bank Street, Canary Wharf
London E14 5NR, UK

Molyneux House
Bride Street
Dublin 8, Ireland

Eastpoint Business Park
Fairview
Dublin 3, Ireland

Suite 22
Portes de la Defense
15, boulevard Charles de Gaulle
92700 Colombes, France

Subsidiary Office - Greece

Oracle Financial Services Software SA
6-8 Kifisias Avenue
151 25 Marousi
Athens, Greece

Subsidiary Offices–North America

Oracle Financial Services Software America, Inc.
Oracle Financial Services Software, Inc. & Mantas Inc.
399 Thornall Street, 6th Floor
Edison, NJ 08837 USA

Offices

8000 Norman Center Drive, Suite 700
Bloomington, MN 55437 USA

1900 Oracle Way, 3rd Floor
Reston, VA 20190 USA

1250 Hancock Street, Suite 603N
Quincy, MA 02169 USA

6505 Blue Lagoon Drive, Suite #400
Miami, FL 33126 USA

Oracle Financial Services Software, Inc.
9 East 37th Street
New York, NY 10016
USA

Oracle Broomfield
Building 7, Basement Section K, Row I
500 Eldorado Blvd
Broomfield, Co 80028

17901 Von Karman
Suite 800
Irvine, CA 92614

151 Yonge Street, Suite 600
Toronto, ON, M5C 2W7, Canada

Subsidiary Office–Mauritius

ISP Internet (Mauritius) Company Limited
C/o Cim Global Business
Rogers House
5 President John Kennedy Street
Port Louis, Mauritius

Offices

Oracle (OFSS) BPO Services Inc.
17682, Mitchell North, Suite 201
Irvine, CA 92614 USA

Oracle (OFSS) BPO Services Limited
A-16/9, Poorvi Marg
Vasant Vihar
New Delhi 110057, India

DLF Infinity Tower A, 3rd Floor
DLF Cyber City, Phase II
Gurgaon 122002 Haryana, India

Directors' report

Financial year 2010-2011

Dear Members,

The Directors present their report on the business and operations of your Company along with the Annual Report and audited financial statements for the financial year 2010–2011.

Financial highlights

As per Indian GAAP Unconsolidated financial statements:

Particulars	(All amounts in ₹ millions)	
	Year ended March 31, 2011	Year ended March 31, 2010
Revenue	23,605.06	22,434.70
Income from operations before depreciation & amortisation	9,302.76	8,530.50
Depreciation & amortisation	(336.49)	(374.10)
Provision for diminution in value of investment	(25.42)	–
Interest/other income (expenses), net	1,383.95	681.02
Foreign exchange gain/(loss), net	19.07	(1,363.74)
Income before taxes	10,343.87	7,473.68
Provision for tax	(664.07)	(865.19)
Net income	9,679.80	6,608.49
Balance brought forward	21,683.92	15,075.43
Profit available for appropriation	31,363.72	21,683.92
Appropriations	–	–
Balance carried forward	31,363.72	21,683.92

As per Indian GAAP Consolidated financial statements:

Particulars	(All amounts in ₹ millions)	
	Year ended March 31, 2011	Year ended March 31, 2010
Revenue	29,969.32	28,739.74
Income from operations before depreciation & amortisation	11,219.92	10,281.02
Depreciation & amortisation	(408.17)	(488.65)
Impairment loss	–	–
Interest/other income (expenses)	1,668.26	(856.17)
Exceptional item	–	–
Income before taxes	12,480.01	8,936.20
Provision for tax	(1,370.12)	(1,197.69)
Net income for the year before minority interest, share of profit (loss) of associate	11,109.89	7,738.51
Minority interest	–	(1.87)
Share of profit (loss) of associate	–	–
Net income	11,109.89	7,736.64

Performance

On an unconsolidated basis, your Company's revenue grew to ₹ 23,605 million during the financial year 2010–2011 from ₹ 22,435 million last year. This represents a growth of 5.22%. The Company's net income for the financial year 2010–2011 has increased to ₹ 9,680 million, an increase of 46.49% over the previous financial year.

Revenue, on the basis of consolidated financials, stood at ₹ 29,969 million this year, an increase of 4.28% from ₹ 28,740 million as compared to the previous financial year. The net income increased to ₹ 11,110 million this year, an increase of 43.60%.

A detailed analysis of the financials is given in the Management's discussion and analysis report that forms a part of this Directors' report.

Dividend

Your Company has plans to capitalise on the opportunities emerging from current market conditions and needs to invest in business growth. Keeping this in view, the Board has decided not to declare dividend for the financial year 2010–2011. The funds will be used to further invest in new product development, infrastructure expansion and other growth opportunities to enhance the solution offerings, market reach and delivery capabilities and sustain the leadership position of your Company.

Transfer to reserves

The Company does not propose to transfer any amount to the General Reserve out of the amount available for appropriation. An amount of ₹ 31,363.72 million is proposed to be retained in the Profit & Loss Account.

Share capital

During the year, the Company allotted 39,945 equity shares of face value of ₹ 5/- each to its eligible employees, who exercised their options under the Employee Stock Option Scheme 2002. As a result, as on March 31, 2011, the paid-up equity share capital of the Company increased to ₹ 419,474,010/- divided into 83,894,802 equity shares of face value of ₹ 5/- each.

Oracle's holding in the Company

As on March 31, 2011, Oracle Global (Mauritius) Limited held 67,481,698 equity shares (80.44% of the equity capital) of the Company.

Directors

Mr. Derek H Williams and Mr. William T Comfort, Jr., Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Ms. Dorian Daley is liable to retire by rotation at the ensuing Annual General Meeting and has not offered herself for re-appointment.

Pursuant to Section 260 of the Companies Act, 1956, Mr. Chaitanya Kamat and Mr. S Venkatachalam, were appointed as Additional Directors of the Company on October 25, 2010. Mr. Robert K Weiler, Executive Vice President of Oracle Corporation was appointed as Additional Director of the Company on July 4, 2011. They hold office up to the date of the ensuing Annual General Meeting. The Company has received Notices in writing from Members, pursuant to Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Chaitanya Kamat, Mr. S Venkatachalam and Mr. Robert K Weiler for the office of a Director.

Pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Board subject to the approval of the members appointed Mr. Chaitanya Kamat as the Managing Director and Chief Executive Officer of the Company for a period of three years beginning from October 25, 2010 to October 24, 2013. Mr. Chaitanya Kamat shall be liable to retire by rotation.

As stipulated under Clause 49 of the Listing Agreement entered into with the stock exchanges, brief resumes of the Directors proposed to be appointed/re-appointed, the nature of their expertise in specific functional areas and the names of companies in which they hold directorships and membership/chairmanship of Board Committees, are provided in the Report on Corporate Governance forming a part of the Annual Report.

The Board recommends to the members the resolutions for re-appointment of Mr. Derek H Williams and Mr. William T Comfort, Jr. as Directors of the Company. The Board also recommends the appointment of Mr. Chaitanya Kamat, Mr. S Venkatachalam and Mr. Robert K Weiler as Directors. It further recommends the appointment and remuneration payable to Mr. Chaitanya Kamat, Managing Director and Chief Executive Officer of the Company.

During the year, the following ceased to be directors of the Company:

- Mr. Rajesh Hukku and Mr. R Ravisankar w.e.f. April 29, 2010
- Mr. Charles Phillips w.e.f. July 22, 2010
- Ms. Tarjani Vakil w.e.f. August 25, 2010
- Mr. N R Kothandaraman (N R K Raman) w.e.f. October 25, 2010
- Mr. Joseph John w.e.f. March 31, 2011.

The Board placed on record its appreciation of the services rendered by Mr. Rajesh Hukku, Mr. R Ravisankar, Mr. Charles Phillips, Ms. Tarjani Vakil, Mr. N R K Raman and Mr. Joseph John, during their tenure as Directors of the Company.

Infrastructure

The Board has adopted a consolidation plan to save cost and use the premises more efficiently. As such, the leases on the following office premises were surrendered and staff relocated:

- Mumbai: the office premises at Andheri and staff relocated to the Vile Parle office premises
- Pune: the office premises at Kothrud and staff relocated to the Ambrosia owned premises
- Bangalore: the office premises at RMZ NXT and staff relocated to the Millenium Tower office premises
- Chennai: the office premises at Nungambakkam and staff relocated to the GVS office premises.

Corporate developments

During the year, the following developments took place on the subsidiary front:

- Castek Inc., Castek Software Factory Ltd. and Castek RBG Inc., dissolved with effect from September 1, 2010
- The name of i-flex Processing Services Inc., was changed to Oracle (OFSS) BPO Services Inc., with effect from February 22, 2011
- i-flex solutions Inc. (Canada) dissolved with effect from March 31, 2011.

Global alliances

Your Company attaches great importance to building and expanding its partner network with organisations which can promote, sell, implement and support its offerings around the world. The partner network currently comprises more than 35 resellers and 45 implementation partners.

Leading System Integration (SI) Partners play an active role in delivering solutions to customers of your Company. The SI Partners deliver projects in the Confederation of Independent States, Latin America, Middle East, Japan and India.

The highlight of our engagement with partners this year has been the acceleration of our efforts to enable our partners to sell, implement and support our product suite – including Oracle FLEXCUBE and Oracle Financial Services Analytical Applications. We have also begun the migration of your Company's partner network to the Oracle Partner Network (OPN) in earnest. This migration will speed the enablement of partners, leverage existing Oracle relationships to promote growth, and benefit both sides of the partner relationship.

Subsidiaries

Your Company has subsidiaries in India, USA, Singapore, the Netherlands, Canada, Mauritius, Greece, China and Chile to handle operations, strengthen marketing and sales efforts, ensure deeper sales penetration and provide post-sales support in these regions.

Pursuant to Section 212 of the Companies Act, 1956 ("the Act"), the Company is required to attach to its Annual Report, the Balance Sheet, Profit and Loss Account, Directors' Report and the Report of the Auditors (collectively referred to as 'the accounts and reports'), of its subsidiaries for the year ended March 31, 2011.

The Ministry of Corporate Affairs has issued a General Circular No.: 2/2011 dated February 8, 2011 granting a general exemption to the companies by stating that the provisions of Section 212 of the Act shall not apply in relation to subsidiaries of companies subject to the company fulfilling certain conditions stated in the said circular. We are in compliance with the conditions stipulated by the Ministry of Corporate Affairs. As such, the accounts and related reports of the subsidiary companies are not attached to the Annual Report of the Company for the year ended March 31, 2011.

The Company will make available the accounts and related information of the subsidiary companies upon request by any member/investor of the Company or its subsidiaries. Further, the accounts and related information of the subsidiary companies will be kept open for inspection by any member, at the registered office of the Company and at the Registered Office of the subsidiaries during office hours of the Company/subsidiaries and the same will also be available on the website of the Company www.oracle.com/financialservices.

Fixed deposits

During the financial year 2010–2011, the Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest was outstanding as of the date of the Balance Sheet.

Corporate governance

The Company has taken appropriate steps and measures to comply with all the corporate governance and related requirements as envisaged under Clause 49 of the listing agreement entered with stock exchanges and Section 292A of the Companies Act, 1956.

Your Company has constituted five committees consisting of Board members and other senior officials of the Company, namely, an Audit Committee, Compensation Committee, ESOP Allotment Committee, Transfer Committee and Shareholders' Grievances Committee. A separate report on Corporate Governance, along with a certificate of Statutory Auditors of the Company, is annexed herewith. The Company is also supporting the Go Green initiative announced by the Ministry of Corporate Affairs allowing paperless compliance.

A certificate from the Managing Director and Chief Financial Officer of the Company confirming internal controls and checks pertaining to financial statements, as also declaring that all Board members and senior management personnel have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2011, was placed before the Board of Directors and the Board has noted the same. The said certificate is annexed to the Directors' report.

A list of the committees of the Board, names of their members, scope and other related information are detailed in the Corporate Governance Report.

Allotment of ESOP shares

The members of the Company at its Annual General Meeting held in 2001 had approved the issue of Stock Options to eligible employees/directors. Accordingly, the Board approved the ESOP 2002 and ESOP 2010 Schemes and granted options to eligible employees/directors from time to time. The details are given below:

Financial year	Total number of Options granted
Under ESOP 2002 Scheme	
2001–2002	4,548,920
2002–2003	80,000
2003–2004	36,000
2004–2005	60,000
2005–2006	10,000
2006–2007	373,000
2007–2008	Nil
2008–2009	Nil
2009–2010	Nil
2010–2011	60,000
Under ESOP 2010 Scheme	
2010–2011	618,000
Total	5,785,920
Pricing formula	At the market price as on the date of grant
Options vested at the end of the financial year 2010–2011	141,537
Options exercised during 2010–2011	39,945
Total number of shares arising as a result of exercise of options during 2010–2011	39,945
	Options lapsed
2002–2003	129,520
2003–2004	112,500
2004–2005	82,200
2005–2006	87,600
2006–2007	46,600
2007–2008	35,900
2008–2009	60,455
2009–2010	21,000
2010–2011	72,735
Total	648,510
Variation of terms of options	None
Money realised by exercise of options during the financial year 2010–2011	₹ 50,126,813
Total number of options in force	807,702

Employee-wise details of options granted during the financial year ended March 31, 2011 to:

Particulars	Number of Options
i. Directors	
Mr. Chaitanya Kamat–ESOP 2002	60,000
Mr. Joseph John–ESOP 2010	10,600
ii. Any other employee, who receives grant in any one year of option amounting to 5% or more of option granted during that year	Nil
iii. Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
iv. Diluted Earnings Per Share (EPS) pursuant to the issue of shares on exercise of option calculated in accordance with accounting standard 20 'Earnings Per Share' issued by the Institute of Chartered Accountants of India	₹ 115.23

Had compensation cost for the Company's ESOP been determined based on fair value at the grant dates, Company's net profit and earnings per share would have been reduced to proforma amounts indicated below:

(All amounts in ₹ thousands, except per share data)	
Particulars	March 31, 2011
Profit as reported	9,679,797
Less: Employee stock compensation under fair value method	(132,716)
Proforma profit	9,547,081
Earnings Per Share	
Basic	
As reported	115.40
Proforma	113.82
Diluted	
As reported	115.23
Proforma	113.68

All stock options under the Employee Stock Options Plans were granted at a prevalent market price on the date of grant. Accordingly, we have calculated the compensation cost arising on account of stock options granted using the intrinsic value method. Hence, the

disclosure in terms of Clause 12.1(n) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is not applicable.

A summary of the activity in the Company's ESOP (Scheme 2002) is as follows:

Particulars	Year ended March 31, 2011	
	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	242,382	1,152
Granted	60,000	2,333
Exercised	(39,945)	1,255
Forfeited	(16,600)	1,291
Outstanding at end of the year	245,837	1,414
Vested options	141,537	
Unvested options	104,300	

A summary of the activity in the Company's ESOP (Scheme 2010) is as follows:

Particulars	Year ended March 31, 2011	
	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	–	–
Granted	618,000	2,050
Exercised	–	–
Forfeited	(56,135)	2,050
Outstanding at end of the year	561,865	2,050
Unvested options	561,865	

The fair value of stock options granted during the financial year 2010–2011 under ESOP 2002 Scheme and ESOP 2010 Scheme was ₹ 949.32 and ₹ 834.01 respectively, calculated as per the Black Scholes valuation model as stated in 6b in the notes to accounts.

Human resources

Employees are our key assets and we continuously invest in them to retain our competitive edge. We have created a healthy and productive environment, together with a strong performance management system, to encourage excellence. Our HR practices are among the best in the industry. Our training initiative offers the best and latest in technology, domain expertise and leadership.

This was a year spent in the consolidation of our resources. Your Company continued to focus on productivity. Our total manpower at the end of March 2011 was 9,652 as compared to 10,451 as on March 2010.

Corporate Social Responsibility

An initiative to support children, originally rolled out as “i-flex for children”, is in its ninth successful year. Our Corporate Social Responsibilities are managed by a committee of senior company officials and volunteers from divisions and locations in India. Our policy is to support activities which do not have any religious or political affiliation. Your Company encourages employees to actively participate in and drive such programs. We also support initiatives by our employees and their family members in rural India. The initiative is funded each year to support activities proposed to the committee by employees.

Continuing support was given to a wide range of activities during fiscal year 2010–2011, including construction of additional facilities at schools and hospitals, scholarships for children with special needs and making transportation arrangements for special need schools. For the past 5 years your Company has supported an annual athletic event for children.

Directors' responsibility statement

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. The Directors have prepared the annual accounts on a 'going concern' basis.

Auditors

M/s. S. R. Batliboi & Associates, Chartered Accountants, the present Statutory Auditors of the Company, hold office till the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Auditors' Report

With regard to the Auditors' comment in the CARO report concerning delays in payment of a few tax payments, e.g., Service Tax, Income Tax, Value Added Tax, Payroll Tax, the Company would like to state the following:

- i. The Company has sought help of tax experts in the interpretation of laws and regulations relating to corporate taxes and VAT in foreign countries. The Company has accrued the liabilities in the books taking a conservative approach, however the payments shall be made to the authorities in due course based on the final advice your Company receives from tax experts.
- ii. The Company has accrued interest on service tax liability for import of taxable services as well as the domestic taxable services. The amount shall be paid in due course.
- iii. The Company continually assesses payroll tax implications in various jurisdictions outside India on salaries and travel related reimbursements paid to its employees posted therein and accordingly makes accruals in the books. The Company is in the process of filing the returns for payroll tax in such jurisdiction for which the provision is already made in the books. As per the local laws of most host countries, the tax is payable by the employee, however in a few countries tax payment is a responsibility of the employer, which amounts to ₹ 4.87 crore. The Company and the employees ensure tax compliance in such countries as advised by the tax consultants.
- iv. The amount of Income Tax payable is due to retrospective amendment to Section 115JB of the Income Tax Act, 1961, and it will be paid during assessment proceedings.

Conservation of energy, technology absorption and Foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are furnished hereunder:

i. Conservation of energy and technology absorption:

The company seeks, through various technology initiatives, to enhance computing standards to make its information technology infrastructure virtual, secure, cost effective and environment friendly. It seeks to provide its users with enhanced computing systems and also fulfil its obligation to the society and the environment.

Asset Disposal: Asset Management and disposal of old assets has been one of the key initiatives of the year. The disposal of old assets was done, keeping in mind e-waste and its impact on the environment. The disposal was done in accordance with the government guidelines, ensuring that the assets are disposed in a secure manner, without impacting the environment.

Virtualisation: The benefits of virtualisation started accruing during the first year of implementation. The key strategy for the previous year was to optimise the benefits from the implementation. Virtualised environments were extended from IT operations to client projects, leading to reduction in overall cost and power consumption. This has also enhanced client operations from an availability and security perspective as well.

Office consolidation: On strategic analysis, it was observed that there was a lot of duplication of effort and technology in managing IT operations. Our focus shifted from technology advancement to ensuring that this duplication did not lead to non-standardisation of services to users. Therefore we decided on office consolidation and Pune is the first location to have achieved it in record time and without any setbacks. This consolidation has enabled greater utilisation of human effort as well as provided a platform for effective technology management. This has reduced operating cost by one third due to reduction in power consumption. This will be replicated across all locations as part of the strategy for FY12.

The Datacentres at the new offices are designed to optimise on power consumption and also incorporate environmentally friendly systems such as high end gas suppression systems and early smoke detection systems.

Overall the efforts at Oracle are to optimise performance, minimise costs and balance them keeping in mind our accountability to the environment as well.

ii. Foreign exchange earnings and outgo:

(All amounts in ₹ millions)

Foreign Exchange Earnings*	22,666.87
Foreign Exchange Outgo (Including capital goods & other expenditure)	6,462.92

* Excluding reimbursement of travelling expenses and interest income.

Prospects

The challenges various economies faced over the past 12 months are very different from those they faced during the economic turbulence in 2008. OECD forecasts (May 25, 2011) suggest that global GDP will grow by 4.2% this year. But the rate of growth in various countries varies and some countries face a challenge with rising unemployment.

In the financial services sector managing risk, liquidity, capital and performance remain at the top of the agenda for both banks and insurance companies. Governments and regulators are expected to discuss and introduce a whole new set of regulations during 2011. That could lead to changes in the way business operations are handled in most financial institutions. Financial institutions are under pressure to achieve cost savings and information technology provides them the scope for continuous productivity increases while helping them differentiate their products and services.

Over the past year, your Company has enriched its banking back office offering, Oracle FLEXCUBE, to address many of these business opportunities; this has led to our customers using it to deliver a direct bank or consolidate their operations across countries in a region. We have also engaged with existing Oracle banking customers to sign up as a partner for their operations addressing expansion to a new geography or new businesses like wealth management.

Since 2008, the boards at financial institutions have come to pay greater attention to the process they use to review the performance of their institutions. As a result, there has been wider adoption of Risk Adjusted Performance Measurement. Over the last 24 months your Company has invested in building and delivering critical components that are part of the Oracle Financial Services Analytical Applications suite. Oracle is now one of the leading players in this space with the ability to deliver applications to financial institutions for compliance, enterprise risk, liquidity, capital management, performance management and customer analytics.

In a drive to boost efficiency in an increasingly complex global financial marketplace, leading global banks have embarked on the integration of their finance, risk and treasury operations. Oracle has relationships with many of these banks who use enterprise financial applications, financial planning applications and or business intelligence applications from Oracle's portfolio. We have now engaged with these banks to encourage them to use Oracle Financial Services Analytical Applications to support business decisions and drive efficiency through a consistent set of data and metrics.

To protect customers, regulators in Africa, Asia and South America have made changes in their regulations with regard to Fraud and Financial Crime. The increasing sophistication of fraudulent activity continues to force financial institutions to be continuously on their guard. Your Company has evolved Mantas, which was acquired in 2006, to automate the surveillance of the trading activity of energy and commodities market participants and for compliance for trading desks and brokers in the leading economies.

Oracle's integrated applications and technology suite combines applications, middleware, database, servers and storage. It is now enabling your Company to leverage customer engagements for transformation deals at banks and also differentiate its solution offering in the market place.

Consulting Services continue to play a key and vital role for your Company and performs a very strategic role in its customer engagements. Leading banks have signed deals that include services from your Company along with the application licenses. Support services for our applications continue to grow and banks see this service as vital for operations at their banks.

Employee particulars

Information as per Section 217(2A) of the Companies Act, 1956 ("the Act"), read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and the Accounts are being sent to the members excluding the statement giving particulars of employees under Section 217(2A) of the Act.

Any member interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

Acknowledgements

Your Directors take this opportunity to thank the Company's customers, members, vendors and bankers for their continued support during the year. Your Directors also wish to thank the Government of India and its various agencies, Department of Electronics, the Software Technology Parks – Bangalore, Mumbai, Chennai and Pune, SEEPZ Special Economic Zone, the Customs and Excise Department, Ministry of Commerce, Ministry of Finance, Ministry of External Affairs, Ministry of Corporate Affairs, Department of Telecommunication, the Reserve Bank of India, the State Governments of Maharashtra, Karnataka, Haryana and Tamil Nadu and other local Government Bodies, for their support and look forward to their continued support in the future.

Your Directors also place on record their appreciation for the excellent contribution made by employees of the Company through their commitment, competence, co-operation and diligence with a view to achieving consistent growth for the Company.

For and on behalf of the Board

William T Comfort, Jr.
Chairman

July 15, 2011

Corporate governance report

The detailed report on Corporate Governance of Oracle Financial Services Software Limited for the financial year ended 2010–2011 as per Clause 49 of the Listing Agreement entered with Stock Exchanges is set out below.

1. Company's philosophy on code of governance

The Company believes in adopting and adhering to globally recognised corporate governance practices and continuously benchmarking itself against such practices. The Company understands and respects its fiduciary role and responsibility to its members and strives to meet their expectations.

2. Board of Directors

2.1 Composition and category

The composition of the Board of Directors of the Company ("the Board") as on March 31, 2011, was as under:

Name of the Director	Designation	Category	Directorships in other Companies	Chairmanship of Committees* of Boards of other Companies	Membership of Committees* of Boards of other Companies
Mr. William T Comfort, Jr.	Chairman	Non-Executive, Independent Director	5	Nil	Nil
Mr. Frank Brienzi ¹	Director	Non-Executive, Non-Independent Director	2	Nil	Nil
Ms. Dorian Daley	Director	Non-Executive, Non-Independent Director	22	Nil	Nil
Mr. Joseph John ²	Director	Executive, Non-Independent Director	Nil	Nil	Nil
Mr. Y M Kale	Director	Non-Executive, Independent Director	4	Nil	Nil
Mr. Chaitanya Kamat ³	Director	Executive, Non-Independent Director	Nil	Nil	Nil
Mr. S Venkatachalam ⁴	Director	Non-Executive, Independent Director	2	1	2
Mr. William Corey West ⁵	Director	Non-Executive, Non-Independent Director	19	Nil	Nil
Mr. Derek H Williams	Director	Non-Executive, Non-Independent Director	1	1	Nil

* Only the Audit Committee and Shareholders' Grievances Committee are considered. All Directorships of Mr. William T Comfort, Jr., Mr. Frank Brienzi, Ms. Dorian Daley, Mr. William Corey West and Mr. Derek H Williams are in foreign companies. None of the directors are related inter se.

¹ Mr. Frank Brienzi was appointed as a Director in the Annual General Meeting held on August 25, 2010.

² Mr. Joseph John was appointed as a Director and Whole-time Director in the Annual General Meeting held on August 25, 2010. He ceased to be a director with effect from March 31, 2011.

³ Mr. Chaitanya Kamat was appointed as an Additional Director and as the Managing Director and CEO with effect from October 25, 2010 subject to the approval of the members of the Company.

⁴ Mr. S Venkatachalam was appointed as an Additional Director with effect from October 25, 2010.

⁵ Mr. William Corey West was appointed as a Director in the Annual General Meeting held on August 25, 2010.

Mr. Robert K Weiler was appointed as an Additional Director on July 4, 2011.

2.2 Other changes in the Board during the financial year 2010–2011

- Mr. Rajesh Hukku and Mr. R Ravisankar ceased to be Directors with effect from April 29, 2010
- Mr. Charles Phillips ceased to be a Director with effect from July 22, 2010
- Ms. Tarjani Vakil ceased to be a Director with effect from August 25, 2010
- Mr. N R Kothandaraman (N R K Raman) ceased to be a Director with effect from October 25, 2010.

2.3 Attendance of each Director at the Board Meetings and the last Annual General Meeting

The Company holds Board Meetings at regular intervals. The detailed agenda along with the explanatory notes are circulated in advance. The Directors can suggest the inclusion of any item in the agenda at the Board Meeting. The Independent Directors actively participate in the Board Meetings and contribute to the decision making process by expressing their opinions, views and suggestions.

During the Financial Year 2010–2011, eight Board Meetings were held on the following dates:

April 29, 2010, May 7, 2010, July 22, 2010, August 5, 2010, August 25, 2010, October 25, 2010, November 2, 2010 and February 4, 2011.

The attendance of the Directors at the Board Meetings and the Annual General Meeting held during the financial year 2010–2011 are as given below:

Name of the Director	Number of Board Meetings attended	Number of Board Meetings attended		Last AGM Attended
		In person	On phone	
Mr. William T Comfort, Jr.	8	4	4	Yes
Mr. Frank Brienzi ¹	8	3	5	Yes
Ms. Dorian Daley	6	–	6	No
Mr. Rajesh Hukku ²	1	1	–	N.A.
Mr. Joseph John ³	8	8	–	Yes
Mr. Y M Kale	8	8	–	Yes
Mr. Chaitanya Kamat ⁴	3	3	–	N.A.
Mr. Charles Phillips ⁵	1	–	1	N.A.
Mr. N R K Raman ⁶	6	6	–	Yes
Mr. R Ravisankar ⁷	1	1	–	N.A.
Ms. Tarjani Vakil ⁸	3	3	–	No
Mr. S Venkatachalam ⁹	3	3	–	N.A.
Mr. William Corey West ¹⁰	4	1	3	Yes
Mr. Derek H Williams	7	2	5	No

¹ Mr. Frank Brienzi was appointed as a Director in the Annual General Meeting held on August 25, 2010.

² Mr. Rajesh Hukku ceased to be a Director with effect from April 29, 2010.

³ Mr. Joseph John was appointed as a Director and Whole-time Director in the Annual General Meeting held on August 25, 2010. He ceased to be a Director with effect from March 31, 2011.

⁴ Mr. Chaitanya Kamat was appointed as an Additional Director and as the Managing Director and CEO with effect from October 25, 2010.

⁵ Mr. Charles Phillips ceased to be a Director with effect from July 22, 2010.

⁶ Mr. N R K Raman ceased to be a Director with effect from October 25, 2010.

⁷ Mr. R Ravisankar ceased to be a Director with effect from April 29, 2010.

⁸ Ms. Tarjani Vakil ceased to be a Director with effect from August 25, 2010.

⁹ Mr. S Venkatachalam was appointed as an Additional Director with effect from October 25, 2010.

¹⁰ Mr. William Corey West was appointed as a Director in the Annual General Meeting held on August 25, 2010.

2.4 Details of other directorships

Details of the directorships of the Company's Directors in other companies as on March 31, 2011 are given below:

Name of the Director	Other directorships
Mr. William T Comfort, Jr.	Citigroup Venture Capital Court Square Capital Partners Limited Deutsche Annington (DAIG) Nabors Industries CX Partners
Mr. Frank Brienzi	NPower, Texas Aidmatrix
Ms. Dorian Daley	BEA Crossgain International BEA Systems Ireland Holding Limited Eontec Limited J.D. Edwards Europe Limited Netsure Telecom Limited OCAPAC Distributor Partner OCAPAC Hardware Partner OCAPAC Holding Company OCAPAC Research Company OCAPAC Research Partner Oracle America, Inc. Oracle Credit Corporation Oracle Global (Mauritius) Limited Oracle Global Holdings, Inc. Oracle International Corporation

Name of the Director	Other directorships
Ms. Dorian Daley (continued)	Oracle International Holding Company Oracle International Technology Corporation Oracle Systems Corporation Oracle Technology Company Siebel Systems Ireland Holding Limited Siebel Systems, Inc. Sun Microsystems Technology Limited
Mr. Joseph John	–
Mr. Y M Kale	Ashok Leyland Limited Gulf Oil Marine Limited Hinduja Foundries Limited IndusInd Bank Limited
Mr. Chaitanya Kamat	–
Mr. S Venkatachalam	Bharti AXA–Trustee Services Private Limited State Bank of India Central Board, Mumbai
Mr. William Corey West	BEA Crossgain International BEA Systems Ireland Holding Limited Eontec Limited J.D. Edwards Europe Limited Netsure Telecom Limited OCAPAC Distributor Partner OCAPAC Hardware Partner OCAPAC Holding Company OCAPAC Research Company OCAPAC Research Partner Oracle Australia Holdings Pty. Ltd. Oracle Consolidation Australia Pty. Ltd. Oracle Corporation Malaysia Holdings Sdn Bhd. Oracle Global (Mauritius) Limited Oracle Hong Kong Holdings Ltd. Oracle Singapore Holdings Pte Ltd. Oracle Technology Company Siebel Systems Ireland Holding Ltd. Sun Microsystems Technology Limited
Mr. Derek H Williams	Nihon Oracle Kabushiki Kaisha

2.5 Details of memberships of Board Committees

None of the Directors of the Company hold memberships in more than ten Committees, nor is any Director a Chairperson in more than five Committees of the Boards of the companies where he/she holds directorship. For this purpose, “Committees” include Audit Committee and Shareholders’ Grievances Committee of a Company.

The details of the memberships of the Company’s Directors in the above mentioned committees of all the Indian Public Limited Companies of which they are members as on March 31, 2011 are given below:

Name of the Director	Audit Committee		Shareholders’ Grievances Committee	
	Chairperson	Member	Chairperson	Member
Mr. William T Comfort, Jr.	–	–	–	–
Mr. Frank Brienzi	–	–	–	–
Ms. Dorian Daley	–	–	–	–
Mr. Joseph John	–	–	–	–
Mr. Y M Kale	1	–	–	–
Mr. Chaitanya Kamat	–	–	–	–
Mr. S Venkatachalam	1	2	1	1
Mr. William Corey West	–	1	–	–
Mr. Derek H Williams	1	–	–	–

2.6 Brief resume of Directors who will be retiring by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment

Mr. Derek H Williams

Mr. Derek H Williams, born on December 30, 1944, is an Executive Vice President of Oracle Corporation. Mr. Williams was at the helm of Oracle's Asia Pacific operations from 1991 to 2009, and has led Oracle Japan since 2000.

From June 1, 2011, Mr. Williams became responsible for the Sun Hardware business in Asia Pacific and Japan.

Mr. Williams is a member of Oracle's Executive Committee and a Director for Oracle Japan.

Mr. Williams does not hold any equity share of the Company as on date.

Mr. William T Comfort, Jr.

Mr. William T Comfort, Jr., born on August 3, 1937, is the Chairman of Citigroup Venture Capital. He received his B.A. and LL.B. and was honoured with the Doctorate of Humane Letters (D.H.L) at the University of Oklahoma. He received an LL.M. at the New York University Law School. He is a trustee of the New York University Law Center Foundation, the John A. Hartford Foundation, Inc., and was an adjunct professor at the Columbia Business School. He is currently Chairman of Citigroup Venture Capital and Chairman of the Investment Committee of Court Square Capital Partners and CX Partners. He is also a member of the Board of Directors of Deutsche Annington (DAIG - Germany) and Nabors Industries (Bermuda). Mr. Comfort has been associated with the Company as a board member since 1998 and was appointed as Chairman of its Board of Directors on March 24, 2009.

Mr. Comfort does not hold any equity share of the Company as on date.

2.7 Brief resume of Directors proposed to be appointed at the ensuing Annual General Meeting of the Company

Mr. Chaitanya Kamat

Mr. Chaitanya Kamat (Chet), born on September 14, 1961, is the Managing Director and CEO of the Company. He brings more than 25 years of financial services, consulting and business transformation experience to his role at Oracle Financial Services Software Limited.

Prior to joining Oracle, Chet was Managing Director at STG, a leading private equity firm focused on investing in software and enterprise services companies. At STG, Chet was responsible for the transformation and operations of its portfolio companies with a specific focus on their use of global operating models.

Earlier, Chet worked as the CEO of a retail financial services startup and at Accenture. Joining Accenture in 1986, Chet worked across Accenture locations in India, United States, Sweden, Hungary and the Philippines in a range of business consulting and large scale systems integration engagements. In his last role at Accenture, Chet was the Managing Partner of Accenture's India Delivery Centre Network which he was responsible for establishing from scratch and growing to a 13,000 strong unit serving over 200 global clients.

Chet Kamat obtained his Masters in Computer Science from the University of Bombay and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. Chet has served as the Chairman of the Board of Directors at Teleca AB, and as a Director on the Boards of Netik Inc., Symphony Marketing Solutions Inc. and The Capital Markets Company NV.

Mr. Kamat is a member of the ESOP Allotment Committee of the Board. He does not hold any equity share of the Company as on date.

Mr. S Venkatachalam

Mr. S Venkatachalam, born on November 8, 1944, has served Citibank N. A. for nearly 30 years and has held senior positions there. He is currently on the Central Board of State Bank of India and Bharti AXA – Trustee Services Private Limited. He is a Chartered Accountant by profession. He has served as an advisor to Fullerton India Credit Corporation Ltd., a wholly owned subsidiary of Temasek Holdings (Private) Limited, Singapore and has also served as Senior Consultant with A. F. Ferguson & Co., Chartered Accountants, Mumbai (now a part of Deloitte Haskins & Sells). He has rich experience in the field of banking, finance, administration, compliance, taxation and labour laws. He is well regarded in the financial services industry and by regulatory bodies.

Mr. Venkatachalam is also a member of the Audit Committee, ESOP Allotment Committee, Shareholders Grievances Committee and Transfer Committee of the Board.

Mr. Venkatachalam holds 1,000 equity shares of the Company as on date.

Mr. Robert K Weiler

Mr. Robert K Weiler was appointed as an Additional Director of the Company by the Board on July 4, 2011.

Mr. Robert K Weiler, born on February 9, 1951, is an Executive Vice President of Oracle's Global Business Units. Previously he was Chairman and CEO of Phase Forward, a leading provider of integrated data management solutions for clinical trials and drug safety. Mr. Weiler has more than 30 years of technology-industry leadership experience, including his previous tenure as Giga Information

Group's Chairman, President and CEO. Earlier in his career, Mr. Weiler served as President and CEO of Eastman Software (formerly Wang Software), as well as Senior Vice President, Worldwide Sales and Marketing, for Lotus Development Corporation, where he was instrumental in expanding the company's Lotus Notes business.

Mr. Weiler recently served on the board of SADD (Students Against Destructive Decisions), and he previously served on the boards of the directors of the Waterville Valley Company, Saint Anselm's College, Corporate Software, Distributed Management Systems, Cullinet Software, Interleaf, DataLogix, and Giga Information Group. Mr. Weiler received a B.A. from Saint Anselm's College, where he additionally received an honorary doctorate in 2000. He received the Ernst & Young Entrepreneur of the Year 2010 Award in the Healthcare IT category in New England. In 2006, he was named to the prestigious PharmaVOICE 100 list, and he was also named '2006 CEO of the Year' by the Massachusetts Technology Leadership Council, an award that honours individuals who best exemplify leadership and excellence in business and technology. Subsequent to this award, Mr. Weiler was invited to become a trustee of the Council.

Mr. Weiler does not hold any equity share of the Company as on date.

3. Audit committee

3.1 Primary objectives and powers of the Audit Committee

The primary objective of Audit Committee is to monitor and provide effective supervision of the management's financial reporting process and to ensure accurate, timely and proper disclosures and transparency, integrity and quality of the financial reporting.

The powers of the Audit Committee include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

3.2 Broad terms of reference

The terms of reference of the Audit Committee are as follows:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Section 217(2AA) of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing, with management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with management, the performance of statutory and internal auditors and the adequacy of the internal control systems.

7. Reviewing the adequacy of the internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors regarding any significant findings and any follow-up required.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors, before the audit commences, about the nature and scope of the audit as well as post-audit discussion to determine any area of concern.
11. To determine the reasons for any substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower policy.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

3.3 Composition of the committee

The Composition of Audit Committee as on March 31, 2011 was as follows:

Name of the Member	
Mr. Y M Kale	Chairman, Non-Executive, Independent Director
Mr. S Venkatachalam	Member, Non-Executive, Independent Director
Mr. William Corey West	Member, Non-Executive, Non-Independent Director

3.4 Meetings and attendance

During the Financial Year 2010–2011, five meetings of the Committee were held on May 6, 2010, August 5, 2010, November 2, 2010, February 4, 2011 and February 24, 2011.

The member's attendance at the Committee Meetings was as given below:

Name of the Member	Number of meetings attended	
	In person	On phone
Mr. Y M Kale	5	–
Mr. William T Comfort, Jr. ¹	–	2
Ms. Tarjani Vakil ²	2	–
Mr. S Venkatachalam ³	3	–
Mr. William Corey West ⁴	–	3

¹ Mr. William T Comfort, Jr. ceased to be a member of the Committee with effect from October 25, 2010.

² Ms. Tarjani Vakil ceased to be a member of the Committee with effect from August 25, 2010.

³ Mr. S Venkatachalam was appointed as a member of the Committee with effect from October 25, 2010.

⁴ Mr. William Corey West was appointed as a member of the Committee with effect from August 5, 2010.

The auditors of the Company were invited for the above meetings.

3.5 Audit committee's recommendations

The Committee reviewed the financial results of the Company prepared in accordance with the Indian GAAP (including consolidated results) as at and for the quarters ended June 30, 2010, September 30, 2010 and December 31, 2010 as also for the year ended March 31, 2011 and recommended the same to the Board for adoption.

The Committee recommended to the Board the re-appointment of M/s. S. R. Batliboi & Associates, Chartered Accountants, as statutory auditors of the Company for the financial year 2011–2012.

The Committee also recommended the appointment of Internal Audit Group of the Company headed by Mr. Atul Kumar Gupta, Head-PQMG as the Internal Auditor to conduct the internal audit for the financial year 2011–2012.

The Committee also reviewed Internal Auditors' reports and related reports on actions taken, risk management policies, compliance with the clause 49 of the Listing Agreement, compliance and ethics tracker, etc. from time to time.

4. Compensation committee

4.1 Brief description of terms of reference

The scope of Compensation Committee is to determine the compensation of the Directors and any profit linked bonus policies of the Company. The Compensation Committee also approves, allocates and administers the Employee Stock Option Plans – ESOP 2002 and ESOP 2010 Schemes, reviews performance appraisal criteria and sets norms for ESOP allocations.

4.2 The Composition of the Committee

The Composition of Compensation Committee as on March 31, 2011 was as follows:

Name of the Member	
Mr. William T Comfort, Jr.	Chairman, Non-Executive, Independent Director
Mr. Frank Brienzi ¹	Member, Non-Executive, Non-Independent Director
Mr. Y M Kale	Member, Non-Executive, Independent Director

¹ Mr. Frank Brienzi was appointed as a member of the Committee on July 22, 2010.

4.3 Meeting and attendance

During the year, one meeting of the Committee was held on August 25, 2010 and all the members of the Committee were present for the meeting.

4.4 Compensation policy

The Compensation Committee determines and recommends to the Board the compensation payable to the Directors. The limit for the commission to be paid to the Board members and the remuneration payable to the Managing Director and CEO of the Company are approved by the members of the Company. The annual compensation of the Non-Executive Directors is approved by the Compensation Committee, within the parameters set by the members of the Company.

The criteria for payment of commission to the non-executive directors include a base commission plus incremental commission depending on the number and type of committees where they are Members or Chairpersons.

The Committee also has the mandate to review and recommend compensation payable to the Senior Executives of the Company. It also sets norms for ESOP allocation.

4.5 Details of remuneration paid to the Directors during the financial year 2010–2011 are as follows:

(All amounts in ₹ thousands, except number of ESOPs)

Name of the Director	ESOPs granted under ESOP Plans during the year	Commission paid	Salary	Contribution to Provident and other funds	Total Amount paid
Mr. William T Comfort, Jr.	–	–	–	–	–
Mr. Frank Brienzi	–	–	–	–	–
Ms. Dorian Daley	–	–	–	–	–
Mr. Rajesh Hukku	–	–	–	–	–
Mr. Joseph John	10,600	–	7,700	610	8,310
Mr. Y M Kale	–	1,466	–	–	1,466
Mr. Chaitanya Kamat	60,000	–	8,024	704	8,728
Mr. Charles Phillips	–	–	–	–	–
Mr. N R K Raman	–	–	22,958	322	23,280
Mr. R Ravisankar	–	–	–	–	–
Ms. Tarjani Vakil	–	362	–	–	362
Mr. S Venkatachalam	–	667	–	–	667
Mr. William Corey West	–	–	–	–	–
Mr. Derek H Williams	–	–	–	–	–
Total	70,600	2,495	38,682	1,636	42,813

The Company accrues for gratuity benefit, compensated absences and bonus for all employees as a whole. It is not possible to ascertain the provision for individual director and hence the same has not been disclosed above. The Company discloses such benefits on cash basis.

The terms and conditions of appointment of Mr. Chaitanya Kamat (Managing Director and CEO) and the remuneration paid to him are subject to the approval of members at the Annual General Meeting.

The managerial remuneration paid to Mr. N R K Raman and Mr. Chaitanya Kamat was within the limits envisaged in the Companies Act, 1956. Mr. Y M Kale, Ms. Tarjani Vakil and Mr. S Venkatachalam, Non-Executive, Independent Directors of the Company were paid remuneration by way of commission as approved by the members of the Company, not exceeding 1% of the net profits of the Company in any one financial year.

There was no other remuneration paid to the Directors during the financial year 2010–2011 except as stated above.

The terms of Employee Stock Options granted to the Directors are given below:

Name of the Director	Scheme	Options outstanding as at March 31, 2011	Options exercised during the year	Grant price (₹)	Expiry Date	Equity shares held as at March 31, 2011
Mr. William T Comfort, Jr.	—	—	—	—	—	—
Mr. Frank Brienzi	—	—	—	—	—	—
Ms. Dorian Daley	—	—	—	—	—	—
Mr. Rajesh Hukku	ESOP 2002	Nil	Nil	265.00	—	595,655
Mr. Joseph John	ESOP 2002	Nil	Nil	265.00	—	9,441
	ESOP 2010	10,600	Nil	2,050.00	August 24, 2020	—
Mr. Y M Kale	ESOP 2002	—	—	418.92	—	—
Mr. Chaitanya Kamat	ESOP 2002	60,000	Nil	2,333.45	October 24, 2020	—
Mr. Charles Phillips	—	—	—	—	—	—
Mr. N R K Raman	ESOP 2002	—	—	265.00	—	60,000
Mr. R Ravisankar	ESOP 2002	Nil	—	265.00	—	74,272
Ms. Tarjani Vakil	ESOP 2002	—	—	559.60	—	9,125
Mr. S Venkatachalam	—	—	—	—	—	1,000
Mr. William Corey West	—	—	—	—	—	—
Mr. Derek H Williams	—	—	—	—	—	—

The above options were issued at prevailing market price of shares on the respective dates of grant. The options vest over a period of 5 years from the date of grant and are subject to continued employment/directorship with the Company.

During the year, the Board granted 60,000 options to the Managing Director and CEO under the ESOP 2002 at an exercise price of ₹ 2,333.45 and also adopted a new ESOP 2010 Scheme. The Board granted 618,000 options under the ESOP 2010 Scheme to the eligible employees of the Company and its subsidiaries at an exercise price of ₹ 2,050/- per option.

5. Shareholders' Grievances Committee

5.1 Composition of the Committee

The composition of Shareholders' Grievances Committee as on March 31, 2011 was as follows:

Name of the Member	
Mr. S Venkatachalam	Chairman, Non-Executive, Independent Director
Mr. Makarand Padalkar	Chief Financial Officer

5.2 Scope of Shareholders' Grievances Committee's activities

The scope of the Shareholders' Grievances Committee is to review and address the grievances of the members in respect of share transfers, transmission, dematerialisation and rematerialisation of shares and other share related activities.

During the year, two meetings of the Committee were held on August 5, 2010 and February 4, 2011.

The member's attendance at the Committee Meetings was as given below:

Name of the Member	Number of meetings attended
	In person
Ms. Tarjani Vakil ¹	1
Mr. Makarand Padalkar	2
Mr. S Venkatachalam ²	1

¹ Ms. Tarjani Vakil ceased to be a member of the Committee with effect from August 25, 2010.

² Mr. S Venkatachalam was appointed as a member of the Committee with effect from October 25, 2010.

6. Company Secretary and Compliance Officer

Company Secretary and Compliance Officer	Mr. Hoshi D Bhagwagar
Address	Oracle Financial Services Software Limited 399, Subhash Road Vile Parle (East) Mumbai 400057
Tel	+ 91-22-6718 5326
Fax	+ 91-22-2831 5593
e-mail	hoshi.bhagwagar@oracle.com

7. Details of shareholders' complaints received, resolved and outstanding during the financial year 2010–2011

Particulars	No. of Complaints
Complaints outstanding on April 1, 2010	–
Complaints received during the financial year ended March 31, 2011	26
Complaints resolved during the financial year ended March 31, 2011	24
Complaints outstanding on March 31, 2011	2

Number of pending share transfers as on March 31, 2011 – Nil

8. Transfer Committee

The composition of Transfer Committee as on March 31, 2011 was as follows:

Name of the Member	
Mr. S Venkatachalam	Chairman, Non-Executive, Independent Director
Mr. Makarand Padalkar	Chief Financial Officer

During the year, two meetings of the Committee were held on August 26, 2010 and March 25, 2011.

The member's attendance at the Committee Meetings was as given below:

Name of the Member	Number of meetings attended
	In person
Mr. Joseph John ¹	1
Mr. Makarand Padalkar	2
Mr. S Venkatachalam ²	1

¹ Mr. Joseph John ceased to be a member of the Committee with effect from February 4, 2011.

² Mr. S Venkatachalam was appointed as a member of the Committee with effect from February 4, 2011.

9. ESOP Allotment Committee

The composition of ESOP Allotment Committee as on March 31, 2011 was as follows:

Name of the Member	
Mr. Y M Kale	Chairman, Non-Executive, Independent Director
Mr. Joseph John	Member, Executive, Non-Independent Director
Mr. Makarand Padalkar	Chief Financial Officer

During the year, five meetings of the Committee were held on April 5, 2010, June 16, 2010, September 30, 2010, December 9, 2010 and February 24, 2011.

The member's attendance at the Committee Meetings was as given below:

Name of the Member	Number of meetings attended
	In person
Mr. Y M Kale ¹	1
Mr. Makarand Padalkar	5
Ms. Tarjani Vakil ²	2
Mr. Joseph John ³	2

¹ Mr. Y M Kale was appointed as the Chairman of the Committee with effect from February 4, 2011.

² Ms. Tarjani Vakil ceased to be a member of the Committee with effect from August 25, 2010.

³ Mr. Joseph John ceased to be a member of the Committee with effect from March 31, 2011.

10. General body meetings

10.1 Location, date and time where last three Annual General Meetings were held:

Financial Year	Venue	Date	Time
2009–2010	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	August 25, 2010	3.00 p.m.
2008–2009	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	August 25, 2009	3.00 p.m.
2007–2008	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	August 22, 2008	3.00 p.m.

10.2 The details of Special Resolutions passed in AGMs during the last three years are given below:

Financial Year	Day, Date & Time	Venue	Gist of Special Resolution Passed
2009–2010	Wednesday, August 25, 2010 At 3.00 p.m.	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	No special resolution was passed.
2008–2009	Tuesday, August 25, 2009 At 3.00 p.m.	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	No special resolution was passed.
2007–2008	Friday, August 22, 2008 At 3.00 p.m.	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	No special resolution was passed.

10.3 The details of Special Resolution passed in the EGM during the last three years are given below:

Financial Year	Day, Date & Time	Venue	Gist of Special Resolution Passed
2008–2009	Monday, August 11, 2008 At 3.00 p.m.	InterContinental The Grand Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400059	The Name of the Company be Changed from 'i-flex solutions Limited' to 'Oracle Financial Services Software Limited' and that the Name 'i-flex solutions Limited' wherever it appears in the Memorandum and Articles of Association of the Company and other records be substituted by the new Name 'Oracle Financial Services Software Limited'.

There were no EGMs held in the Financial Year 2009–2010 and 2007–2008.

10.4 There were no matters requiring approval of the members through Postal Ballot in previous year.**10.5 No special resolution is currently proposed to be conducted through postal ballot.****10.6 Procedure for the Postal ballot Process:**

After receiving the approval of the Board of Directors, notice of the Postal Ballot, text of the Resolution and Explanatory Statement, Postal Ballot Form and self-addressed postage pre-paid envelopes are sent to the members to enable them to consider and vote for or against the proposal within a period of 30 days from the date of dispatch. The calendar of events containing the activity chart is filled with the Registrar of Companies within 7 days of the passing of the Resolution by the Board of Directors of the Company. After the last date for receipt of the ballots, the Scrutiniser after due verification, submits the results to the Chairman of the Board of Directors of the Company. Thereafter, the Chairman declares the result of the Postal ballot. The same is published in the Newspapers and displayed on the website and the Notice Board at the registered office of the Company.

11. Disclosures

- All the relevant information in respect of materially significant related party transactions, i.e., transactions of the Company of material nature with its promoters, directors or management or their relatives, subsidiaries of the Company, etc. has been disclosed in the respective financial statements presented in the Annual Report. The Company did not undertake any transaction with any related party having potential conflict with the interest of the Company at large.
- Company has complied with statutory compliances and no penalty or stricture is imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to the capital markets during the last three years.
- The Company has a Whistle Blower Policy which provides adequate safeguards to employees who wish to raise concerns about violations of the Code of Conduct, incorrect or misrepresentation of any financial statements and reports, unethical behaviour, etc. No employee has been denied access to the Audit Committee.
- The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the listing agreement entered with the Stock Exchanges. The Clause further states that the non-mandatory requirements may be implemented at the discretion of the Company. Thus, of the non-mandatory requirements, the Company has complied with the requirement of Compensation Committee and also has a Whistle Blower Policy in place.
- The Ministry of Corporate Affairs, Government of India had issued the Corporate Governance Voluntary Guidelines 2009 ("the Guidelines"). The objective of these Guidelines is to encourage companies to voluntarily adopt best practices in corporate governance. The Guidelines focuses on matters relating to functions of the Board, Audit Committee, Auditors role and

Secretarial Compliance. The corporate governance framework of the Company already encompasses a significant portion of the recommendations contained in the Guidelines.

f. Unclaimed Shares

In terms of clause 5A of the listing agreement entered with stock exchanges, the information with regard to unclaimed/undelivered shares relating to the initial public offering lying with the Registrar and Transfer Agents of the Company is as follows:

Particulars	No. of Shareholders	No. of Shares of ₹ 5/- each
Aggregate number of Shareholders and outstanding shares as on April 1, 2010	2	40
Number of shareholders who approached the Company for transfer of shares during the year	–	–
Number of shareholders and shares transferred during the year	–	–
Aggregate number of Shareholders and shares as on March 31, 2011	2	40

The Company is in process of crediting these shares into the Unclaimed Shares Demat Suspense Account. Voting rights of these unclaimed/undelivered shares shall remain frozen until the same is claimed by the shareholders.

12. Means of communication

During the Financial Year 2010-2011:

- The quarterly, half yearly and annual results of the Company were published in widely circulated English and Marathi newspapers, such as The Economic Times and Maharashtra Times.
- Company's quarterly financial results, press releases, annual reports and other relevant corporate documents are posted on the Company's website www.oracle.com/financialservices.
- Detailed Management's discussion and analysis Reports covering Indian GAAP unconsolidated and consolidated financials have been included in this Annual Report.
- The Company had been filing information relating to its financial results and Distribution of shareholding on a quarterly basis on Electronic Data Information Filing and Retrieval System (EDIFAR) <http://sebidifar.nic.in>. Following a circular no. CIR/CFD/DCR/3/2010 dated April 16, 2010 issued by the SEBI, this practice has been discontinued with effect from April 1, 2010.
- The Company has uploaded the information relating to its financial results, shareholding pattern and report on corporate governance on website – <http://corpfilings.co.in>.
- The details of directors are also updated on Directors Database - <http://www.directorsdatabase.com>, a Corporate Governance initiative of the Bombay Stock Exchange Limited.

13. General shareholder information

Annual General Meeting	
Day and Date	Thursday, August 18, 2011
Time	3.00 p.m.
Venue	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059
Financial Year	April 1, 2010 to March 31, 2011
Date of Book Closure	Saturday, August 13, 2011 to Thursday, August 18, 2011 (both days inclusive)
Listing on Stock Exchanges at	Bombay Stock Exchange Limited (BSE); and National Stock Exchange of India Limited (NSE)
Stock Code	
Bombay Stock Exchange Limited (BSE)	532466
National Stock Exchange of India Limited (NSE)	OFSS

Listing

The annual listing fees for the year 2011–2012 have been paid to BSE and NSE.

The Company has paid Custodial fees for the year 2011–2012 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them as on March 31, 2011.

Unclaimed Dividend

Pursuant to Sections 205A, 205C and other applicable provisions, if any, of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date they become due for payment, is required to be transferred to the 'Investor Education and Protection Fund' set up by the Central Government. Accordingly, the amount of unclaimed dividend for the financial year ended March 31, 2004 will be transferred to the 'Investor Education and Protection Fund' in due course. Once the amount is so transferred, no claims shall lie against the aforesaid fund or the Company in respect of such dividend amount thereafter. The members are requested to send to the Company their claims, if any, for the dividend for financial year 2003 – 2004 onwards immediately.

14. Market price data

Monthly high, low and volume of the shares of the Company traded on the stock exchange from April 1, 2010 to March 31, 2011 are given below:

Month and Year	High (₹)		Volume of Shares	Low (₹)		Volume of Shares
	BSE	NSE		BSE	NSE	
April 2010	2,327.95	2,133.00	148,680	2,329.00	2,100.60	981,913
May 2010	2,177.00	1,995.00	287,886	2,180.00	1,986.00	1,011,261
June 2010	2,270.00	2,035.50	494,238	2,269.80	2,018.75	1,773,297
July 2010	2,284.95	2,075.00	104,641	2,288.00	2,070.00	563,271
August 2010	2,199.00	2,013.00	207,985	2,189.00	2,011.10	1,215,683
September 2010	2,290.60	2,033.05	315,950	2,290.00	2,035.05	1,429,903
October 2010	2,510.00	2,195.00	250,745	2,482.80	2,075.20	1,334,180
November 2010	2,400.00	2,020.00	197,138	2,390.00	2,015.00	865,639
December 2010	2,348.55	2,060.00	170,873	2,349.00	2,062.80	769,266
January 2011	2,355.00	2,140.15	157,801	2,400.00	2,142.00	705,145
February 2011	2,298.80	1,951.00	193,803	2,300.00	1,959.80	871,968
March 2011	2,090.00	1,910.10	164,659	2,149.80	1,929.00	406,153

Relative movement chart

The chart below gives the comparison of your Company’s share price movement on NSE vis-à-vis the movement of S&P CNX NIFTY for the year 2010–2011.



The chart below gives the comparison of your Company’s share price movement on NSE vis-à-vis the movement of S&P CNX NIFTY since the listing of the share on NSE.



15. Registrars and Transfer Agents

Link Market Services Limited, an Australia-based global registry and financial services company, has acquired 51% stake as a strategic investment in Link Intime India Private Limited, the Registrars and Transfer Agents of the Company ("the Registrars"). Consequently, the name of the Registrars has been changed from 'Intime Spectrum Registry Limited' to 'Link Intime India Private Limited'. The management and executive team as well as location and address of the Registrars remain unchanged.

Name	Link Intime India Private Limited
Address	C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400078
Tel	+91-22-2594 6970
Fax	+91-22-2594 6969
e-mail	rnt.helpdesk@linkintime.co.in
Contact person	Mr. Dnyanesh Gharote, Asst. Vice President – Corporate Registry
Branch	203, Davar House, 197/199 D. N. Road, Fort, Mumbai 400001
Tel	+91-22-2269 4127

16. Physical share certificate transfer system

The Registrar and Transfer Agent ("the Registrar"), on receipt of transfer deed with respective share certificate(s), scrutinises the same and verifies signature(s) of transferor(s) on the transfer deed with specimen signature(s) registered with the Company. A list of such transfers is prepared and checked thoroughly and a transfer register is prepared accordingly. The transfer register is placed before the Transfer Committee Meeting for approval, which meets at regular intervals.

During the last financial year there were no requests received for transfer of shares in physical mode.

Secretarial Audit

A qualified Practicing Chartered Accountant has carried out reconciliation of Share Capital Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed share capital. The audit confirms that the total issued/paid-up share capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

17. Distribution of Shareholding as on March 31, 2011

Shares of nominal value of (₹)	Number of Shareholders	%	Share amount (₹)	% to Equity
Up to 2,500	16,960	90.83	3,528,655	0.84
2,501 – 5,000	409	2.19	1,588,420	0.38
5,001 – 10,000	392	2.10	2,934,875	0.70
10,001 – 20,000	321	1.72	4,808,315	1.15
20,001 – 30,000	135	0.72	3,379,155	0.81
30,001 – 40,000	99	0.53	3,454,405	0.82
40,001 – 50,000	58	0.31	2,689,805	0.64
50,001 – 100,000	151	0.81	10,548,985	2.51
100,001 & Above	148	0.79	386,541,395	92.15
Total	18,673	100.00	419,474,010	100.00

18. Shareholding per Category as on March 31, 2011

Category of shareholders	Number of shares	%
Promoters: Oracle Global (Mauritius) Ltd	67,481,698	80.44
Mutual Funds/UTI	3,221,944	3.84
Financial Institutions/Banks	445,372	0.53
Insurance Companies	–	–
Foreign Institutional Investors	2,302,505	2.75
Bodies Corporate	589,909	0.70
Individuals –		
i. Holding nominal share capital up to ₹ 1 lakh	4,716,288	5.62
ii. Holding nominal share capital in excess of ₹ 1 lakh	2,143,718	2.56
Clearing Member	69,287	0.08
Market Maker	8,881	0.01
Foreign Nationals	4,000	0.01
NRI (Repatriate)	983,758	1.17
NRI (Non-Repatriate)	1,288,633	1.54
Overseas Corporate Bodies	800	0.00
Directors	10,441	0.01
Trust	195,456	0.23
HUF	17,233	0.02
Foreign Mutual Fund	414,879	0.49
Total	83,894,802	100.00

During the financial year 2010-2011:

1. The Company issued and allotted 39,945 equity shares to eligible employees who exercised their ESOPs during the year.
2. The Company has not issued any ADR/GDR.
3. The promoters have not pledged any of the shares held in the Company.

19. Dematerialisation of shares and liquidity

The shares of the Company are under compulsory demat mode. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE881D01027.

As on March 31, 2011, 98.67% of the shares of the Company were in electronic form.

20. Address for correspondence

Registered Office

Oracle Financial Services Software Limited
Oracle Park
Off Western Express Highway
Goregaon (East)
Mumbai 400063
Maharashtra
India
Tel +91-22-6718 3000
Fax +91-22-6718 3001
e-mail: investors-vp-ofss_in@oracle.com

The details of other office addresses in India have been mentioned in the Corporate information section of the annual report.

Annexure to Directors' report

To
The Board of Directors
Oracle Financial Services Software Limited
Mumbai

This is to certify that:

- (a) We have reviewed financial statements and the cash flow statement of Oracle Financial Services Software Limited ("the Company") for the financial year ended March 31, 2011 and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement/figures or omit any material fact or contain statements/figures that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year ended March 31, 2011 which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
 - (i) Significant changes in internal control over financial reporting during the financial year ended March 31, 2011, if any;
 - (ii) Significant changes in accounting policies during the financial year ended March 31, 2011, if any; and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
- (e) We further declare that all Board members and Senior Management Personnel have affirmed compliance with Codes of Conduct for the financial year ended March 31, 2011.

For Oracle Financial Services Software Limited

Chaitanya Kamat
Managing Director and CEO

Makarand Padalkar
Chief Financial Officer

May 10, 2011

Auditors' certificate

To
The Members of Oracle Financial Services Software Limited

We have examined the compliance of conditions of corporate governance by Oracle Financial Services Software Limited (the 'Company'), for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S. R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per Amit Majmudar
Partner
Membership No.: 36656

Mumbai, India
July 15, 2011

Financials

Financial statements for the year ended March 31, 2011 prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) (Unconsolidated).

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Management's discussion and analysis

of financial condition and results of operations

The following discussion is based on our audited unconsolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in India and complying in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956.

You should read the following discussion of our financial condition and results of operations together with the detailed unconsolidated Indian GAAP financial statements and the notes to those statements. Our fiscal year ends on March 31 of each year.

Information technology in the financial services industry

Financial institutions today face many challenges in their quest to offer innovative products and services to customers. There have been significant shifts in the competitive landscape. These include price wars, the emergence of new business models, competitors from within and outside the industry who have effectively differentiated themselves, changes in buyer power and preferences and other opportunities and threats including deregulation.

The focus of financial institutions is on the transformation of their business models to help identify cost-saving opportunities and enhance their ability to offer both targeted and improved levels of service to their customers. Besides reducing costs, financial institutions strive to gain competitive advantage by enhancing their reputation and creating greater institutional resilience.

Financial institutions have been forced to abandon their traditional reliance on the use of single product or business silos. Today, to stay competitive, they have to offer a variety of integrated and global products in different markets while ensuring that their activities are in sync with market dynamics and evolving regulatory mandates. The emergence of new customer segments have made banks chose "next generation" models and offer new and innovative products and services.

The recent turmoil in global financial markets has significant lessons for the risk management of financial institutions. A key lesson is institutions could be threatened by a liquidity crunch even if they are well capitalised. The management of liquidity risk is thus vital both for the sound management of financial institutions and for the stability of the financial system. Over the last few years central banks and regulatory bodies have actively reviewed their frameworks for financial regulation and supervision, including that of liquidity risk.

The increasing operational complexity of financial institutions has been accompanied by innovation in the measurement and monitoring of their exposure to various risks. Stress testing, defined as the examination of the potential effects on a firm's financial condition of a set of specified changes in risk factors, corresponding to exceptional but plausible events, is one such innovation. Stress and scenario testing is becoming an important element in the planning and risk management process, and is helping institutions identify, analyse and manage the risks inherent within their businesses.

Financial institutions have to cope with increasing regulatory scrutiny and with the increasing sophistication of fraudulent activity. Fraudsters, today, are using a series of techniques to circumvent processes designed to detect and address fraud. Financial institutions are therefore turning towards technology to tackle fraud and comply with dynamic compliance mandates.

Banks require services that address their need for renewal in areas such as consumer regulation, security and process consistency.

Overview

Oracle Financial Services Software Limited, majority owned by Oracle, is a world leader in providing IT solutions to the financial services industry. With its experience of delivering value-based IT solutions to global financial institutions, Oracle Financial Services Software understands the specific challenges that financial institutions face: the need for building customer intimacy and competitive advantage through cost-effective solutions while, simultaneously, adhering to the stringent demands of a dynamic regulatory environment.

Our mission is to enable financial institutions to excel through the effective use of information technology. We offer financial institutions the world's most comprehensive and, contemporary banking applications and a technology footprint that addresses their complex IT and business requirements.

We are organised by region and business segment. We have two major business segments - the products business (comprising product licensing, customisation, implementation and support) and consulting services (comprising IT application and technology services).

These segments are described in detail below:

Products

Oracle FLEXCUBE

Oracle FLEXCUBE is a complete banking product suite for consumer, corporate, investment, mobile and internet banking, consumer lending, asset management and investor servicing, including payments. Oracle FLEXCUBE enables banks to standardise operations across multiple countries, transform their local operations as well as address niche business models like direct banking, Islamic

banking and mobile banking. Financial institutions use Oracle FLEXCUBE to respond faster to market dynamics, define and track processes, while ensuring compliance. The suite is also equipped with SWIFT 2011 enhancements.

Oracle FLEXCUBE addresses the complete lending lifecycle across origination, servicing and collections. Customers can use the process centric architecture of the product to measure and manage their business based on process level insight.

Oracle FLEXCUBE also helps SWIFT participants cost-effectively keep pace with emerging trends and optimise their SWIFTNet use to fully leverage SWIFTNet services and achieve their SWIFTNet objectives. Financial institutions can leverage this solution to consolidate SWIFTNet messaging, improve operational efficiency, reduce costs, and transform their business using a global messaging platform.

This comprehensive solution supports the entire funds process flow, including orders, confirmations, cancellations, statements, reports, and transfers over the SWIFTNet Funds service using the InterAct messaging protocol. It provides easy integration with back-office applications and can also convert FIN or proprietary messages to ISO 20022 formats and vice versa.

Oracle FLEXCUBE can also help financial institutions gain a foothold in the fast growing cross-border remittances segment; it can help financial institutions initiate, process, and disburse remittances.

Oracle FLEXCUBE release 11.0 brings together Oracle's vast experience in supporting banks across the globe. Banks can take advantage of the solution's entire range of functionality and earn a higher return on investment through multi-product origination, support for broker-aided distribution, end-to-end lending and mortgage lifecycle management. Supported by an exhaustive set of Web services, SOA-enabled Oracle FLEXCUBE enables accelerated deployment and easy integration with a bank's existing application landscape. Release 11.0 offers complete lifecycle support for consumer, commercial, syndicated, Islamic banking and mortgage processing - including origination, servicing, and collections.

Oracle FLEXCUBE Enterprise Limits and Collateral Management offers a single source for managing exposure across a business portfolio. It enables centralised collateral management, limits definition, tracking and exposure measurement for effective exposure management and resource utilisation.

Oracle FLEXCUBE Private Banking is a comprehensive solution for private banking. It gives wealth managers a unified view and analyses of their customers' wealth across asset classes, and provides the added benefits of performance tracking and improved customer relationship management. The application is a comprehensive, customer-centric solution that offers a wealth management portal, a customer interaction tool, and portfolio management capabilities – all of which can be integrated with the existing core banking solutions used by a bank.

Oracle FLEXCUBE Investor Servicing is a process enabled transfer agency and investor servicing solution. It helps financial institutions manage the complete fund lifecycle and reduce operational costs through process automation across fund structures, intermediary hierarchies, and investors. The ISO 20022 and 15022 compliant Oracle FLEXCUBE Investor Servicing ensures enhanced STP processing through support for a wide variety of SWIFT NET 4.0 messages. With a comprehensive business rules engine for products – hedge funds, mutual funds and unit-linked insurance products, funds, and fee structures, Oracle FLEXCUBE Investor Servicing allows fund management companies to configure and launch new products rapidly.

Oracle Financial Services Analytical Applications are a complete and fully integrated portfolio of analytical solutions covering enterprise risk, performance management, regulatory compliance and customer insight. They are built upon a shared analytical infrastructure consisting of a unified financial services data model, shared analytical computations and the industry-leading Oracle Business Intelligence platform.

The stack contains almost all point solutions that can be integrated to give a holistic view across all analytical applications. Financial institutions need an integrated approach that combines a diverse set of compliance and risk solutions to help them address not only present regulatory needs, but also emerging and future risk and regulatory requirements. The framework is rules driven, and readily adapts to change. Unlike other hard-coded solutions, Oracle Financial Services Analytical Applications provide both prebuilt rules and the capability to create and modify rules. This flexibility allows financial institutions to easily create custom rules for their own analytical requirements and to cost-effectively address ever-changing compliance regulations. Any rule can be viewed and audited for its underlying definition to enable supervisory oversight.

Oracle Financial Services Consulting

Oracle Financial Services Consulting offers Consulting Services, Application Services, Technology Services to financial institutions.

Consulting Services

Your Company offers an end-to-end consulting partnership, providing comprehensive business and technology solutions that enable financial services enterprises to improve process efficiency, optimise costs, meet risk and compliance requirements, define IT architecture and manage the transformation process. We offer consulting services in the areas of business transformation, risk and compliance, program management, IT architecture, IT governance and process improvement.

PrimeSourcing Application Services

Your Company provides comprehensive customised IT solutions for banking, securities and insurance. These high-quality IT solutions reflect the division's domain expertise in financial services, including the knowledge gleaned from specialised practice lines like

payments, business intelligence, CRM, Oracle Technology and Applications and testing. These IT solutions encompass the complete lifecycle of an IT application asset – from conceptualisation to creation and maintenance.

Customers can take advantage of the in-depth expertise across a range of technologies such as Java, Microsoft, Mainframe and Open Source. Our services are much sought after by financial institutions as our IT processes, global infrastructure and development centres are based on COBIT best practices and include a comprehensive pool of proprietary methodologies and tools.

PrimeSourcing Technology Services

Your Company offers expertise in conceptualisation, design, evaluation, implementation and management of IT infrastructure for financial institutions under two service lines of **Technology Management Services and Remote Infrastructure Management**. These services are based on best practices such as ITIL (IT Infrastructure Library) and COBIT (Control Objectives for Information and related Technology) governance models (globally accepted standards for IT management and control) and are certified under ISO 27001 (Information Security Management System) and ISO 20000 (IT Services Management).

Support services

Oracle Financial Services Support offers support services for FLEXCUBE and Analytical Applications for Financial Services. These services help our customers accelerate adoption, achieve faster return on their application investments, and reduce the time, effort, and cost of operating their applications. These services also enable our customers to take advantage of the latest industry-leading technology enhancements to meet their application management needs effectively.

Unmatched banking solutions footprint

Together with Oracle, Oracle Financial Services Software offers the world's most comprehensive and contemporary banking applications and technology footprint. This footprint spans the distribution, manufacturing, risk and finance and corporate administration functions of a financial institution. Each solution in the financial services application footprint is best-of-breed, open and integrated.

Corporate development

Ownership Interest of Oracle Global (Mauritius) Limited in the Company is 80.44% as at March 31, 2011.

Business metrics

Our total revenues in fiscal 2011 were ₹ 23,605.1 million, representing an increase of 5% from ₹ 22,434.7 million in fiscal 2010. The net income in fiscal 2011 was ₹ 9,679.8 million, against ₹ 6,608.5 million in fiscal 2010. Our net income margin in fiscal 2011 is at 41% as against 29% in fiscal 2010. We define net income margins for a particular period as the ratio of net income to total revenues during such period. We had 8,447 employees in India as on March 31, 2011 as against 9,083 at the end of the previous year.

Products business

	(All amounts in ₹ millions)	
	Year ended March 31, 2011	Year ended March 31, 2010
Product revenues	16,154.9	15,475.4
Cost of product revenues	(6,224.3)	(6,559.7)
Sales and marketing expenses	(661.1)	(382.6)
General and administrative expenses	(640.7)	(628.4)
Depreciation and amortisation	(133.1)	(168.4)
Income from operations	8,495.7	7,736.3
Operating margin*	53%	50%

* Operating margin is defined as income from operations from the products business (excluding corporate expenses) as a percentage of total products revenues.

Products revenues

As of March 31, 2011, our product revenues were ₹ 16,154.9 million, an increase of 4% from ₹ 15,475.4 million during the fiscal year ended March 31, 2010. Product revenues represented 68% and 69% of total revenues for fiscal years ended 2011 and 2010 respectively.

Our products revenues comprise license fees, professional fees for implementation and enhancement services and annual maintenance contract (Post Contract Support - PCS) fees for our products.

License fee

Our standard licensing arrangements for products provide the user a perpetual right to use the product for a pre-defined number of users and sites upon the payment of a license fee. The license fee is a function of a variety of quantitative and qualitative factors, including the number of copies sold, the number of users supported, the number and combination of the modules sold and the number of sites and geographical locations supported. The licenses are non-exclusive, personal, non-transferable and royalty free.

Implementation fee

Along with licenses for our products, our customers can also optionally avail services related to the implementation of products at their sites, integration with other systems or enhancements to address their specific requirements. The customer is typically charged a service fee on either a fixed price basis or a time and material basis.

Annual maintenance contract fees

Customers typically sign an Annual Maintenance Contract with us under which, we provide technical support, maintenance, problem resolution and upgrades for the licensed products. These support agreements typically cover a period of 12 months and generate other revenue streams for us.

The revenues generated from license fees and implementation and enhancement services rendered by us depends on factors such as the number of new customers added, milestones achieved, implementation time, etc. Therefore, such revenues typically vary from year to year. The annual maintenance contracts generate steady revenues and would grow to the extent that new customers are entering into the support phase of their lifecycle with us.

The percentages of our revenues from these streams are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
License fees	21%	18%
Implementation and customisation fees	53%	59%
PCS arrangements	26%	23%
Total	100%	100%

Cost of products revenues and operating expenses

The cost of our product revenues consists of costs attributable to the implementation, enhancement, maintenance and continued development, including research and development efforts, of our core product offerings - the Oracle FLEXCUBE suite of products, Oracle Financial Services Analytical Applications and other products. These costs primarily consist of compensation expenses for all software professionals working in the products business, project-related travel expenses, professional fees paid to software services vendors and the cost of application software for internal use.

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is established. Software product development cost incurred subsequent to the achievement of technological feasibility is not material and is expensed as incurred.

Our operating expenses include selling and marketing expenses, general and administrative expenses that consist of commissions payable to our partners, product advertising, marketing expenses and allocated overhead expenses associated with support and monitoring functions such as human resources, facilities and infrastructure expenses, quality assurance and financial control and depreciation and amortisation.

Services business

	Year ended March 31, 2011	Year ended March 31, 2010
Services revenues	7,450.2	6,959.3
Cost of services revenues	(5,381.7)	(5,175.0)
Sales and marketing expenses	(112.6)	(65.9)
General and administrative expenses	(372.5)	(340.6)
Depreciation and amortisation	(160.4)	(166.2)
Income from operations	1423.0	1211.6
Operating margin*	19%	17%

* Operating margin is defined as income from operations from the services business (excluding corporate expenses) as a percentage of total services revenues.

Services revenues

Our services revenues represented 32% and 31% of our total revenues for the fiscal year ended March 31, 2011 and 2010 respectively. Our services revenues were ₹ 7,450.2 million in the fiscal year ended March 31, 2011, representing an increase of 7% from ₹ 6,959.3 million in the fiscal year ended March 31, 2010.

The contracts relating to our services business are either time or material contracts or fixed price contracts. The percentage of total services revenues from time and material contracts was 62% in fiscal 2011 and 64% in fiscal 2010, with the remainder of our services revenues attributable to fixed price contracts.

We render services through offshore centres located in India, onsite teams operating at our customers' premises and our development centres located in other parts of the world. Offshore services revenues consists of revenues from work conducted at our development centres in India and for Indian customers at their locations. Onsite revenues consist of work conducted at customer premises outside

India and our development centres outside India. The composition of our onsite and offshore revenues is determined by the project lifecycle. Typically, the work involving the design of new systems or relating to a system rollout would be conducted onsite, while the core software development, maintenance and support activity may be conducted offshore. We received 47% and 62% of our services revenues from onsite work and 53% and 38% from offshore work during the fiscal years 2011 and 2010 respectively.

Cost of services revenues and operating expenses

The cost of revenues for services consists primarily of compensation expenses for our software professionals, cost of application software for internal use, travel expenses and professional fees paid to software services vendors. We recognise these costs as incurred. Our operating expenses include selling, general and administrative expenses and allocated overhead expenses associated with support and monitoring functions such as human resources, corporate marketing, information management systems, quality assurance and financial control and depreciation.

Geographic breakup of revenues

Our overall revenues continue to be well diversified. The following table represents the percentage breakup of our revenues for our products and services business by region:

	Year ended March 31, 2011			Year ended March 31, 2010		
	Products Revenues	Services Revenues	Total Revenues	Products Revenues	Services Revenues	Total Revenues
USA	15%	50%	26%	14%	52%	27%
Europe	32%	17%	28%	40%	18%	33%
Asia Pacific	25%	26%	25%	22%	24%	22%
Middle East, India and Africa	24%	6%	18%	21%	5%	16%
Latin America and Caribbean	4%	1%	3%	3%	1%	2%
Total	100%	100%	100%	100%	100%	100%

Customer concentration

Our operations and business depend on our relationships with a large number of customers. Our revenues from our top ten customers, as a percentage of our total revenues is at 33% for fiscal 2011 as against 30% for fiscal year 2010. The top ten customers in our services business contributed 43% of the total services revenues and the top ten customers in our products business, contributed 32% of the total products revenues during fiscal 2011.

The percentage of total revenues during fiscal years 2011 and 2010 that we derived from our largest customer, largest five customers and largest ten customers is provided in the accompanying table. In the table, various affiliates of Citigroup are classified as separate customers and the last row sets forth the percentage of total revenues we earned from the various affiliates of Citigroup with respect to our products and services business individually and with respect to our business taken as a whole.

	Products Revenues		Services Revenues		Total Revenues	
	2011	2010	2011	2010	2011	2010
Largest customer	10%	5%	11%	7%	9%	4%
Top 5 customers	24%	25%	36%	28%	22%	22%
Top 10 customers	32%	34%	54%	43%	33%	30%
Citigroup and its affiliates	11%	12%	48%	36%	22%	20%

Trade receivables

Trade receivables as of fiscal March 31, 2011 and 2010 were ₹ 7,700.9 million and ₹ 8,772.4 million respectively. Our days sales outstanding (which is the ratio of sundry debtors to total sales in a particular year multiplied by 365) for fiscal 2011 and 2010 were approximately 119 and 143 respectively. The Company periodically reviews its trade receivables outstanding as well as the aging, quality of the trade receivables, customer relationship and history of the client. The following table represents the age profile of our trade receivables:

	Year ended March 31, 2011	Year ended March 31, 2010
Period in days		
0–180	91%	87%
More than 180	9%	13%
Total	100%	100%

Foreign currency and treasury operations

A substantial portion of our revenues is generated in foreign currencies while a majority of our expenses are incurred in Indian Rupees (INR), with the remaining expenses are incurred in US Dollars (USD) and European currencies.

Our philosophy for treasury operations is conservative and we invest funds predominantly in time deposits with well-known and highly rated Indian and foreign banks. The Company has ensured adequate internal controls over asset management, including cash management operations, credit management and debt collection.

The Company also maintains funds in USD, EUR, GBP and INR accounts based on comparative exchange rates, interest rates and currency requirements.

Income taxes

Till March 31, 2011, we partially benefited from tax holidays extended by the Government of India to software products and IT services exporters from specially designated software technology parks in India. As a result of these incentives, our operations were subject to relatively lower tax liabilities in India. These tax incentives included a 10-year tax holiday from Indian corporate income taxes for the operation of seven of our Indian facilities. As a result, a substantial portion of our pre-tax income was not subject to tax in recent years.

The Finance Act, 2000, restricts the ten-year tax holiday available from the fiscal year in which the undertaking begins to manufacture or produce, or until fiscal 2011 (as extended in Finance Act, 2009), whichever is earlier. Thus, for our STPI units, this benefit expired on 31 March 2011. Income taxes also include foreign taxes representing income taxes payable overseas by us in various countries.

Employee Stock Purchase Scheme ('ESPS')

The Company has adopted the ESPS administered through a Trust ("the Trust") to provide equity based incentives to key employees of the Company. As per the scheme, the Trust can purchase shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are allocated by the Trust to nominated employees at an exercise price, which approximates the fair value on the date of the grant. The shares vest in the employees over a period of five years and the employees can purchase the shares from the Trust over a period of ten years based on continued employment, until which, the Trust holds the shares for the benefit of the employees. The employees are entitled to receive dividends, bonus, etc., that may be declared by the Company from time to time for the entire portion of shares held by the Trust on behalf of the employees.

On the acceptance of the offer, the selected employee undertakes to purchase the shares from the Trust within ten years from the date of acceptance of the offer. In case an employee resigns from employment, the rights relating to vested shares, which are eligible for exercise, may be purchased by the employee by payment of the exercise price whereas, the balance shares are forfeited in favour of the Trust. The Trustees have the right of recourse against the employees for any amounts that may remain unpaid on the shares accepted by them. As of the Balance Sheet date, the Trust has repaid the entire loan obtained from the Company on receipt of payments from employees against shares exercised.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines'), which are applicable to stock purchase schemes for employees of all Indian listed companies. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. However, no compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date.

A summary of the activity in the Company's ESPS is as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
	Number of shares	Number of shares
Opening balance of unallocated shares	165,150	165,145
Shares forfeited during the year	992	5
Closing balance of unallocated shares	166,142	165,150
Opening balance of allocated shares	54,548	134,834
Shares exercised during the year	(24,475)	(80,281)
Shares forfeited during the year	(992)	(5)
Closing balance of allocated shares	29,081	54,548
Shares eligible for exercise	29,081	54,548
Shares not eligible for exercise	—	—
Total allocated shares	29,081	54,548

Employee Stock Option Plan ('ESOP')

Pursuant to ESOP scheme approved by the shareholders of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ("Scheme 2002") for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the IPO and 619,000 options at various dates after IPO (including the grants of options out of options forfeited earlier). As per the Scheme 2002, each

of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme ("Scheme 2010") for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 618,000 options. As per the Scheme 2010, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

A summary of the activity in the Company's ESOP (Scheme 2002) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	242,382	1,152	348,853	1,075
Granted	60,000	2,333	—	—
Exercised	(39,945)	1,255	(85,471)	819
Forfeited	(16,600)	1,291	(21,000)	1,232
Outstanding at end of the year	245,837	1,414	242,382	1,152
Vested options	141,537		141,382	
Unvested options	104,300		101,000	

The weighted average share price for the year over which stock options were exercised was ₹ 2,188.

A summary of the activity in the Company's ESOP (Scheme 2010) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	—	—	—	—
Granted	618,000	2,050	—	—
Exercised	—	—	—	—
Forfeited	(56,135)	2,050	—	—
Outstanding at end of the year	561,865	2,050	—	—
Unvested options	561,865		—	

The details of options unvested and options vested and exercisable as on March 31, 2011 are as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	1,291–1,291	44,300	1,291	5.1
	2,050–2,050	561,865	2,050	9.4
	2,333–2,333	60,000	2,333	9.6
Options vested and exercisable	265–265	31,400	265	0.9
	515–515	32	515	2.3
	1,291–1,291	110,105	1,291	5.1
		807,702	1,856	8.3

The details of options unvested and options vested and exercisable as on March 31, 2010 were as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	419–560	—	—	—
Options vested and exercisable	1,291–1,291	101,000	1,291	6.1
	265–265	32,800	265	1.9
	515–515	32	515	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

Analysis of our financial results

Comparison of fiscal 2011 with fiscal 2010

Revenues

Our total revenues in the fiscal year ended March 31, 2011, were ₹ 23,605.1 million, an increase of 5% over our total revenues of ₹ 22,434.7 million in the fiscal year ended March 31, 2010. The increase in revenues was primarily attributable to an increase in the revenues from our products business as well as services business.

Products revenues

Our products revenues in the fiscal year ended March 31, 2011, stood at ₹ 16,154.9 million, an increase of 4% over our products revenues of ₹ 15,475.4 million in the fiscal year ended March 31, 2010 on the strength of large customer wins in Europe and ASPAC. The revenues from license fees comprised 21% of the revenues, implementation and customisation fees comprised 53%, and Annual Maintenance Contracts comprised 26% of the revenues for the fiscal 2011.

Services revenues

Our services revenues represented 32% and 31% of our total revenues in the fiscal year ended March 31, 2011 and 2010. Our services revenues were ₹ 7,450.2 million in the fiscal year ended March 31, 2011 an increase of 7% from ₹ 6,959.3 million in the fiscal year ended March 31, 2010. Revenues from time and material contracts comprised 62% of services revenues and fixed price contracts comprised 38% for the fiscal 2011.

Interest and other income (expense)

Our interest and other income (expenses) in the fiscal year ended March 31, 2011, was ₹ 1,403 million, as compared to a loss of ₹ 682.7 million in the fiscal year ended March 31, 2010. The overall increase of ₹ 2,085.7 million in interest and other income (expenses) is primarily attributable to higher interest income of ₹ 684.1 million and net foreign exchange gain of ₹ 1,382.8 million during the year mainly due to realisation at better rates on conversion of EUR and USD funds to INR during the year.

Cost of revenues and operating expenses

Cost of revenues

Our cost of revenues in the fiscal year ended March 31, 2011, was ₹ 11,606 million, a decrease of 1% over our cost of revenues of ₹ 11,734.7 million in the fiscal year ended March 31, 2010. Our cost of revenues as a percentage of total revenues was 49% in the fiscal year ended March 31, 2011 as compared to 52% in the fiscal year ended March 31, 2010.

We have invested significantly both in our products and services businesses to meet emerging market requirements, and create a strong foundation for future growth. In the financial year 2010–2011, we continued to invest in enhancing our products. We announced the launch of Oracle FLEXCUBE 11.0 that helps financial institutions respond faster to market dynamics, define and track processes and ensure compliance. Our investments in the Oracle Analytics platform resulted in the launch of several new offerings for Enterprise Performance Management, Capital Management and Stress Testing.

Our cost of products revenues in the fiscal year ended March 31, 2011, was ₹ 6,224.3 million, a decrease of 5% over our cost of products revenues of ₹ 6,559.7 million in the fiscal year ended March 31, 2010. Our cost of products revenues as a percentage of products revenues was 39% in the fiscal year ended March 31, 2011 as compared to 42% in the fiscal year ended March 31, 2010.

Our cost of services revenues in the fiscal year ended March 31, 2011 was ₹ 5,381.7 million, an increase of 4% over our cost of services revenues of ₹ 5,175 million in the fiscal year ended March 31, 2010. The cost of services revenues as a percentage of services revenues was 72% in the fiscal year ended March 31, 2011 as compared to 74% in the fiscal year ended March 31, 2010.

Sales and marketing expenses

Our sales and marketing expenses in the fiscal year ended March 31, 2011, were ₹ 773.7 million, an increase of 73% over our sales and marketing expenses of ₹ 448.5 million in the fiscal year ended March 31, 2010. Our sales and marketing expenses as a percentage of total revenues was 3% for the fiscal year ended March 31, 2011 and 2% in the fiscal year ended March 31, 2010.

Our sales and marketing expenses for our products business in the fiscal year ended March 31, 2011, were ₹ 661.1 million, an increase of 73% over our sales and marketing expenses for our products business of ₹ 382.6 million in the fiscal year ended March 31, 2010. Sales and marketing expenses for our products business as a percentage of products revenues was 4% for the fiscal year ended March 31, 2011 and 2% in the fiscal year ended March 31, 2010.

Our sales and marketing expenses for our services business in the fiscal year ended March 31, 2011 were ₹ 112.6 million, an increase of 71% over our sales and marketing expenses for our services business of ₹ 65.9 million in the fiscal year ended March 31, 2010. Sales and marketing expenses for our services business as a percentage of services revenues was 2% for the fiscal year ended March 31, 2011 and 1% in the fiscal year ended March 31, 2010.

General and administrative expenses

Our general and administrative expenses in the fiscal year ended March 31, 2011 were ₹ 1,922.6 million, an increase of 12% over our general and administrative expenses of ₹ 1,721 million in the fiscal year ended March 31, 2010. Our general and administrative expenses as a percentage of total revenues was 8% in the fiscal year ended March 31, 2011 as well as in the fiscal year ended March 31, 2010.

General and administrative expenses for our products business in the fiscal year ended March 31, 2011, were ₹ 640.7 million, an increase of 2% over general and administrative expenses for our products business of ₹ 628.4 million in the fiscal year ended March 31, 2010. Our general and administrative expenses for our products business as percentage of products revenues was 4% in both the fiscal years ended March 31, 2011 and March 31, 2010.

General and administrative expenses for our services business in the fiscal year ended March 31, 2011, were ₹ 372.5 million, an increase of 9% over our general and administrative expenses for our services business of ₹ 340.6 million in the fiscal year ended March 31, 2010. Our general and administrative expenses for our services business as a percentage of services revenues was 5% in the both the fiscal years ended March 31, 2011 and March 31, 2010.

Income taxes

Our provision for income tax in the fiscal year ended March 31, 2011, was ₹ 664.1 million a decrease of 23% over our provision for income tax of ₹ 865.2 million in the fiscal year ended March 31, 2010. Our effective tax rate was 6% for the fiscal year ended March 31, 2011 as against 12% for the fiscal year ended March 31, 2010.

Income from operations and net income

As a result of the foregoing factors, income from operations increased by 10% to ₹ 8,966.3 million in fiscal 2011 from ₹ 8,156.4 million in fiscal 2010 and net income increased by 46% to ₹ 9,679.8 million in fiscal 2011 from ₹ 6,608.5 million in fiscal 2010. Our net income margin is 41% for the fiscal year 2011 as against 29% in the fiscal year 2010. We define net income margins for a particular period as the ratio of net income to total revenues during such period.

Liquidity and capital resources

Our capital requirement relate primarily to financing the growth of our business. We have historically financed the majority of our working capital, capital expenditure and other requirements through our operating cash flow. During fiscal 2011 and 2010 we generated cash from operations of ₹ 7,149.9 million and ₹ 6,927 million respectively.

Oracle Financial Services Software is a zero debt company. We expect that our primary financing requirements in the future will be capital expenditure and working capital requirements in connection with the expansion of our business. We believe that the cash generated from operations will be sufficient to satisfy our currently foreseeable capital expenditure and working capital requirements.

Human capital

We recruit graduates from leading engineering and management institutions. We also hire functional experts from the banking industry. We had a net reduction of 636 employees during the fiscal year taking our employee strength to 8,447 employees as on March 31, 2011. The blend of functional knowledge and technical expertise, coupled with in-house training and real-life, experiences in working with financial institutions make our employees unique.

We enjoy cordial relationships with our employees and endeavour to give them an excellent, professionally rewarding and enriching work environment. We operate an effective performance management system, with a focus on employee development. This measures key result areas, competencies and training requirements ensuring all-round employee development.

Risks and concerns

Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposures are due to the following:

- foreign exchange rate fluctuations
- fluctuations in interest rates
- fluctuations in the value of our investments.

As of March 31, 2011, we had Cash and Bank Balances of ₹ 25,380.3 million, out of which ₹ 24,328.5 million was in interest-bearing bank deposits. Consequently, we face an exposure on account of fluctuation in interest rates. These funds were mainly invested in bank deposits of longer maturity (more than 90 days) to earn a higher rate of interest income.

A substantial portion of our revenues is generated in foreign currencies, while a majority of our expenses are incurred in Indian Rupees and the balance in US Dollars and European currencies. Our functional currency for Indian operations is the Indian Rupee. We expect that the majority of our revenues will continue to be generated in foreign currencies for the foreseeable future and a significant portion of our expenses, including personnel costs and capital and operating expenditure, to continue to be incurred in Indian Rupees.

In addition, we face normal business risks such as global competition and country risks pertaining to countries that we operate in.

SWOT analysis

Strengths:

- Deep domain expertise with proven track record
- Oracle Stack: Complete, Integrated and Open with all products benchmarked on Oracle Exadata
- Unmatched solutions portfolio with depth of offering in the retail, corporate and investment banking, funds, cash management, trade, treasury, payments, lending, private wealth management, asset management and business analytics areas
- Superior quality and cost-efficient, end-to-end service capability, from business consulting, to application development and deployment, IT management, to Business Process Outsourcing
- Solutions built on best-in-class technology and architecture
- Continued momentum in new customer additions
- Extensive global client base
- High quality manpower resources
- Strong R&D capability
- Acknowledged leadership in core banking, application services and governance, risk and compliance, Anti-Money laundering, operational risk and process outsourcing domains.

Weaknesses:

- Exposure to various economies
- Lack of local resources in new markets/opportunities.

Opportunities:

- Increasing momentum in the acquisition of core banking systems by large and global financial institutions
- Cross sell and Up sell opportunities into rich global customer base
- Penetrate major geographies like China, Brazil, Japan, North America, Russia, LATAM and large parts of EMEA
- Develop strong global Partner model, greatly expanding pipeline and delivery capabilities
- Expanding solutions portfolio and entry into new market segments Consumer finance, business analytics, Basel II, Anti-Money Laundering, Private Wealth Management, Islamic banking, among others.

Threats:

- Competitive footprint in high-growth geographies
- Accelerated demand for talent in India
- Geo-political factors
- Customers negotiating harder as the financial position in many markets has changed.

Outlook

The worldwide market for financial services is undergoing rapid transformation. Emerging markets are becoming increasingly significant sources of growth for firms in mature economies. New asset classes such as private equity and hedge funds have seen dramatic shifts in customer engagement and have altered the focus of capital markets. The payments space, a major source of revenues and profit for financial institutions, is being restructured, thus altering the fundamental dynamics of the banking industry.

Over the last 36 months there have been significant changes in the economic environment. Your Company views the current economic scenario as an opportunity to help financial institutions meet their emerging business needs. To sustain their growth and profitability, global financial institutions will need to excel in areas such as offshoring, taxation and financial reporting, internal controls and service and process innovation.

Financial institutions are also reviewing their existing IT investments to ensure that they are attuned to changing customer preferences and aligned to the new business priorities. Core banking, risk management and compliance, investor service and internet banking are among the areas that continue to show significant potential. Financial institutions are innovating using available technologies to offer services to their customers on a 'self service' basis.

We see demand for core banking applications continuing as banks expand by buying the assets of other banks, establish presence in new countries or standardise applications across regions. Banks are looking at the centralisation of banking services such as account opening and origination of credit to improve their service levels, increase productivity and gain greater control over processes that are subject to regulatory scrutiny.

Global regulators have re-emphasised the importance of stress testing in the measurement of liquidity and credit risk and in evaluating how banks would fare under different scenarios. As a result of these factors we have gained increasing traction at Tier 1 banks for our products. Over the last 12 months banks have also exhibited renewed interest in aligning finance, risk and performance applications. Risk Adjusted Performance Measurements (RAPM) that can manage such alignment, has received interest from many regulators and has also attracted attention from the boards of many banks.

Oracle has been ranked number one in the banking space by an independent vendor and is committed to maintaining its leadership position in financial services. Oracle will continue to invest in expanding its banking footprint through its own internal R&D and also seek "best-in-class" acquisition targets.

With a process-driven approach based on a Service-Oriented Architecture, your Company has the distinct advantage of offering banks the combined benefits of interoperability, extensibility and standardisation. Together with Oracle we provide a complete banking footprint, spanning all major distribution, manufacturing and corporate administration functions.

Internal control systems and their adequacy

The Company has in place adequate systems of internal control and documented procedures covering all financial and operating functions. These systems are designed to provide reasonable assurance with regard to maintaining proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorised use or losses and ensuring reliability of financial and operational information. The Company continuously strives to align all its processes and controls with global best practices.

Reconciliation Statement of profit as per Indian GAAP unconsolidated and Indian GAAP consolidated

	(All amounts in ₹ thousands)	
	Year ended March 31, 2011	Year ended March 31, 2010
Net income as per Indian GAAP unconsolidated profit and loss account	9,679,797	6,608,488
Add:		
Revenue of subsidiaries, net		
Oracle Financial Services Software B.V.	7,842,305	7,851,792
Oracle Financial Services Software Pte. Ltd. – consolidated	6,776,215	5,536,927
Oracle Financial Services Software America, Inc. – consolidated	8,405,753	7,637,467
ISP Internet Mauritius Company – consolidated	346,288	533,061
Oracle (OFSS) Processing Services Limited	2,220	3,052
Oracle (OFSS) ASP Private Limited	43,414	82,403
Oracle Financial Services Software Chile Limitada	56,477	–
Oracle Financial Services Software (Shanghai) Limited	395,742	228,440
	23,868,414	21,873,142
Other income from subsidiaries, net	292,670	(240,245)
	24,161,084	21,632,897
Less:		
Expenditure of subsidiaries, net		
Oracle Financial Services Software B.V.	7,244,795	7,186,992
Oracle Financial Services Software Pte. Ltd. – consolidated	6,677,527	5,304,107
Oracle Financial Services Software America, Inc. – consolidated	7,970,056	7,470,221
ISP Internet Mauritius Company – consolidated	311,144	359,917
Oracle (OFSS) Processing Services Limited	(43,182)	(90,508)
Oracle (OFSS) ASP Private Limited	86,785	81,424
Oracle Financial Services Software Chile Limitada	121,290	–
Oracle Financial Services Software (Shanghai) Limited	362,578	192,594
	22,730,993	20,504,747
Net income as per Indian GAAP consolidated profit and loss account	11,109,888	7,736,638

Auditors' report

To
The Members of Oracle Financial Services Software Limited

1. We have audited the attached balance sheet of Oracle Financial Services Software Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - b. in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per Amit Majmudar
Partner
Membership No.: 36656

Mumbai, India
May 10, 2011

Annexure referred to in paragraph 3 of our report of even date Re: Oracle Financial Services Software Limited ('the Company')

- i.
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
 - c. There was no disposal of a substantial part of fixed assets during the year.
- ii. Due to the nature of its business, clause 4 (ii) of the Order, relating to physical verification of inventory is not applicable to the Company.
- iii.
 - a. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
 - b. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets, sale of licenses and sale of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. Due to the nature of its business, the Company does not purchase any inventory.
- v. In our opinion there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (v) of the Order is not applicable to the Company.
- vi. The Company has not accepted any deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- ix.
 - a. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it *though there have been considerable delays in few cases of service tax, foreign taxes, income tax, value added tax and foreign withholding tax*. As explained to us, the Company did not have any dues of excise duty. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Act, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
 - b. According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other material statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows:

<i>Name of the statute</i>	<i>Nature of the dues</i>	<i>Amount (₹)</i>	<i>Period to which the amount relates</i>	<i>Due Date</i>	<i>Date of Payment</i>
<i>Finance Act, 1994</i>	<i>Service tax</i>	<i>5,860,482</i>	<i>April 2005 to September 2010</i>	<i>Various dates</i>	<i>₹ 3,143,505 is paid on April 13, 2011</i>
<i>Foreign Tax</i>	<i>Income Tax</i>	<i>169,444,499</i>	<i>April 2005 to August 2010</i>	<i>Various dates</i>	<i>Not yet paid</i>
	<i>Value added Tax ('VAT')</i>	<i>23,858,629</i>	<i>April 2007 to March 2009</i>	<i>Various dates</i>	<i>Not yet paid</i>
	<i>Withholding Tax</i>	<i>48,666,134</i>	<i>December 2008 to August 2010</i>	<i>Various dates</i>	<i>Not yet paid</i>
<i>Income Tax Act, 1961</i>	<i>Income Tax</i>	<i>30,898,494</i>	<i>April 2007 to March 2008</i>	<i>August 19, 2009</i>	<i>Not yet paid</i>

- c. According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
The Karnataka Value Added Tax Act, 2003	VAT and interest, penalty thereon	16,646,456	April 2005 to March 2007	Joint Commissioner of commercial taxes (Appeal)
The Central Sales Tax Act, 1956	CST and interest, penalty thereon	8,009,557	April 2002 to March 2003 and April 2005 to March 2007	Joint Commissioner of commercial taxes (Appeal)
The Karnataka Sales Tax Act, 1957	VAT	145,113	April 2002 to March 2004	Joint Commissioner of commercial taxes (Appeal)
The Karnataka Value Added Tax Act 2003	VAT and penalty thereon	581,668	April 2004 to March 2005	Appellate Tribunal, Bangalore
The Central Sales Tax Act 1956	CST and penalty thereon	616,622	April 2004 to March 2005	Appellate Tribunal, Bangalore
The Income Tax Act, 1961	Income Tax and interest thereon	1,393,274,244*	April 2006 to March 2007	Commissioner of Appeal (Income-tax)
The Income Tax Act, 1961	Tax deduction at source and interest thereon	4,778,705	April 2006 to March 2007	Commissioner of Appeal (Income-tax)
The Income Tax Act, 1961	Tax deduction at source and interest thereon	2,226,960	April 2005 to March 2006	Commissioner of Appeal (Income-tax)
The Income Tax Act, 1961	Tax deduction at source and interest thereon	52,547,270	April 2008 to March 2009	Commissioner of Appeal (Income-tax)

* Net of ₹ 50,000,000 paid under protest

A stay order has been received against the amount disputed and hence not deposited

- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. The Company did not have any dues to any financial institution, bank or debenture holder during the year.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. The Company did not have any term loans outstanding during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issue during the year.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S. R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per **Amit Majmudar**
Partner
Membership No.: 36656

Mumbai, India
May 10, 2011

Balance sheet

as at March 31

(All amounts in ₹ thousands)

	Schedules	2011	2010
Sources of funds			
Shareholders' funds			
Share capital	1	419,474	419,274
Share application money pending allotment		775	8,068
Reserves and surplus	2	51,083,069	41,353,344
		51,503,318	41,780,686
Application of funds			
Fixed assets			
Gross block	3	5,987,155	4,879,784
Less: Accumulated depreciation and amortisation		2,897,560	2,814,052
Net block		3,089,595	2,065,732
Capital work-in-progress and advances		639,699	1,304,106
		3,729,294	3,369,838
Investments	4	7,292,365	7,247,296
Deferred tax assets	5	690,180	384,071
Current assets, loans and advances			
Sundry debtors	6	7,700,985	8,772,357
Cash and bank balances		25,380,296	17,592,367
Other current assets		3,529,914	2,038,002
Loans and advances		9,902,925	8,484,297
		46,514,120	36,887,023
Less: Current liabilities and provisions	7		
Current liabilities		5,781,923	5,322,888
Provisions		940,718	784,654
		6,722,641	6,107,542
Net current assets		39,791,479	30,779,481
		51,503,318	41,780,686
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the balance sheet.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Profit and loss account

for the year ended March 31

(All amounts in ₹ thousands, except per share data)

	Schedules	2011	2010
Revenue	8	23,605,058	22,434,696
Cost of revenue	9	(11,606,021)	(11,734,660)
Gross profit		11,999,037	10,700,036
Operating expenses			
Selling and marketing expenses	10	(773,661)	(448,477)
General and administrative expenses	11	(1,922,615)	(1,721,060)
Depreciation and amortisation	3	(336,488)	(374,102)
Operating profit		8,966,273	8,156,397
Provision for diminution in value of investment		(25,424)	–
Non-operating income (expenses)			
Interest income	12	1,364,154	680,051
Foreign exchange gain (loss), net		19,071	(1,363,733)
Other income (expense), net	13	19,798	967
Profit before provision for taxes		10,343,872	7,473,682
Provision for taxes			
Current tax [Refer note 14 of schedule 15]		(970,184)	(968,658)
Deferred tax		306,109	78,968
Fringe benefit tax		–	24,496
Net profit for the year		9,679,797	6,608,488
Profit and loss account, beginning of the year		21,683,918	15,075,430
Surplus carried to Balance Sheet		31,363,715	21,683,918
Earnings per share of ₹ 5 each (in ₹)	14		
Basic		115.40	78.87
Diluted		115.23	78.72
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Schedules annexed to and forming part of the accounts

(All amounts in ₹ thousands, except share data)

	As at March 31, 2011	As at March 31, 2010
Schedule 1: Share capital		
Authorised:		
100,000,000 (March 31, 2010–100,000,000) equity shares of ₹ 5 each	500,000	500,000
Issued, subscribed and fully paid-up:		
83,894,802 (March 31, 2010–83,854,857) equity shares of ₹ 5 each	419,474	419,274
a. Of the above, 67,481,698 (March 31, 2010–67,481,698) equity shares of ₹ 5 each are held by Oracle Global (Mauritius) Limited, holding company.		
b. Of the above, 62,121,800 (March 31, 2010–62,121,800) equity shares of ₹ 5 each had been issued as fully paid-up bonus shares by capitalising the securities premium account.		
c. Refer note 6(b) of schedule 15 for options granted for unissued equity shares.		
Schedule 2: Reserves and surplus		
Securities premium		
Balance, beginning of the year	9,524,235	9,454,648
Received during the year on exercise of stock options	49,928	69,587
Balance, end of the year	9,574,163	9,524,235
General reserve	10,145,191	10,145,191
Profit and loss account	31,363,715	21,683,918
	51,083,069	41,353,344

Schedule 3: Fixed assets

Particulars	As at April 1, 2010		Gross block		As at March 31, 2011		As at April 1, 2010		Depreciation and amortisation		As at March 31, 2011		Net block		
	As at April 1, 2010	As at April 1, 2010	Additions	Sale/deletions	As at March 31, 2011	As at March 31, 2011	As at April 1, 2010	For the year	Sale/deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010			
Tangible assets:															
Freehold land	538,312	—	—	—	538,312	—	—	—	—	—	—	538,312	538,312	—	
Improvement to leasehold premises	164,452	—	—	31,442	133,010	—	162,980	1,329	31,442	132,867	143	1,472	1,472	—	
Buildings	1,133,714	845,202	—	—	1,978,916	—	177,362	60,520	—	237,882	1,741,034	956,352	956,352	—	
[Refer note below]	1,288,825	158,093	123,855	—	1,323,063	—	1,204,988	87,894	123,855	1,169,027	154,036	83,837	83,837	—	
Computer equipment	762,733	197,319	43,668	—	916,384	—	481,829	92,570	43,500	530,899	385,485	280,904	280,904	—	
Electrical and office equipment	527,869	160,374	45,403	—	642,840	—	365,536	75,273	45,403	395,406	247,434	162,333	162,333	—	
Furniture and fixtures	51,730	2,322	11,571	—	42,481	—	17,774	10,336	8,780	19,330	23,151	33,956	33,956	—	
Vehicles under finance lease															
Intangible assets:															
Goodwill on acquisition	197,473	—	—	—	197,473	—	197,473	—	—	197,473	—	—	—	—	
Customer contracts	22,290	—	—	—	22,290	—	22,290	—	—	22,290	—	—	—	—	
Product IPR	138,619	—	—	—	138,619	—	137,224	1,395	—	138,619	—	1,395	1,395	—	
PeopleSoft ERP	53,767	—	—	—	53,767	—	46,596	7,171	—	53,767	—	7,171	7,171	—	
Total	4,879,784	1,363,310	255,939	—	5,987,155	—	2,814,052	336,488	252,980	2,897,560	3,089,595	2,065,732	2,065,732	—	
As at March 31, 2010	5,007,785	85,678	213,679	—	4,879,784	—	2,641,693	374,102	201,743	2,814,052	639,699	1,304,106	1,304,106	—	
								Capital work-in-progress and advances			3,729,294	3,369,838	3,369,838	—	—

Note: Includes 10 (March 31, 2010 – 10) shares of ₹ 50 each in Takshila Building No. 9, Co-op Housing Society Limited, Mumbai.

As at
March 31, 2011 As at
March 31, 2010

Schedule 4: Investments

a. Long term investments (at cost) (unquoted)

i. Trade

EBZ Online Private Limited		
242,240 (March 31, 2010–242,240) equity shares of ₹ 10 each, fully paid-up	45,000	45,000
Less: Provision for diminution in value of investment	(45,000)	(45,000)
	–	–

Login SA		
33,000 (March 31, 2010–33,000) equity shares of EUR 2 each, fully paid-up	6,593	6,593

ii. In wholly owned subsidiaries

Oracle (OFSS) ASP Private Limited		
5,170,000 (March 31, 2010–5,170,000) equity shares of ₹ 10 each, fully paid-up	46,104	46,104
Less: Provision for diminution in value of investment	(46,104)	(20,680)
	–	25,424

Oracle Financial Services Software B.V.		
140,000 (March 31, 2010–140,000) equity shares of EUR 100 each, fully paid-up	776,308	776,308

Oracle Financial Services Software Pte. Ltd.		
250,000 (March 31, 2010–250,000) equity shares of SGD 1 each, fully paid-up	6,626	6,626

Oracle Financial Services Software America, Inc. [Refer note 11(a) of schedule 15]		
1 (March 31, 2010–1) equity share of USD 0.01 each, fully paid-up	3,452,256	3,452,256
100 (March 31, 2010–100) Series A Convertible Participating Preference Shares of USD 0.01 each, fully paid-up	2,839,487	2,839,487

Oracle Financial Services Software (Shanghai) Limited	45,505	45,505
100% (March 31, 2010–100%) subscription to the registered capital		

Oracle Financial Services Software Chile Limitada	70,493	–
100% (March 31, 2010–Nil) subscription to the registered capital		

ISP Internet Mauritius Company [Refer note 11(b) of schedule 15]		
30,000 (March 31, 2010–30,000) equity shares of USD 1 each, fully paid-up	192,115	192,115
Less: Provision for diminution in value of investment	(120,000)	(120,000)
	72,115	72,115

Oracle (OFSS) Processing Services Limited		
1,300,000 (March 31, 2010–1,300,000) equity shares of ₹ 10 each, fully paid-up	13,000	13,000

b. Current investment (at cost or fair value whichever is lower)

Non trade (quoted)		
9% Dhanalakshmi Bank Bonds Series VI		
10 (March 31, 2010–10) bonds of ₹ 1,000,000 each, fully paid-up	9,982	9,982
	7,292,365	7,247,296

Aggregate amount of quoted investments	9,982	9,982
Aggregate market value of quoted investments	9,982	9,982
Aggregate amount of unquoted investments	7,282,383	7,237,314

Schedule 5: Deferred tax asset

Difference between book and tax depreciation	154,326	174,216
Provision for compensated absence	106,913	102,100
Provision for gratuity	115,179	78,317
Provision for doubtful debts	247,234	26,663
Others	66,528	2,775
	690,180	384,071

	As at March 31, 2011	As at March 31, 2010
Schedule 6: Current assets, loans and advances		
a. Sundry debtors (unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	680,819	1,131,935
Considered doubtful	818,216	631,105
	1,499,035	1,763,040
Other debts-considered good	7,020,166	7,640,422
Other debts-considered doubtful	13,287	-
	8,532,488	9,403,462
Less: Provision for doubtful debts	(831,503)	(631,105)
	7,700,985	8,772,357
Amount due from subsidiaries [Refer note 9 of schedule 15]	6,272,523	6,836,323
b. Cash and bank balances		
Cash on hand	436	469
Cheques on hand	489	494
Balances with scheduled banks		
Current accounts in foreign currency	996,233	3,404,787
Other current accounts	17,826	117,372
Deposit accounts	24,322,469	14,025,624
Margin money deposit	6,067	6,067
Unclaimed dividend accounts	3,457	982
Balances with non-scheduled banks		
Current accounts in foreign currency	32,926	36,175
Deposit account in foreign currency	393	397
	25,380,296	17,592,367
Balances with non-scheduled banks		
Citibank, Dubai current account	2,864	1,448
Citibank, Dubai deposit account	393	397
Citibank, Moscow current accounts	5,738	3,066
Central Bank, Libya current account	24,324	31,661
Maximum balance held during the year		
Citibank, Dubai current account	21,604	28,337
Citibank, Dubai deposit account	409	438
Citibank, Moscow current accounts	13,516	8,657
Central Bank, Libya current account	108,745	31,866
c. Other current assets		
Interest accrued on		
Bank deposits	421,358	99,421
Loan to subsidiaries	116,273	111,049
Unbilled revenue	2,992,283	1,820,552
Net investment in lease	-	6,980
	3,529,914	2,038,002
d. Loans and advances (unsecured, considered good)		
Loan to subsidiaries [Refer note 9 of schedule 15]	788,519	993,742
Amount recoverable from subsidiaries [Refer note 9 of schedule 15]	122,904	135,679
Advances recoverable in cash or in kind or for value to be received		
Deposits for premises and others	3,222,847	3,230,937
Prepaid expenses	114,430	186,258
Other advances	552,139	457,344
Advance tax, net of provision for taxes ₹ 7,312,878 (March 31, 2010-₹ 5,012,941)	1,767,453	1,580,675
MAT credit entitlement	3,334,633	1,899,662
	9,902,925	8,484,297

	As at March 31, 2011	As at March 31, 2010
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Schedule 7: Current liabilities and provisions

a. Current liabilities

Amount due to subsidiaries	2,013,689	1,809,890
Accrued expenses	1,571,253	1,705,342
Deferred revenues	1,922,156	1,396,310
Sundry creditors		
Micro and small enterprises*	–	1,630
Others	62,404	19,119
Advances from customers	2,982	2,199
Investor Education and Protection Fund to be credited by unclaimed dividends**	3,457	982
Other current liabilities	205,982	387,416
	5,781,923	5,322,888

* The identification of Micro and Small Enterprises is based on Management's knowledge of their status.

** There is no amount due and outstanding as at balance sheet date to be credited to the Investor Education and Protection Fund.

b. Provisions

For gratuity	354,998	255,412
For compensated absence	389,521	364,272
For taxation, net of advance tax ₹ 8,679 (March 31, 2010 – ₹ 4,885)	196,199	164,970
	940,718	784,654

	Year ended March 31, 2011	Year ended March 31, 2010
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Schedule 8: Revenue

Product licenses and related activities	16,154,850	15,475,421
IT solutions and consulting services	7,450,208	6,959,275
	23,605,058	22,434,696

Schedule 9: Cost of revenue

Employee costs	9,787,488	9,703,180
Travel related expenses (net of recoveries)	1,021,713	1,212,230
Professional fees	699,291	636,257
Application software	97,529	182,993
	11,606,021	11,734,660

Schedule 10: Selling and marketing expenses

Employee costs	317,761	389,391
Professional fees [Refer note 13 of schedule 15]	95,310	(58,932)
Travelling expenses	101,707	84,870
Advertising expenses	1,712	765
Provision for doubtful debts, net of reversals	199,524	(15,672)
Bad debts	40	6,849
Repairs and maintenance	2,890	2,602
Other expenses	54,717	38,604
	773,661	448,477

Schedule 11: General and administrative expenses

Employee costs	416,075	521,482
Rent	583,351	391,663
Professional fees	156,351	132,057
Power	186,459	185,737
Communication expenses	114,490	134,973
Repairs and maintenance	99,777	122,251
Travelling expenses	40,357	49,317
Other expenses [Refer note 12 of schedule 15]	325,755	183,580
	1,922,615	1,721,060

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 12: Interest income		
Interest on		
Bank deposits	1,355,470	640,288
[Includes tax deducted at source of ₹ 125,174 (March 31, 2010–₹ 81,254)]		
Bonds	900	900
[Includes tax deducted at source of ₹ Nil (March 31, 2010–₹ Nil)]		
Income tax refund	–	26,601
Loan to subsidiaries	6,540	9,174
Leased assets	1,244	3,088
	1,364,154	680,051

Schedule 13: Other income (expenses)

Profit (loss) on sale of fixed assets, net	5,010	(10,468)
Miscellaneous income	14,788	11,435
	19,798	967

Schedule 14: Reconciliation of basic and diluted equity shares used in computing earnings per share

	Number of shares	
Weighted average shares outstanding for basic earnings per share	83,882,022	83,793,213
Add: Effect of dilutive stock options	123,857	158,986
Weighted average shares outstanding for diluted earnings per share	84,005,879	83,952,199

Schedule 15: Notes to accounts

1. Background and nature of operations

Oracle Financial Services Software Limited (the “Company”) was incorporated in India with limited liability on September 27, 1989. The Company is a subsidiary of Oracle Global (Mauritius) Limited holding 80.44% ownership interest in the Company as at March 31, 2011.

The Company is principally engaged in the business of providing information technology solutions to the financial services industry worldwide. The Company has a suite of banking products, which caters to the needs of corporate, retail, investment banking, treasury operations and data warehousing.

2. Summary of significant accounting policies

a. Basis of presentation

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in conformity with accounting principles generally accepted in India and complying in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 (the ‘Act’). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous years’ except for the changes in accounting policies described in note (c) below. The financial statements are presented in the general format specified in Schedule VI to the Act.

The significant accounting policies adopted by the Company, in respect of the financial statements are set out as below:

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates.

c. Change in Accounting Policy of revenue recognition for fixed price contracts

In the current year, the Company has changed its policy of revenue recognition for fixed price contracts related to customisation projects. The revenue has been recognised using proportionate completion method till contract reaches 90% completion. Balance is recognised at the time of receipt of customer acceptance. Hitherto, such revenue was restricted to the lower of proportionate completed efforts and acceptance received from the customer for the milestone achieved.

As a result of this change in policy, revenue and net profit for the current year of the Company and its Products segment is higher by ₹ 405,331.

d. Fixed assets, depreciation and amortisation

Fixed assets including assets under finance lease arrangements are stated at cost less accumulated depreciation. The Company capitalises all direct costs relating to the acquisition and installation of fixed assets. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready to use before such date are disclosed under 'Capital work-in-progress and advances'. Customer contracts and product IPRs acquired as part of business acquisitions are capitalised based on a fair value. The Company records the difference between considerations paid to acquire these contracts and the fair value of assets and liabilities acquired as goodwill.

The Company purchases certain specific-use application software, which is in ready to use condition, for internal use. It is estimated that such software has a relatively short useful life, usually less than one year. The Company, therefore, charges to income the cost of acquiring such software.

Depreciation and amortisation are computed using straight-line method, at the rates specified in Schedule XIV to the Act or based on the estimated useful life of assets, whichever is higher. The estimated useful life considered for depreciation of fixed assets is as follows:

Asset description	Asset life (in years)
Tangible assets	
Improvement of leasehold premises	Lesser of 7 years or lease term
Buildings	20
Computer equipment	3
Electrical and office equipment	2-7
Furniture and fixtures	2-7
Vehicles under finance Lease	Lesser of 3 to 5 years or lease term
Intangible assets	
Goodwill on acquisition	3 to 5
Customer contract	5
Product IPR	5
PeopleSoft ERP	5

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to assets. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

e. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Trade investments refer to the investments made with the aim of enhancing the Company's business interests in providing information technology solutions to the financial services industry worldwide.

Long term investments are stated at cost less provision for diminution on account of other than temporary decline in the value of the investment.

Current investments are stated at lower of cost and fair value determined on an individual investment basis.

f. Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary items are translated into Indian Rupees at the closing rates of exchange prevailing at the date of the balance sheet. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognised as income or expenses in the year in which they arise.

g. Revenue recognition

Revenue is recognised as follows:

Product licenses and related revenue

- License fees are recognised, on delivery and subsequent milestone schedule as per the terms of the contract with the end user.
- Implementation and customisation services are recognised as services are provided, when arrangements are on a time and material basis. Revenue for fixed price contracts is recognised using the proportionate completion method till contracts reach 90% completion. Balance revenue is recognised at the time of receipt of customer acceptance.

Proportionate completion is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. The Company monitors estimates of total contract revenue and cost on a routine basis throughout the delivery period.

The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss.

- Product maintenance revenue is recognised, over the period of the maintenance contract on a straight line basis.

IT solutions and consulting services

- Revenue from IT solutions and consulting services are recognised as services are provided, when arrangements are on a time and material basis.
- Revenue from fixed price contracts is recognised using the proportionate completion method till contract reach 90% completion. Balance revenue is recognised at the time of receipt of customer acceptance. Proportionate completion is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. The Company monitors estimates of total contract revenue and cost on a routine basis throughout the delivery period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss.

Cost and revenue in excess of billings is classified as unbilled revenue while billing in excess of revenue is classified as deferred revenue.

Reimbursable expenses for projects are invoiced separately to customers and although reflected as sundry debtors to the extent outstanding as at year end, are not included as revenue or expense.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

h. Research and development expenses for software products

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is established. Software product development costs incurred subsequent to the achievement of technological feasibility are not material and are expensed as incurred.

i. Retirement and other employee benefits

The Company's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.

Provident fund and superannuation fund are defined contribution schemes and the Company has no further obligation beyond the contributions made to the fund. Contributions are charged to profit and loss account in the year in which they accrue.

Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. All actuarial gain/loss are immediately recorded to the profit and loss account and are not deferred. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. All actuarial gains/losses are immediately recognised to the profit and loss account and are not deferred.

j. Leases

i. Where the Company is the lessee

Lease of assets under which substantially all the risks and benefits incidental to ownership are transferred to the Company are classified as finance leases. These assets are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

ii. Where the Company is the lessor

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue.

k. Income-tax

Tax expense comprises of current and deferred tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 ('Indian Income Tax Act'). Deferred income taxes

are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which deferred tax assets can be realised. The carrying value of assets is reviewed at each balance sheet date. Deferred tax asset is recognised only on those timing differences, which reverses in post tax free period, as Company enjoys exemption under Section 10A of Indian Income Tax Act up to financial year ended March 31, 2011. Minimum Alternative tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India ("ICAI"), the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

l. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares. The weighted average number of shares and potentially dilutive equity shares are adjusted for the bonus shares and sub-division of shares. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

m. Share-based compensation/payments

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities Exchange Board of India ("SEBI") (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company uses the intrinsic value method of accounting for its employee share based compensation plan and other share based arrangements. Under this method compensation expense is recorded over the vesting period of the option on a straight line basis, if the fair market value of the underlying stock exceeds the exercise price at the grant date.

n. Provision and contingencies

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Commitments and contingent liabilities

a. Capital commitments

	March 31, 2011	March 31, 2010
Contracts remaining to be executed on capital account not provided for (net of advances) including capital commitment through issuance of letter of intents of ₹ 343,038 (March 31, 2010 – ₹ 979,350).	919,973	1,957,451

b. Contingent liabilities

A customer has filed a lawsuit against the Company and one of its subsidiaries, claiming damages of upwards of ₹ 5,306,406. The claims are being rigorously defended by the Company and the Company has raised counter claims on the customer for breach of contract and outstanding fees. In respect of this matter, future cash flow is determinable only on settlement of this case.

4. Leases

a. Where Company is lessee

Finance lease

The Company takes vehicles under finance lease of up to five years. None of the lease agreements have an escalation clause. Future minimum lease payments under finance lease as at March 31, 2011 and 2010 are as follows:

	As at March 31, 2011		
	Principal	Interest	Total
Not later than one year	8,752	2,559	11,311
Later than one year but not later than five years	16,658	2,313	18,971
Total minimum payments	25,410	4,872	30,282
	As at March 31, 2010		
	Principal	Interest	Total
Not later than one year	10,013	3,621	13,634
Later than one year but not later than five years	25,952	4,648	30,600
Total minimum payments	35,965	8,269	44,234

Operating lease

The Company has taken certain office premises and residential premises for employees under operating lease, which expire at various dates through year 2025. Some of the lease agreements have a price escalation clause. Gross rental expenses for the year ended March 31, 2011 aggregated to ₹ 589,703 (March 31, 2010—₹ 399,300). The minimum rental payments to be made in future in respect of these leases are as follows:

	March 31, 2011	March 31, 2010
Not later than one year	355,294	475,195
Later than one year but not later than five years	669,241	855,253
Later than five years	2,005,077	2,150,147
	3,029,612	3,480,595

b. Where Company is lessor

The Company has given IT equipment under finance lease for a period of five years. The lease tenure for this equipment has been completed during the year and there is no further lease payments receivable as at March 31, 2011. The present value of minimum lease payments receivable under this finance lease as at March 31, 2010 are as follows:

	As at March 31, 2010		
	Principal	Interest	Total
Not later than one year	6,980	1,199	8,179
Later than one year but not later than five years	—	—	—
Total minimum payments	6,980	1,199	8,179

5. Derivatives

The Company enters into forward foreign exchange contracts and option contracts where the counter party is a bank. The Company purchases forward foreign exchange contracts and option contracts to mitigate the risks of change in foreign exchange rate on receivables and payables denominated in certain foreign currencies. The Company considers the risk of non-performance by the counter party as non-material. During the year ended March 31, 2011, the Company has not entered in to any forward contract or option contracts.

As of the balance sheet date, the Company's net foreign currency exposure that is not hedged is ₹ 16,991,501 (March 31, 2010—₹ 21,552,027).

6. Share-based compensation/payments

a. Employee Stock Purchase Scheme ('ESPS')

The Company has adopted the ESPS administered through a Trust ("the Trust") to provide equity based incentives to key employees of the Company. As per the scheme, the Trust can purchase shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are allocated by the Trust to nominated employees at an exercise price, which approximates the fair value on the date of the grant. The shares vest in the employees over a period of five years and the employees can purchase the shares from the Trust over a period of ten years based on continued employment, until which, the Trust holds the shares for the benefit of the employees. The employees are entitled to receive dividends, bonus, etc., that may be declared by the Company from time to time for the entire portion of shares held by the Trust on behalf of the employees.

On the acceptance of the offer, the selected employee undertakes to purchase the shares from the Trust within ten years from the date of acceptance of the offer. In case an employee resigns from employment, the rights relating to vested shares, which are eligible for exercise, may be purchased by the employee by payment of the exercise price whereas, the balance shares are forfeited in favour of the Trust. The Trustees have the right of recourse against the employees for any amounts that may remain unpaid on the shares accepted by them. As of the Balance Sheet date, the Trust has repaid the entire loan obtained from the Company on receipt of payments from employees against shares exercised.

The Securities and Exchange Board of India ("SEBI") has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines'), which are applicable to stock purchase schemes for employees of all Indian listed companies. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. However, no compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date.

A summary of the activity in the Company's ESPS is as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
	Number of shares	Number of shares
Opening balance of unallocated shares	165,150	165,145
Shares forfeited during the year	992	5
Closing balance of unallocated shares	166,142	165,150
Opening balance of allocated shares	54,548	134,834
Shares exercised during the year	(24,475)	(80,281)
Shares forfeited during the year	(992)	(5)
Closing balance of allocated shares	29,081	54,548
Shares eligible for exercise	29,081	54,548
Shares not eligible for exercise	—	—
Total allocated shares	29,081	54,548

b. Employee Stock Option Plan ('ESOP')

Pursuant to ESOP scheme approved by the shareholders of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ("Scheme 2002") for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the IPO and 619,000 options at various dates after IPO (including the grants of options out of options forfeited earlier). As per the Scheme 2002, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme ("Scheme 2010") for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 618,000 options. As per the Scheme 2010, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

A summary of the activity in the Company's ESOP (Scheme 2002) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	242,382	1,152	348,853	1,075
Granted	60,000	2,333	–	–
Exercised	(39,945)	1,255	(85,471)	819
Forfeited	(16,600)	1,291	(21,000)	1,232
Outstanding at end of the year	245,837	1,414	242,382	1,152
Vested options	141,537		141,382	
Unvested options	104,300		101,000	

The weighted average share price for the year over which stock options were exercised was ₹ 2,188.

A summary of the activity in the Company's ESOP (Scheme 2010) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	–	–	–	–
Granted	618,000	2,050	–	–
Exercised	–	–	–	–
Forfeited	(56,135)	2,050	–	–
Outstanding at end of the year	561,865	2,050	–	–
Unvested options	561,865		–	

The details of options unvested and options vested and exercisable as on March 31, 2011 are as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	1,291–1,291	44,300	1,291	5.1
	2,050–2,050	561,865	2,050	9.4
	2,333–2,333	60,000	2,333	9.6
Options vested and exercisable	265–265	31,400	265	0.9
	515–515	32	515	2.3
	1,291–1,291	110,105	1,291	5.1
		807,702	1,856	8.3

The details of options unvested and options vested and exercisable as on March 31, 2010 were as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	419–560	–	–	–
	1,291–1,291	101,000	1,291	6.1
Options vested and exercisable	265–265	32,800	265	1.9
	515–515	32	515	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

Stock Options granted during the financial year ended March 31, 2011:

The weighted average fair value of stock options granted during the year was ₹ 844.

The Black Scholes valuation model has been used for computing the above weighted average fair value considering the following inputs:

	Scheme 2002	Scheme 2010
Exercise Price	2,333	2,050
Expected Volatility	26%	26%
Historical Volatility	26%	26%
Life of the options granted (Vesting and exercise period) in years	10	10
Expected dividends	Nil	Nil
Average risk-free interest rate	5.75%	5.75%
Expected dividend rate	Nil	Nil

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

Had compensation cost been determined in a manner consistent with the fair value approach, the Company's net profit and earnings per share as reported would have changed to the amounts indicated below:

	Year ended March 31, 2011	Year ended March 31, 2010
Profit as reported	9,679,797	6,608,488
Add: Employee stock compensation under intrinsic value method	—	—
Less: Employee stock compensation under fair value method	(132,716)	(5,659)
Proforma profit	9,547,081	6,602,829
Earnings per share		
Basic		
As reported	115.40	78.87
Proforma	113.82	78.80
Diluted		
As reported	115.23	78.72
Proforma	113.68	78.65

7. Employee benefit obligation

Defined contribution plans

During year ended March 31, 2011 and 2010, the Company contributed following amounts to defined contributions plans:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Provident fund	184,904	172,165
Superannuation fund	61,639	55,094
	246,543	227,259

Defined benefit plan—gratuity

The amounts recognised in the profit and loss account for the year ended March 31, 2011 and 2010 are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Current service cost	44,169	46,321
Interest cost	21,403	18,178
Expected return on plan assets	(177)	(2,515)
Recognised net actuarial (gain) loss	34,573	(21,955)
Past service cost	53,118	—
Total included in 'employee benefit expense'	153,086	40,029
Actual return on plan assets	624	331

The amounts recognised in the balance sheet are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Present value of funded obligations	370,120	257,770
Fair value of plan assets	(15,122)	(2,358)
Net liability	354,998	255,412

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Defined benefit obligation at beginning of the year	257,770	231,672
Current service cost	44,169	46,321
Interest cost	21,403	18,178
Benefits paid	(41,360)	(14,262)
Actuarial (gain) loss	35,020	(24,139)
Past service cost	53,118	–
Defined benefit obligation at end of the year	370,120	257,770

Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Fair value of plan assets at beginning of the year	2,358	1,468
Expected return on plan assets	177	2,515
Actuarial (gain) loss	447	(2,184)
Contribution by employer	53,500	14,821
Benefits paid	(41,360)	(14,262)
Fair value of plan assets at end of the year	15,122	2,358

Plan assets are administered by LIC and 100% of the plan assets are invested in lower risk assets, primarily in debt securities.

The assumptions used in accounting for the gratuity plan are set out as below:

	March 31, 2011		March 31, 2010	
Discount rate	7.94%		7.60%	
Expected return on plan assets	7.50%		7.50%	
Salary escalation rate	8.00%		8.00%	
Withdrawal rates	Age (Years)	Rates	Age (Years)	Rates
	21–30	24%	21–30	21%
	31–34	19%	31–34	19%
	35–59	12%	35–44	13%
			45–59	9%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

The Company evaluates these assumptions annually based on its long-term plans of growth and industry standards. The discount rates are based on current market yields on government bonds consistent with the currency and estimated term of the post employment benefits obligations. Plan assets are administered by the LIC and invested in lower risk assets, primarily debt securities. The Company's contribution to the fund for the year ending March 31, 2012 is expected to be ₹ 40,000.

The expected benefit payments from the fund as of March 31, 2011 are below:

Year ending March 31	Amount
2012	61,535
2013	71,107
2014	72,803
2015	75,335
2016	80,983
2017–2021	369,982

Present value of the defined benefit obligation, fair value of the plan assets, deficit and experience adjustments in the plan assets and liabilities for the current year and previous four years are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
Particulars					
Present value of funded obligations	(370,120)	(257,770)	(231,672)	(173,999)	(131,397)
Fair value of plan assets	15,122	2,358	1,468	228	4,697
Deficit	(354,998)	(255,412)	(230,204)	(173,771)	(126,700)
Experience adjustments					
On plan liabilities	43,120	(13,345)	(719)	20,047	6,632
On plan assets	447	(2,184)	257	(469)	9

8. 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:

- Product licenses and related activities ('Products') and
- IT solutions and consulting services ('Services').

The business segments are the basis on which the Company reports its primary operational information to management. Product licenses and related activities segment deals with various banking software products. The related activities include enhancements, implementation and maintenance activities.

IT solutions and consulting services segment offers services spanning the entire lifecycle of applications used by financial service institutions. The division's portfolio includes Consulting, Application, Support and Technology Services that help institutions improve efficiency, optimise costs, meet risk and compliance mandates and implement IT solutions finely attuned to their business needs.

	Year ended March 31, 2011			
Particulars	Products	Services	Corporate	Total
Revenue	16,154,850	7,450,208	—	23,605,058
Cost of revenue	(6,224,317)	(5,381,704)	—	(11,606,021)
Gross profit	9,930,533	2,068,504	—	11,999,037
Selling and marketing expenses	(661,078)	(112,583)	—	(773,661)
General and administrative expenses [Refer note 12 of schedule 15]	(640,673)	(372,506)	(909,436)	(1,922,615)
Depreciation and amortisation	(133,103)	(160,393)	(42,992)	(336,488)
Segment result	8,495,679	1,423,022	(952,428)	8,966,273
Provision for diminution in value of investment				(25,424)
Interest income				1,364,154
Foreign exchange gain, net				19,071
Other income, net				19,798
Profit before provision for taxes				10,343,872
Provision for taxes [Refer note 14(b) of schedule 15]				(664,075)
Net profit				9,679,797
Other information				
Capital expenditure by segment	717,444	556,079	89,787	1,363,310
Other non cash expenses	171,854	27,710	25,424	224,988
Segment assets	9,981,038	4,409,852	43,835,069	58,225,959
Segment liabilities	4,214,905	1,692,248	815,488	6,722,641
Capital employed	—	—	51,503,318	51,503,318

				Year ended March 31, 2010
Particulars	Products	Services	Corporate	Total
Revenue	15,475,421	6,959,275	–	22,434,696
Cost of revenue	(6,559,690)	(5,174,970)	–	(11,734,660)
Gross profit	8,915,731	1,784,305	–	10,700,036
Selling and marketing expenses [Refer note 13 of schedule 15]	(382,571)	(65,906)	–	(448,477)
General and administrative expenses	(628,426)	(340,596)	(752,038)	(1,721,060)
Depreciation and amortisation	(168,433)	(166,154)	(39,515)	(374,102)
Segment result	7,736,301	1,211,649	(791,553)	8,156,397
Interest income				680,051
Foreign exchange loss, net				(1,363,733)
Other income, net				967
Profit before provision for taxes				7,473,682
Provision for taxes [Refer note 14(b) of schedule 15]				(865,194)
Net profit				6,608,488
Other information				
Capital expenditure by segment	53,074	20,227	12,377	85,678
Other non cash expenses	(6,127)	(2,696)	–	(8,823)
Segment assets	7,400,540	5,966,207	34,521,481	47,888,228
Segment liabilities	3,537,286	1,966,612	603,644	6,107,542
Capital employed	–	–	41,780,686	41,780,686

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, net of allowances, unbilled revenue, 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 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:

Regions	Year ended March 31, 2011		Year ended March 31, 2010	
	Amount	%	Amount	%
United States of America	6,234,140	26%	5,937,716	27%
Europe	6,441,625	28%	7,431,197	33%
Asia Pacific	5,915,578	25%	5,022,548	22%
Middle East, India and Africa	4,217,264	18%	3,571,101	16%
Latin America and Caribbean	796,451	3%	472,134	2%
	23,605,058	100%	22,434,696	100%

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

Regions	Year ended March 31, 2011		Year ended March 31, 2010	
	Amount	%	Amount	%
United States of America	10,230,923	18%	10,706,194	22%
Europe	3,224,516	6%	3,149,850	7%
Asia Pacific	4,215,372	7%	4,038,337	8%
Middle East, India and Africa	40,364,958	68%	29,925,492	62%
Latin America and Caribbean	190,190	1%	68,355	1%
	58,225,959	100%	47,888,228	100%

Total cost incurred during the year to acquire fixed assets within India is disclosed in schedule 3.

9. Names of related parties and description of relationship:

Relationship	Names of related parties
Ultimate Holding Company	Oracle Corporation
Holding Company	Oracle Global (Mauritius) Limited
Fellow Subsidiaries	Oracle America, Inc. Oracle Hungary Kft. Oracle Egypt Limited Oracle Nederland B.V. Oracle Caribbean, Inc. Oracle Systems Limited Oracle India Private Limited Oracle Corporation (Pty) Ltd Oracle East Central Europe Limited Oracle Corporation Australia Pty Ltd Oracle Corporation Singapore Pte Ltd. Oracle Corporation (Thailand) Co., Ltd Oracle de Centro America S.A. Oracle Corporation South Africa (PTY) Ltd. Oracle Portugal –Sistemas de Informacao Lda. Oracle Research & Development Center (shenzhen) Co., Ltd
Direct Subsidiaries	Oracle Financial Services Software B.V. Oracle Financial Services Software Pte. Ltd. Oracle Financial Services Software Chile Limitada Oracle Financial Services Software (Shanghai) Limited Oracle Financial Services Software America, Inc. ISP Internet Mauritius Company Oracle (OFSS) Processing Services Limited Oracle (OFSS) ASP Private Limited
Subsidiaries of Subsidiaries	Subsidiary of Oracle Financial Services Software B.V. Oracle Financial Services Software SA Subsidiary of Oracle Financial Services Software Pte. Ltd. Oracle Financial Services Consulting Pte. Ltd. Subsidiaries of Oracle Financial Services Software America, Inc. Oracle Financial Services Software, Inc. i-flex solutions Inc. (Canada) (dissolved on March 31, 2011) Subsidiaries of i-flex solutions Inc. (Canada) Castek Software Factory Ltd. (dissolved on September 1, 2010) Castek RBG Inc. (dissolved on September 1, 2010) Castek Inc. (dissolved on September 1, 2010) Mantas Inc. Subsidiaries of Mantas Inc. Mantas Singapore Pte. Ltd. Mantas India Pvt. Ltd. Mantas Limited Sotas Inc. Subsidiaries of ISP Internet Mauritius Company Oracle (OFSS) BPO Services Inc. (formerly known as i-flex Processing Services Inc.) Oracle (OFSS) BPO Services Limited
Associates	Login SA
Key Managerial Personnel ('KMP')	For the financial year 2010–2011 Chaitanya Kamat –Managing Director and Chief Executive Officer (from October 25, 2010) N R Kothandaraman (N R K Raman) –Managing Director and Chief Executive Officer (till October 25, 2010) Joseph John – Whole-time Director (till March 31, 2011) For the financial year 2009–2010 R Ravisankar –Vice Chairman (Whole-time Director) N R Kothandaraman (N R K Raman) –Managing Director and Chief Executive Officer Makarand Padalkar –Chief Financial Officer Avadhut (Vinay) Ketkar – Chief Accounting Officer Joseph John –Executive Vice President, Universal Banking Products V Shankar –Executive Vice President and Global Head, PrimeSourcing & Insurance Solutions Atul Gupta –Sr. Vice President, Process and Quality Management Group Vijay Sharma –Sr. Vice President, Oracle Financial Services Consulting Pte. Ltd. S Hariharan –Sr. Vice President, Infrastructure Services Group Vivek Govilkar –Sr. Vice President, Human Resources and Training V Srinivasan –Vice President, Corporate Development and Chief of Staff Vikram Gupta –Vice President Private Wealth Management

Transactions and balances outstanding with these parties are described below:

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	As at March 31, 2011	As at March 31, 2010
Revenue				
<i>Fellow Subsidiaries</i>				
Oracle America, Inc	504,665	447,898	184,743	402,107
Oracle Corporation Australia Pty Ltd	–	3,459	–	–
Oracle Corporation South Africa (PTY) Ltd.	97,893	–	21,217	–
Oracle Corporation (Pty) Ltd	7,514	–	–	–
Oracle India Private Limited	4,508	1,430	–	1,577
Oracle Egypt Limited	21,148	20,258	5,432	9,428
Oracle Corporation (Thailand) Co., Ltd	–	–	292	163
Oracle de Centro America S.A.	1,325	–	227	–
Oracle East Central Europe Limited	14,328	–	–	–
Oracle Hungary Kft.	7,759	–	–	–
Oracle Systems Limited	46,929	–	15,828	–
Oracle Portugal – Sistemas de Informacao Lda.	56,519	–	53,654	–
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	5,645,181	5,304,900	1,166,806	1,111,942
Oracle Financial Services Software, Inc.	5,578,786	4,852,638	2,233,785	2,917,804
Oracle Financial Services Software Pte. Ltd.	5,342,283	4,324,903	2,303,369	2,558,002
Oracle Financial Services Consulting Pte. Ltd.	–	–	3,124	8,944
Oracle Financial Services Software (Shanghai) Limited	312,213	182,752	403,820	–
Oracle Financial Services Software Chile Limitada	2,483	–	2,470	–
Oracle (OFSS) BPO Services Inc.	–	–	19,759	19,971
Oracle (OFSS) BPO Services Limited	–	–	1,428	1,428
Mantas Inc.	–	–	–	4,996
i-flex solutions Inc. (Canada)	–	–	–	19,972
Oracle Financial Services Software SA	621,669	888,802	159,804	191,664
Oracle (OFSS) ASP Private Limited	1,556	13,910	1,584	1,600
Unbilled revenue				
<i>Fellow Subsidiaries</i>				
Oracle America, Inc	–	–	110,961	13,805
Oracle Corporation South Africa (PTY) Ltd.	–	–	36,453	–
Oracle East Central Europe Limited	–	–	14,299	–
Oracle Hungary Kft.	–	–	7,743	–
Oracle India Private Limited	–	–	2,986	–
Oracle Portugal – Sistemas de Informacao Lda.	–	–	6,760	–
Oracle Systems Limited	–	–	30,997	–
Oracle Egypt Limited	–	–	–	440
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	–	–	587,273	427,074
Oracle Financial Services Software Inc.	–	–	757,747	496,140
Oracle Financial Services Software Pte. Ltd.	–	–	706,288	332,143
Oracle Financial Services Software (Shanghai) Limited	–	–	89,824	182,752
Oracle Financial Services Software Chile Limitada	–	–	8	–
Oracle Financial Services Software SA	–	–	44,319	11,725
Deferred revenue				
<i>Fellow Subsidiaries</i>				
Oracle America, Inc	–	–	(8,627)	(334)
Oracle Corporation (Pty) Ltd	–	–	(3,011)	–
Oracle Portugal – Sistemas de Informacao Lda.	–	–	(2,328)	–
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	–	–	(730,549)	(380,664)
Oracle Financial Services Software, Inc.	–	–	(235,424)	(161,025)
Oracle Financial Services Software Pte. Ltd.	–	–	(237,829)	(233,572)
Oracle Financial Services Software SA	–	–	(86,841)	(106,592)
Oracle (OFSS) ASP Private Limited	–	–	–	(1,556)
Oracle Financial Services Software (Shanghai) Limited	–	–	(2,333)	–
Advance received from Customers				
<i>Fellow Subsidiaries</i>				
Oracle Corporation (Pty) Ltd	23,686	–	(23,686)	–
Oracle America, Inc	66,985	343,188	(66,984)	(343,188)
Oracle Egypt Limited	–	2,638	–	(2,638)
<i>Subsidiaries</i>				
Oracle Financial Services Software Pte. Ltd.	251	–	(251)	–
Oracle Financial Services Software SA	23,175	–	(23,175)	–

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	As at March 31, 2011	As at March 31, 2010
Provision for doubtful debts				
<i>Fellow Subsidiaries</i>				
Oracle India Private Limited	–	(13)	–	–
Oracle America, Inc	6,546	2,019	(6,546)	(2,019)
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	47,136	(32,320)	(117,772)	(70,636)
Oracle Financial Services Software, Inc.	40,994	(15,084)	(207,708)	(166,503)
Oracle Financial Services Software Pte. Ltd.	(13,564)	15,253	(82,336)	(95,900)
i-flex solutions Inc. (Canada)	–	(2,574)	–	(19,972)
Oracle Financial Services Software SA	281	295	(576)	(295)
Mantas Inc.	25	25	–	(25)
Professional fees				
<i>Fellow Subsidiaries</i>				
Oracle America, Inc	3,459	–	(3,459)	–
Oracle Corporation South Africa (PTY) Ltd.	324	–	(324)	–
Oracle Corporation (Pty) Ltd	18	–	(18)	–
Oracle de Centro America S.A.	44	–	(44)	–
Oracle Egypt Limited	1,392	–	(1,392)	–
Oracle India Private Limited	53	–	(53)	–
Oracle Portugal – Sistemas de Informacao Lda.	1,231	–	(1,231)	–
Oracle Systems Limited	114	–	(114)	–
Oracle Research & Development Center (shenzhen) Co., Ltd	63,053	59,764	(74,987)	(53,788)
<i>Subsidiaries</i>				
Oracle Financial Services Software, Inc.	15,621	18,146	(98,221)	(104,171)
Oracle (OFSS) ASP Private Limited	22,918	86,125	(5,308)	(20,323)
Oracle Financial Services Software Pte. Ltd.	–	–	(15,281)	(13,983)
Oracle Financial Services Software B.V.	–	–	(4,949)	(4,736)
Mantas Inc.	–	–	(7,932)	(8,217)
Oracle (OFSS) Processing Services Limited	32,533	–	(32,499)	–
Oracle Financial Services Software Chile Limitada	21,447	–	–	–
Application software				
<i>Fellow Subsidiaries</i>				
Oracle India Private Limited	51,267	102,531	(14,301)	(15,108)
Oracle Systems Limited	–	2,348	–	–
Oracle Caribbean, Inc.	486	–	(295)	–
<i>Subsidiaries</i>				
Oracle Financial Services Software, Inc.	–	18,146	–	–
Reimbursement of expenses				
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	954,094	1,199,291	(291,579)	(188,017)
Oracle Financial Services Software Inc.	2,052,030	1,934,624	(707,083)	(995,446)
Oracle Financial Services Software Pte. Ltd.	1,635,456	1,359,622	(796,917)	(474,997)
Oracle (OFSS) Processing Services Limited	(1,970)	181	48,577	50,547
Oracle (OFSS) ASP Private Limited	(10,270)	(25,505)	74,326	85,132
Oracle Financial Services Software (Shanghai) Limited	53,988	–	(53,919)	–
Key managerial personnel				
Remuneration [Refer note 1 below]	40,318	89,252	–	–
Rental deposit	–	–	–	100
Rent paid	–	96	–	–
Lease rent	–	1,429	–	–
Rent paid				
<i>Fellow subsidiaries</i>				
Oracle Nederland B.V.	6,779	3,414	(1,656)	–
Oracle Corporation South Africa (PTY) Ltd.	428	372	(33)	(372)

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	As at March 31, 2011	As at March 31, 2010
Other expenses				
<i>Fellow Subsidiaries</i>				
Oracle India Private Limited	3,274	–	–	–
Oracle Corporation South Africa (PTY) Ltd.	31,543	–	–	–
Procurement of fixed assets				
<i>Fellow Subsidiaries</i>				
Oracle Corporation Singapore Pte Ltd.	11,385	–	–	–
Loan outstanding				
<i>Subsidiaries</i>				
Oracle Financial Services Software America, Inc. [Refer note 2 below]	(4,770)	(58,120)	446,140	450,910
ISP Internet Mauritius Company [Refer note 2 below]	(453)	(5,521)	42,379	42,832
Oracle (OFSS) BPO Services Limited [Refer note 3 below]	(200,000)	–	300,000	500,000
Interest on loan given				
<i>Subsidiaries</i>				
Oracle Financial Services Software America, Inc.	5,007	7,583	106,871	103,062
ISP Internet Mauritius Company	1,532	1,591	9,401	7,987
Provision for diminution in investment				
<i>Subsidiaries</i>				
ISP Internet Mauritius Company	–	–	(120,000)	(120,000)
Oracle (OFSS) ASP Private Limited	25,424	–	(46,104)	(20,680)
Investments during the year				
<i>Subsidiaries</i>				
Oracle Financial Services Software (Shanghai) Limited	–	45,505	–	–
Oracle Financial Services Software Chile Limitada	70,493	–	–	–

Notes:

1. Remuneration includes salary, bonus and perquisites. The bonus is included on payment basis. As the liabilities for gratuity and compensated absence are provided on an actuarial basis for the Company as a whole, the amounts pertaining to individual KMP are not included above. During the year 60,000 options under the Employees Stock Option Plan 2002 Scheme and 10,600 options under the Employees Stock Option Plan 2010 Scheme were granted to KMP. The terms and conditions of appointment of Managing Director & Chief Executive Officer and the remuneration paid to him are subject to approval of shareholders at the Annual General Meeting.
2. Loan given to subsidiaries represents loan to Oracle Financial Services Software America, Inc. amounting to ₹ 446,140 (interest LIBOR + 50 basis points) as at March 31, 2011 (March 31, 2010 – ₹ 450,910) and ISP Internet Mauritius Company amounting to ₹ 42,379 (interest LIBOR + 50 basis points) as at March 31, 2011 (March 31, 2010 – ₹ 42,832). No additional loans have been given during the year. The amount shown above is towards the revaluation impact of the outstanding loans.
3. During the year ended March 31, 2011, the Company has signed a settlement agreement with Oracle (OFSS) BPO Services Limited while repaying ₹ 200,000 along with an interest waiver on the same. Further to this, an interest free loan of ₹ 300,000 outstanding as on the balance sheet date will be repaid in 10 equal annual instalments effective November 2010.

Maximum balance outstanding during the year were as follows:

	March 2011	March 2010
Oracle Financial Services Software America, Inc.	448,240	501,670
ISP Internet Mauritius Company	42,578	47,653
Oracle (OFSS) BPO Services Limited	500,000	500,000

10. Supplementary information

a. Aggregate expenses

Following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Act:

Salaries and bonus [Refer note 15 of schedule 15]	9,675,463	9,978,280
Staff welfare expenses	445,564	368,225
Contribution to provident and other funds	400,297	267,548
Travel related expenses (net of recoveries)	1,163,777	1,346,417
Professional fees [Refer note 13 of schedule 15]	950,952	709,383
Application software	100,087	186,054
Communication expenses	123,851	142,567
Rent	598,317	407,798
Advertising expenses	4,960	3,485
Power	190,389	189,348
Insurance	19,436	20,640
Repairs and maintenance:		
Buildings and leasehold premises	12,849	28,941
Computer equipment	38,055	49,606
Others	51,762	46,306
Rates and taxes	50,565	114,841
Finance charge on leased assets	2,132	2,326
Provision for doubtful debts, net	199,524	(15,672)
Bad debts	40	6,849
Other expenses [Refer note 12 of schedule 15]	274,277	51,255
	14,302,297	13,904,197

b. Managerial remuneration (on accrual basis)

Salary and incentives	38,682	21,422
Contribution to provident and other funds	1,636	477
Commission to non whole-time directors	2,495	2,100
	42,813	23,999

Remuneration includes salary, bonus and perquisites. The bonus is included on payment basis. As the liabilities for gratuity and compensated absence are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above. The terms and conditions of appointment of Managing Director & Chief Executive Officer and the remuneration paid to him are subject to approval of shareholders at the Annual General Meeting.

Computation of net profit for calculating commission payable to non-whole time directors in accordance with Section 349 of the Act:

Net profit after tax	9,679,797	6,608,488
Add:		
Managerial remuneration	40,318	21,899
Commission to non-whole-time Directors	2,495	2,100
Depreciation and amortisation as per books of accounts	336,488	374,102
Donation	3,057	5,361
Provision for doubtful debts	199,524	(15,672)
Provision for income taxes	664,075	865,196
	10,925,754	7,861,472
Less:		
Profit on sale of fixed assets, net	5,010	—
Depreciation and amortisation as per Section 350 of the Act [Refer note below]	336,488	374,102
Net profit on which commission is payable	10,584,256	7,487,370
Commission payable to non-whole-time Director:		
Maximum allowed as per Companies Act, 1956 (1 percent)	105,843	74,874
Maximum approved by the shareholders (1 percent)	105,843	74,874
Commission approved by the Board of Directors	2,495	2,100

Note: The Company depreciates fixed assets based on estimated useful lives of the assets. The rates of depreciation used by the Company are higher than the minimum rates prescribed by Schedule XIV of the Act.

c. Payments to auditors

As Auditor:

Statutory audits (including quarterly audits)	6,177	5,515
Tax audit	741	662
Certifications	622	579
Out-of-pocket expenses	538	507
	8,078	7,263
In other manner:		
Special reports	—	1,324

	Year ended March 31, 2011	Year ended March 31, 2010
d. Earnings in foreign currency (on accrual basis)		
Product licenses and related revenue	15,306,208	14,434,978
IT solutions and consulting services	7,355,835	7,187,175
Interest income	4,824	31,637
	22,666,867	21,653,790
e. Expenditure in foreign currency (on accrual basis)		
Salaries and bonus	4,428,439	4,194,554
Travelling, net of recovery	824,650	1,053,991
Professional fees	632,451	481,769
Application software	(11,509)	45,069
Foreign taxes	341,883	104,169
Others	150,465	47,116
	6,366,379	5,926,668
f. Value of imports on CIF basis - capital goods	96,544	88,205

11. Investments in wholly owned subsidiaries

- a. As at March 31, 2011, the Company has total investment of ₹ 6,291,743 in Oracle Financial Services Software America, Inc. ('OAI'). Further, the Company has loan outstanding of ₹ 446,140 to OAI. OAI is the holding company for US operations and has acquired Companies in earlier years. On a consolidated basis, OAI along with subsidiaries ('OAI Group') has accumulated losses of ₹ 984,817 as at March 31, 2011. The OAI Group has posted a profit of ₹ 449,431 for the year ended March 31, 2011. Based on the assessment of the estimated future cash flows from the US operations and the results of the current year, the management of the Company believes that no provision is required towards diminution in the value of investment in OAI as at March 31, 2011.
- b. As at March 31, 2011, the Company has total investment of ₹ 192,115 in ISP Internet Mauritius Company ('ISP') which is the holding company of Oracle (OFSS) BPO Services Inc., US and Oracle (OFSS) BPO Services Limited, India, entities operating in business of Business Process Outsourcing (BPO). Further, the Company has an outstanding loan of ₹ 42,379 to ISP and ₹ 300,000 to Oracle (OFSS) BPO Services Limited as at March 31, 2011. On a consolidated basis, ISP and its subsidiaries ('ISP Group') have accumulated losses amounting to ₹ 273,805 as at March 31, 2011. However ISP Group has posted a profit of ₹ 48,960 for the year ended March 31, 2011. Accordingly, the Company believes that ₹ 120,000 recorded as diminution in value of investment in earlier year is appropriate and no further diminution in value is considered necessary as at the balance sheet date.

12. General and administrative expenses for the year ended March 31, 2011 include ₹ 122,067 in connection with a claim against the Company.

13. Selling and marketing expenses for the year ended March 31, 2010 include reversal of referral fee provisions under Products segment amounting to ₹ 184,476 based on a settlement agreement entered with a distributor.

14. Provision for taxes

- a. Break up of current tax is as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Current Tax	2,405,155	2,005,571
Less: MAT credit entitlement	(1,434,971)	(1,036,913)
Net Current Tax liability	970,184	968,658

- b. During the year ended March 31, 2011, the Company has recorded income tax expenses of ₹ 337,412 (March 31, 2010 – ₹ 544,542) related to previous years.

15. Employee costs for the year ended March 31, 2011 are net of ₹ 219,113 pertaining to write back of bonus provision of earlier year, no longer required due to changes in compensation policy of the Company.

16. Prior year amounts have been reclassified, where necessary to conform with current year's presentation.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Statement of cash flow

for the year ended March 31

(All amounts in ₹ thousands)

	2011	2010
Cash flows from operating activities		
Profit before provision for taxes	10,343,872	7,473,682
Adjustments to reconcile profit before provision for taxes to cash (used in) provided by operating activities:		
Depreciation and amortisation	336,488	374,102
(Profit) loss on sale of fixed assets, net	(5,010)	10,468
Marked to market of current investment	–	(417)
Interest income	(1,364,154)	(680,051)
Provision for diminution in value of investment	25,424	–
Effect of exchange rate changes in cash and cash equivalent	(68,411)	336,480
Unrealised exchange loss, net	101,746	765,452
Finance charge on leased assets	2,132	2,326
Deferred rent	88,106	(34,029)
Provision for doubtful debts, net	199,524	(15,672)
Bad debts	40	6,849
Operating profit before working capital changes	9,659,757	8,239,190
Changes in assets and liabilities		
Decrease in sundry debtors	864,550	2,216,564
Increase in other current assets	(1,171,731)	(535,739)
Increase in loans and advances	(9,302)	(53,419)
Increase (decrease) in current liabilities and provisions	306,573	(839,903)
Cash from operating activities	9,649,847	9,026,693
Payment of domestic and foreign taxes	(2,499,952)	(2,099,647)
Net cash provided by operating activities	7,149,895	6,927,046
Cash flows from investing activities		
Additions to fixed assets including capital work-in-progress	(647,739)	(357,851)
Net investment in lease	8,224	13,336
Repayment of loan by subsidiary company	200,000	–
Investment in subsidiary company	(70,493)	(45,505)
Deposit for office premises	8,090	(132,689)
Proceeds from sale of fixed assets	5,178	884
Bank fixed deposits having maturity of more than three months matured	35,687,734	22,465,711
Bank fixed deposits having maturity of more than three months booked	(46,281,156)	(26,920,639)
Interest received	1,035,750	646,149
Net cash (used) in investing activities	(10,054,412)	(4,330,604)
Cash flows from financing activities		
Issue of shares against Employee Stock Option scheme	42,833	69,908
Advance against equity shares to be issued under ESOP scheme	–	8,068
Payment of lease obligations	(12,219)	(12,147)
Net cash provided by financing activities	30,614	65,829
Net increase in cash and cash equivalents	(2,873,903)	2,662,272
Cash and cash equivalents at beginning of the year	3,882,958	1,557,167
Effect of exchange rate changes	68,411	(336,480)
Cash and cash equivalents at end of the year (Note 1)	1,077,466	3,882,958

Statement of cash flow (continued)
for the year ended March 31

(All amounts in ₹ thousands)

	2011	2010
Note 1: Component of cash and cash equivalent		
Cash and bank balances [Refer schedule 6 (b)]*	25,380,296	17,592,367
Less:		
Bank deposits having maturity of more than three months	(24,296,763)	(13,703,342)
Margin money deposit	(6,067)	(6,067)
Cash and cash equivalents at the end of the year	1,077,466	3,882,958

* Includes amount kept in unclaimed dividend accounts of ₹ 3,457 (March 31, 2010-₹ 982) not available for use by the Company and ₹ 24,324 held in current account of Central Bank of Libya which are not freely remissible to the Company due to unstable conditions in Libya.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Balance sheet abstract and company's general business profile

I. Registration details

CIN

Registration number

State Code

Balance Sheet date
Date Month Year

II. Capital raised during the year (amount in ₹ thousands)

Public issue

Rights issue

Bonus issue

Private placement

III. Position of mobilisation and deployment of funds (amount in ₹ thousands)

Sources of funds

Total liabilities

Total assets

Paid-up capital

Share application money pending allotment

Reserves and surplus

Application of funds

Secured loans

Unsecured loans

Net fixed assets

Investments

Net current assets

Deferred tax assets

Miscellaneous expenditure

Accumulated losses

IV. Performance of company (amount in ₹ thousands)

Revenue

Other Income

Total income

Total expenditure

+/- Profit/loss before tax

+/- Profit/loss after tax

(Please tick appropriate box + for profit, - for loss)

Earning per share in ₹ Basic

Dividend rate %

Earning per share in ₹ Diluted

V. Generic names of three principal products/services of company

(as per monetary terms)

Item Code number

(ITC code)

Product description

S O F T W A R E D E V E L O P M E N T S E R V I C E S
S O F T W A R E P R O J E C T A S S I G N M E N T S
S O F T W A R E P R O D U C T M A N A G E M E N T

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

		(All amounts in ₹ thousands)			
The Financial Year of the Subsidiary Company ended on	Oracle Financial Services Software B.V. March 31, 2011	Oracle Financial Services Software SA March 31, 2011	Oracle Financial Services Software Pte. Ltd. March 31, 2011	Oracle Financial Services Consulting Pte. Ltd. March 31, 2011	Oracle Financial Services Software America, Inc. March 31, 2011
Holding Company	Oracle Financial Services Software Limited	Oracle Financial Services Software B.V.	Oracle Financial Services Software Limited	Oracle Financial Services Software Pte. Ltd.	Oracle Financial Services Software Limited
Holding Company's interest Shares held by the Holding Company in the Subsidiary	140,000 equity shares of 100 EUR each, fully paid-up	60,000 shares of 1 EUR each, fully paid-up	250,000 shares of SGD 1 each fully paid-up	16,185,170 shares of SGD 1 each fully paid-up	1 Equity share of USD 0.01 each fully paid-up
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is not dealt with in the accounts of the Holding Company	612,124	54,509	276,943	(14,662)	(415,215)
a. for the financial year ended on March 31, 2011					
b. for the previous financial years of the subsidiary since it became a subsidiary	1,733,396	217,520	1,431,682	(161,937)	(232,104)
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is dealt with or provided for in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	–	–	–	–	–
b. for the previous financial years of the subsidiary since it became a subsidiary	–	–	–	–	–

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies (continued)

(All amounts in ₹ thousands)

	Oracle Financial Services Software, Inc. March 31, 2011	i-flex solutions Inc. (Canada) ¹ March 31, 2011	Castek Inc. ² September 1, 2010	Castek Software Factory Ltd. ³ September 1, 2010	Castek RBG Inc. ⁴ September 1, 2010
The Financial Year of the Subsidiary Company ended on					
Holding Company	Oracle Financial Services Software America, Inc. 100%	i-flex solutions Inc. (Canada) ¹	i-flex solutions Inc. (Canada) 100%	i-flex solutions Inc. (Canada) 100%	i-flex solutions Inc. (Canada) 100%
Holding Company's interest Shares held by the Holding Company in the Subsidiary	Nil	Oracle Financial Services Software America, Inc. 528,138,676 common shares of CAD 0.0032583 per share	2,000 common shares at average price of USD 682.19 per share	2,000 common shares at average price of USD 682.19 per share	950 common shares at average price of USD 245.37 per share
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is not dealt with in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	(58,560)	946,832	(1,516)	559	(18,846)
b. for the previous financial years of the subsidiary since it became a subsidiary	(236,818)	(946,832)	1,516	(559)	18,846
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is dealt with or provided for in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	—	—	—	—	—
b. for the previous financial years of the subsidiary since it became a subsidiary	—	—	—	—	—

Notes:

¹ Dissolved on March 31, 2011

² Dissolved on September 1, 2010

³ Dissolved on September 1, 2010

⁴ Dissolved on September 1, 2010

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies (continued)

(All amounts in ₹ thousands)

The Financial Year of the Subsidiary Company ended on	Mantas Inc. March 31, 2011	Mantas Limited March 31, 2011	Sotas Inc. March 31, 2011	Mantas Singapore Pte. Ltd. March 31, 2011	Mantas India Pvt. Ltd. March 31, 2011
Holding Company		Mantas Inc.	Mantas Inc.	Mantas Inc.	Sotas Inc.
Holding Company's interest Shares held by the Holding Company in the Subsidiary	Oracle Financial Services Software America, Inc. 100% 1 share of USD 0.01 par value common stock at USD 1.00	100% NIL	100% NIL	100% NIL	100% 1,500,000 Equity Shares @ ₹ 10/- each
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is not dealt with in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	(9,127)	3,069	5	156	2,073
b. for the previous financial years of the subsidiary since it became a subsidiary	(40,820)	(1,264)	(414)	(577)	4,780
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is dealt with or provided for in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	—	—	—	—	—
b. for the previous financial years of the subsidiary since it became a subsidiary	—	—	—	—	—

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies (continued)

(All amounts in ₹ thousands)

The Financial Year of the Subsidiary Company ended on	ISP Internet Mauritius Company March 31, 2011	Oracle (OFSS) BPO Services Inc. ¹ March 31, 2011	Oracle (OFSS) BPO Services Limited March 31, 2011	Oracle (OFSS) Processing Services Limited March 31, 2011	Oracle (OFSS) ASP Private Limited March 31, 2011
Holding Company	ISP Internet Mauritius Company	Oracle (OFSS) BPO Services Inc. ¹	Oracle (OFSS) BPO Services Limited	Oracle (OFSS) Processing Services Limited	Oracle (OFSS) ASP Private Limited
Holding Company's interest Shares held by the Holding Company in the Subsidiary	Oracle Financial Services Software Limited 100% 25,200 Series A ordinary shares of No Par value 4,800 Series B ordinary shares of No Par value	ISP Internet Mauritius Company 100% 20,000 common stock of USD 0.01 each	ISP Internet Mauritius Company 100% 5,819,360 equity shares of ₹ 10/- each fully paid-up	Oracle Financial Services Software Limited 100% 1,300,000 Equity shares of ₹ 10/- each fully paid-up	Oracle Financial Services Software Limited 100% 5,170,000 Equity Shares of ₹ 10/- each, fully paid-up
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is not dealt with in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	(2,614)	(17,930)	62,171	87,265	(41,837)
b. for the previous financial years of the subsidiary since it became a subsidiary	(33,469)	(334,781)	26,878	66,795	15,935
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is dealt with or provided for in the accounts of the Holding Company					
a. for the financial year ended on March 31, 2011	—	—	—	—	—
b. for the previous financial years of the subsidiary since it became a subsidiary	—	—	—	—	—

Note:

¹ Formerly known as i-flex Processing Services Inc.

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies (continued)

		(All amounts in ₹ thousands)	
The Financial Year of the Subsidiary Company ended on		Oracle Financial Services Software Chile Limitada	Oracle Financial Services Software (Shanghai) Limited
		March 31, 2011	March 31, 2011
Holding Company		Oracle Financial Services Software Limited	Oracle Financial Services Software Limited
Holding Company's interest		100%	100%
Shares held by the Holding Company in the Subsidiary		N.A.	N.A.
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is not dealt with in the accounts of the Holding Company			
a. for the financial year ended on March 31, 2011		(60,071)	30,991
b. for the previous financial years of the subsidiary since it became a subsidiary		–	35,845
Net aggregate of Profit/(losses) of the subsidiary so far as it concerns the Members of the Holding Company and is dealt with or provided for in the accounts of the Holding Company			
a. for the financial year ended on March 31, 2011		–	–
b. for the previous financial years of the subsidiary since it became a subsidiary		–	–

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies

(All amounts in ₹ thousands)

Name of the subsidiary company	Reporting Currency	Exchange Rate ⁶	Share Capital	Reserves ⁷	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit/(Loss) before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country of Incorporation
Oracle Financial Services Software B. V.	EUR	63.17	776,308	2,345,520	11,882,550	8,760,722	–	7,050,674	792,532	(180,409)	612,124	–	The Netherlands
Oracle Financial Services Software SA	EUR	63.17	723,642	281,467	2,184,076	1,178,967	–	791,632	66,014	(11,505)	54,509	–	Greece
Oracle Financial Services Software Pte. Ltd.	USD	44.61	6,626	1,708,624	10,175,974	8,460,724	–	6,760,561	628,499	(351,556)	276,943	–	Singapore
Oracle Financial Services Consulting Pte. Ltd.	USD	44.61	46,366	(176,599)	(82,441)	47,792	–	15,654	(14,662)	–	(14,662)	–	Singapore
Oracle Financial Services Software America, Inc.	USD	44.61	5,810,566	(107,549)	6,524,815	821,798	–	–	(410,162)	(5,053)	(415,215)	–	USA
Oracle Financial Services Software, Inc.	USD	44.61	–	249,840	8,810,222	8,560,382	–	8,587,695	5,189	(63,750)	(58,560)	–	USA
i-flex solutions Inc. (Canada) ¹	CAD	45.93	–	–	–	–	–	–	947,480	(648)	946,832	–	Canada
Castek Inc. ²	USD	44.61	–	–	–	–	–	–	(1,516)	–	(1,516)	–	USA
Castek Software Factory Ltd. ³	USD	44.61	–	–	–	–	–	–	559	–	559	–	USA
Castek RBG Inc. ⁴	USD	44.61	–	–	–	–	–	–	(18,846)	–	(18,846)	–	USA
Mantas Inc.	USD	44.61	5,650,170	(788,319)	4,871,571	9,721	–	–	(8,841)	(286)	(9,127)	–	USA
Mantas Limited	GBP	71.81	–	1,962	4,547	2,585	–	–	2,782	287	3,069	–	UK
Sotas Inc.	USD	44.61	–	(439)	–	439	–	–	5	–	5	–	USA
Mantas Singapore Pte. Ltd.	USD	44.61	–	(429)	(429)	–	–	–	156	–	156	–	Singapore
Mantas India Pvt. Ltd.	INR	1.00	15,000	(837)	14,163	–	–	–	2,073	–	2,073	–	India
ISP Internet Mauritius Company	USD	44.61	139,982	(26,631)	165,128	51,777	–	–	(2,614)	–	(2,614)	–	Republic of Mauritius
Oracle (OFSS) BPO Services Inc. ⁵	USD	44.61	–	(374,197)	80,194	454,391	–	366,387	(17,957)	27	(17,930)	–	USA
Oracle Financial Services Software Chile Limitada	CLP	0.09	70,493	(60,071)	56,164	45,742	–	77,924	(57,140)	(2,931)	(60,071)	–	Chile

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies (continued)

Name of the subsidiary company	Reporting Currency	Exchange Rate ⁶	Share Capital	Reserves ⁷	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country of Incorporation
Oracle Financial Services Software (Shanghai) Limited	CNY	6.81	45,505	66,836	617,411	505,069	–	395,742	34,050	(3,059)	30,991	–	Republic of China
Oracle (OFSS) BPO Services Limited	INR	1.00	58,194	89,050	524,353	377,109	–	277,229	67,884	(5,712)	62,171	–	India
Oracle (OFSS) Processing Services Limited	INR	1.00	13,000	154,761	234,857	67,096	–	247,167	131,120	(43,155)	87,966	–	India
Oracle (OFSS) ASP Private Limited	INR	1.00	51,700	(25,126)	139,708	113,134	–	85,060	(42,087)	250	(41,837)	–	India

Notes:

- ¹ Dissolved on March 31, 2011
- ² Dissolved on September 1, 2010
- ³ Dissolved on September 1, 2010
- ⁴ Dissolved on September 1, 2010
- ⁵ Formerly known as i-flex Processing Services Inc.
- ⁶ Exchange rate as of March 31, 2011
- ⁷ The reserve figures have changed due to audit adjustment entries passed post balance sheet date
- ⁸ Accounting policy adopted for foreign currency transactions are similar to those adopted in consolidated financials.

For and on behalf of the Board of Directors

<p>Chaitanya Kamat Managing Director & Chief Executive Officer</p>	<p>Y M Kale Director</p> <p>S Venkatachalam Director & Compliance Officer</p>
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Mumbai, India
May 10, 2011

The Company presents audited consolidated financial statements under Indian GAAP in its Annual Report. The accounts and related reports of the subsidiary companies are not attached to the Annual Report of the Company for the year ended March 31, 2011 in terms of the general exemption provided by the Ministry of Company Affairs vide General Circular No.: 2/2011 dated February 8, 2011 and that the Company has fulfilled the conditions stated therein.

The Company will make available the accounts and reports of the subsidiary companies upon request by any member/investor of the Company or its subsidiary companies. The accounts and reports of the subsidiary companies will be kept open for inspection by any member at the registered/corporate office of the Company and the registered office of the subsidiaries during office hours of the Company/subsidiaries. The Company will also make the same available at its website www.oracle.com/financialservices.

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Financials

Financial statements for the year ended March 31, 2011 prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) (Consolidated).

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Management's discussion and analysis

of financial condition and results of operations

The following discussion is based on our audited consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in India and complying in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended).

The financial statements are consolidated for Oracle Financial Services Software ("the Group") that includes Oracle Financial Services Software Limited ("the Company"), its subsidiaries and associate company (together referred to as "the Group" as described in Note 1 of schedule 15 to the financial statements) as at March 31, 2011. Investment in Login SA, an associate company has been accounted for using the equity method, considering that the Group has significant influence in the operations of Login SA.

You should read the following discussion of our financial condition and results of operations together with the detailed consolidated Indian GAAP financial statements and the notes to those statements. Our fiscal year ends on March 31 of each year.

Information technology in the financial services industry

Financial institutions today face many challenges in their quest to offer innovative products and services to customers. There have been significant shifts in the competitive landscape. These include price wars, the emergence of new business models, competitors from within and outside the industry who have effectively differentiated themselves, changes in buyer power and preferences and other opportunities and threats including deregulation.

The focus of financial institutions is on the transformation of their business models to help identify cost-saving opportunities and enhance their ability to offer both targeted and improved levels of service to their customers. Besides reducing costs, financial institutions strive to gain competitive advantage by enhancing their reputation and creating greater institutional resilience.

Financial institutions have been forced to abandon their traditional reliance on the use of single product or business silos. Today, to stay competitive, they have to offer a variety of integrated and global products in different markets while ensuring that their activities are in sync with market dynamics and evolving regulatory mandates. The emergence of new customer segments have made banks chose "next generation" models and offer new and innovative products and services.

The recent turmoil in global financial markets has significant lessons for the risk management of financial institutions. A key lesson is institutions could be threatened by a liquidity crunch even if they are well capitalised. The management of liquidity risk is thus vital both for the sound management of financial institutions and for the stability of the financial system. Over the last few years central banks and regulatory bodies have actively reviewed their frameworks for financial regulation and supervision, including that of liquidity risk.

The increasing operational complexity of financial institutions has been accompanied by innovation in the measurement and monitoring of their exposure to various risks. Stress testing, defined as the examination of the potential effects on a firm's financial condition of a set of specified changes in risk factors, corresponding to exceptional but plausible events, is one such innovation. Stress and scenario testing is becoming an important element in the planning and risk management process, and is helping institutions identify, analyse and manage the risks inherent within their businesses.

Financial institutions have to cope with increasing regulatory scrutiny and with the increasing sophistication of fraudulent activity. Fraudsters, today, are using a series of techniques to circumvent processes designed to detect and address fraud. Financial institutions are therefore turning towards technology to tackle fraud and comply with dynamic compliance mandates.

Banks require services that address their need for renewal in areas such as consumer regulation, security and process consistency.

Overview

Oracle Financial Services Software Limited, majority owned by Oracle, is a world leader in providing IT solutions to the financial services industry. With its experience of delivering value-based IT solutions to global financial institutions, Oracle Financial Services Software understands the specific challenges that financial institutions face: the need for building customer intimacy and competitive advantage through cost-effective solutions while, simultaneously, adhering to the stringent demands of a dynamic regulatory environment.

Our mission is to enable financial institutions to excel through the effective use of information technology. We offer financial institutions the world's most comprehensive and contemporary banking applications and a technology footprint that addresses their complex IT and business requirements.

We are organised by region and business segment. We have two major business segments - the products business (comprising product licensing, customisation, implementation and support) and consulting services (comprising IT application and technology services).

These segments are described in detail below:

Products

Oracle FLEXCUBE

Oracle FLEXCUBE is a complete banking product suite for consumer, corporate, investment, mobile and internet banking, consumer lending, asset management and investor servicing, including payments. Oracle FLEXCUBE enables banks to standardise operations across multiple countries, transform their local operations as well as address niche business models like direct banking, Islamic banking and mobile banking. Financial institutions use Oracle FLEXCUBE to respond faster to market dynamics, define and track processes, while ensuring compliance. The suite is also equipped with SWIFT 2011 enhancements.

Oracle FLEXCUBE addresses the complete lending lifecycle across origination, servicing and collections. Customers can use the process centric architecture of the product to measure and manage their business based on process level insight.

Oracle FLEXCUBE also helps SWIFT participants cost-effectively keep pace with emerging trends and optimise their SWIFTNet use to fully leverage SWIFTNet services and achieve their SWIFTNet objectives. Financial institutions can leverage this solution to consolidate SWIFTNet messaging, improve operational efficiency, reduce costs, and transform their business using a global messaging platform.

This comprehensive solution supports the entire funds process flow, including orders, confirmations, cancellations, statements, reports, and transfers over the SWIFTNet Funds service using the InterAct messaging protocol. It provides easy integration with back-office applications and can also convert FIN or proprietary messages to ISO 20022 formats and vice versa.

Oracle FLEXCUBE can also help financial institutions gain a foothold in the fast growing cross-border remittances segment; it can help financial institutions initiate, process, and disburse remittances.

Oracle FLEXCUBE release 11.0 brings together Oracle's vast experience in supporting banks across the globe. Banks can take advantage of the solution's entire range of functionality and earn a higher return on investment through multi-product origination, support for broker-aided distribution, end-to-end lending and mortgage lifecycle management. Supported by an exhaustive set of Web services, SOA-enabled Oracle FLEXCUBE enables accelerated deployment and easy integration with a bank's existing application landscape. Release 11.0 offers complete lifecycle support for consumer, commercial, syndicated, Islamic banking and mortgage processing - including origination, servicing, and collections.

Oracle FLEXCUBE Enterprise Limits and Collateral Management offers a single source for managing exposure across a business portfolio. It enables centralised collateral management, limits definition, tracking and exposure measurement for effective exposure management and resource utilisation.

Oracle FLEXCUBE Private Banking is a comprehensive solution for private banking. It gives wealth managers a unified view and analyses of their customers' wealth across asset classes, and provides the added benefits of performance tracking and improved customer relationship management. The application is a comprehensive, customer-centric solution that offers a wealth management portal, a customer interaction tool, and portfolio management capabilities - all of which can be integrated with the existing core banking solutions used by a bank.

Oracle FLEXCUBE Investor Servicing is a process enabled transfer agency and investor servicing solution. It helps financial institutions manage the complete fund lifecycle and reduce operational costs through process automation across fund structures, intermediary hierarchies, and investors. The ISO 20022 and 15022 compliant Oracle FLEXCUBE Investor Servicing ensures enhanced STP processing through support for a wide variety of SWIFT NET 4.0 messages. With a comprehensive business rules engine for products - hedge funds, mutual funds and unit-linked insurance products, funds, and fee structures, Oracle FLEXCUBE Investor Servicing allows fund management companies to configure and launch new products rapidly.

Oracle Financial Services Analytical Applications are a complete and fully integrated portfolio of analytical solutions covering enterprise risk, performance management, regulatory compliance and customer insight. They are built upon a shared analytical infrastructure consisting of a unified financial services data model, shared analytical computations and the industry-leading Oracle Business Intelligence platform.

The stack contains almost all point solutions that can be integrated to give a holistic view across all analytical applications. Financial institutions need an integrated approach that combines a diverse set of compliance and risk solutions to help them address not only present regulatory needs, but also emerging and future risk and regulatory requirements. The framework is rules driven, and readily adapts to change. Unlike other hard-coded solutions, Oracle Financial Services Analytical Applications provide both prebuilt rules and the capability to create and modify rules. This flexibility allows financial institutions to easily create custom rules for their own analytical requirements and to cost-effectively address ever-changing compliance regulations. Any rule can be viewed and audited for its underlying definition to enable supervisory oversight.

Oracle Financial Services Consulting

Oracle Financial Services Consulting offers Consulting Services, Application Services, Technology Services, and BPO services to financial institutions.

Consulting Services

Your group offers an end-to-end consulting partnership providing comprehensive business and technology solutions that enable financial services enterprises to improve process efficiency, optimise costs, meet risk and compliance requirements, define IT architecture and manage the transformation process. We offer consulting services in the areas of business transformation, risk and compliance, program management, IT architecture, IT governance and process improvement.

PrimeSourcing Application Services

Your group provides comprehensive customised IT solutions for banking, securities and insurance. These high-quality IT solutions reflect the division's domain expertise in financial services, including the knowledge gleaned from specialised practice lines like payments, business intelligence, CRM, Oracle Technology and Applications and testing. These IT solutions encompass the complete lifecycle of an IT application asset - from conceptualisation to creation and maintenance.

Customers can take advantage of the in-depth expertise across a range of technologies such as Java, Microsoft, Mainframe and Open Source. Our services are much sought after by financial institutions as our IT processes, global infrastructure and development centres are based on COBIT best practices and include a comprehensive pool of proprietary methodologies and tools.

PrimeSourcing Technology Services

Your group offers expertise in conceptualisation, design, evaluation, implementation and management of IT infrastructure for financial institutions under two service lines of **Technology Management Services** and **Remote Infrastructure Management**. These services are based on best practices such as ITIL (IT Infrastructure Library) and COBIT (Control Objectives for Information and related Technology) governance models (globally accepted standards for IT management and control) and are certified under ISO 27001 (Information Security Management System) and ISO 20000 (IT Services Management).

Business Process Outsourcing Services

Your group's BPO offering excels in providing cost effective and high quality BPO services ranging from complex back-office work to contact centre services for the banking, capital markets, and insurance and asset management domains. This comprehensive ecosystem of BPO services also draws upon software applications such as Oracle FLEXCUBE and is backed by a mature process and consulting framework.

Your group's BPO offering was selected in the Leadership Category for the '2010 The Global Outsourcing 100'. The Outsourcing Centre short listed it to be amongst 2010 Finalists for its Outsourcing Excellence Awards. The BPO offerings are ISO 9001 certified for quality management and ISO 27001 certified for information security management.

Support services

Oracle Financial Services Support offers support services for FLEXCUBE and Analytical Applications for Financial Services. These services help our customers accelerate adoption, achieve faster return on their application investments, and reduce the time, effort, and cost of operating their applications. These services also enable our customers to take advantage of the latest industry-leading technology enhancements to meet their application management needs effectively.

Unmatched banking solutions footprint

Together with Oracle, Oracle Financial Services Software offers the world's most comprehensive and contemporary banking applications and technology footprint. This footprint spans the distribution, manufacturing, risk and finance and corporate administration functions of a financial institution. Each solution in the financial services application footprint is best-of-breed, open and integrated.

Corporate development

Ownership Interest of Oracle Global (Mauritius) Limited in the Company is 80.44% as at March 31, 2011.

On September 1, 2010, Castek Inc., Castek RBG Inc. and Castek Software Factory Ltd., wholly owned subsidiaries of i-flex solutions Inc. (Canada) got dissolved.

On March 31, 2011, i-flex solutions Inc. (Canada), wholly owned subsidiary of Oracle Financial Services Software America, Inc. got dissolved.

To reflect the close strategic and operational alignment within the group, the name of the following subsidiary company was changed from:

- 'i-flex Processing Services Inc.' to "Oracle (OFSS) BPO Services Inc." with effect from February 22, 2011.

Business metrics

Our total revenues in fiscal 2011 were ₹ 29,969.3 million, representing an increase of 4% from ₹ 28,739.7 million in fiscal 2010. The net income in fiscal 2011 was ₹ 11,109.9 million, as against ₹ 7,736.6 million in fiscal 2010. Our net income margin is at 37% and 27% for the fiscal years 2011 and 2010 respectively. We define net income margins for a particular period as the ratio of net income to total revenues during such period. We had 9,652 employees as on March 31, 2011 as against 10,451 at the end of the previous year.

Products business

	(All amounts in ₹ millions)	
	Year ended March 31, 2011	Year ended March 31, 2010
Product revenues	19,965.4	19,032.8
Cost of product revenues	(7,129.8)	(7,506.2)
Sales and marketing expenses	(2,260.6)	(1,965.9)
General and administrative expenses	(851.1)	(870.3)
Depreciation and amortisation	(158.1)	(229.3)
Income from operations	9,565.9	8,461.1
Operating margin*	48%	44%

* Operating margin is defined as income from operations from the products business (excluding corporate expenses) as a percentage of total products revenues.

Products revenues

As of March 31, 2011, our product revenues were ₹ 19,965.4 million an increase of 5% from ₹ 19,032.8 million during the fiscal year ended March 31, 2010. Product revenues represented 67% and 66% of total revenues for fiscal years ended 2011 and 2010, respectively.

Our product revenues comprise license fees, professional fees for implementation and enhancement services and annual maintenance contract (Post Contract Support – PCS) fees for our products.

License fee

Our standard licensing arrangements for products provide the user a perpetual right to use the product for a pre-defined number of users and sites upon the payment of a license fee. The license fee is a function of a variety of quantitative and qualitative factors, including the number of copies sold, the number of users supported, the number and combination of the modules sold and the number of sites and geographical locations supported. The licenses are non-exclusive, personal, non-transferable and royalty free.

Implementation fee

Along with licenses for our products, our customers can also optionally avail services related to the implementation of products at their sites, integration with other systems or enhancements to address their specific requirements. The customer is typically charged a service fee on either a fixed price basis or a time and material basis.

Annual maintenance contract fees

Customers typically sign an Annual Maintenance Contract with us under which, we provide technical support, maintenance, problem resolution and upgrades for the licensed products. These support agreements typically cover a period of 12 months and generate other revenue streams for us.

The revenues generated from license fees, implementation and enhancement services rendered by us depends on factors such as the number of new customers added, milestones achieved, implementation time, etc. Therefore, such revenues typically vary from year to year. The annual maintenance contracts generate steady revenues and would grow to the extent that new customers are entering into the support phase of their lifecycle with us.

The percentages of our revenues from these streams are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
License fees	21%	18%
Implementation and customisation fees	54%	59%
PCS arrangements	25%	23%
Total	100%	100%

Cost of products revenues and operating expenses

The cost of our product revenues consists of costs attributable to the implementation, enhancement, maintenance and continued development, including research and development efforts, of our core product offerings - the Oracle FLEXCUBE suite of products, Oracle Financial Services Analytical Applications and other products. These costs primarily consist of compensation expenses for all software professionals working in the products business, project-related travel expenses, professional fees paid to software services vendors and the cost of application software for internal use.

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is established. Software product development cost incurred subsequent to the achievement of technological feasibility is not material and is expensed as incurred.

Our operating expenses include selling and marketing expenses, general and administrative expenses that consist of commissions payable to our partners, product advertising, marketing expenses and allocated overhead expenses associated with support and monitoring functions such as human resources, facilities and infrastructure expenses, quality assurance and financial control, and depreciation and amortisation.

Services business

	(All amounts in ₹ millions)	
	Year ended March 31, 2011	Year ended March 31, 2010
Services revenues	9,532.4	9,072.3
Cost of services revenues	(5,959.7)	(5,828.7)
Sales and marketing expenses	(408.1)	(340.4)
General and administrative expenses	(431.8)	(400.2)
Depreciation and amortisation	(165.1)	(176.6)
Inter-segment expense	(258.0)	(211.2)
Income from operations	2,309.7	2115.2
Operating margin*	24%	23%

* Operating margin is defined as income from operations from the services business (excluding corporate expenses) as a percentage of total services revenues.

Services revenues

Our services revenues represented 32% of our total revenues for the fiscal year ended March 31, 2011 as well as for 2010. Our services revenues were ₹ 9,532.4 million in the fiscal year ended March 31, 2011, representing an increase of 5% from ₹ 9,072.3 million in the fiscal year ended March 31, 2010.

The contracts relating to our services business are either time or material contracts or fixed price contracts. The percentage of total services revenues from time and material contracts was 64% in fiscal 2011 and 66% in fiscal 2010, with the remainder of our services revenues attributable to fixed price contracts.

We render services through offshore centres located in India, onsite teams operating at our customers' premises and our development centres located in other parts of the world. Offshore services revenues consists of revenues from work conducted at our development centres in India and for Indian customers at their locations. Onsite revenues consist of work conducted at customer premises outside India and our development centres outside India. The composition of our onsite and offshore revenues is determined by the project lifecycle. Typically, the work involving the design of new systems or relating to a system rollout would be conducted onsite, while the core software development, maintenance and support activity may be conducted offshore. We received 48% and 50% of our services revenues from onsite work and 52% and 50% from offshore work during the fiscal years 2011 and 2010 respectively.

Cost of services revenues and operating expenses

The cost of revenues for services consists primarily of compensation expenses for our software professionals; cost of application software for internal use, travel expenses and professional fees paid to software services vendors. We recognise these costs as incurred. Our operating expenses include selling, general and administrative expenses and allocated overhead expenses associated with support and monitoring functions such as human resources, corporate marketing, information management systems, quality assurance and financial control and depreciation.

Business Process Outsourcing (BPO) Services Business

(All amounts in ₹ millions)

	Year ended March 31, 2011	Year ended March 31, 2010
Services revenues	729.5	845.8
Cost of services revenues	(254.2)	(266.7)
Sales and marketing expenses	(73.9)	(91.5)
General and administrative expenses	(149.6)	(147.5)
Depreciation and amortisation	(19.1)	(24.1)
Income from operation	232.7	316.0
Operating margin*	32%	37%

* Operating margin is defined as income from operations from the Business Process Outsourcing (BPO) Services Business (excluding corporate expenses) as a percentage of total services revenues.

Business Process Outsourcing (BPO) Services Revenues

Our BPO services revenues represented 2% and 3% of our total revenues for the fiscal year ended March 31, 2011 and March 21, 2010. Our BPO services revenues were ₹ 729.5 million in the fiscal year ended March 31, 2011, a decrease of 14% from ₹ 845.8 million in the fiscal year ended March 31, 2010.

Cost of Business Process Outsourcing (BPO) Revenues and Operating Expenses

The cost of revenues for BPO Services consists primarily of compensation expenses for our professionals, travel expenses and professional fees paid to vendors. We recognise these costs as incurred. Our operating expenses include selling, general and administrative expenses and allocated overhead expenses.

Geographic breakup of revenues

Our overall revenues continue to be well diversified. The following table represents the percentage breakup of our revenues for our products and services business by region:

	Year ended March 31, 2011			Year ended March 31, 2010		
	Products Revenues	Services Revenues	Total Revenues	Products Revenues	Services Revenues	Total Revenues
USA	19%	55%	31%	18%	57%	32%
Middle East, India and Africa	20%	4%	15%	18%	4%	13%
Asia Pacific	25%	24%	25%	22%	23%	21%
Europe	32%	16%	26%	40%	16%	32%
Latin America and Caribbean	4%	1%	3%	2%	0%	2%
Total	100%	100%	100%	100%	100%	100%

Customer concentration

Our operations and business depend on our relationships with a large number of customers. Our revenues from our top ten customers, as a percentage of our total revenues is at 35% for fiscal 2011 as against 26% for fiscal year 2010. The top ten customers in our services business contributed 59% of the total services revenues, and the top ten customers in our products business, contributed 32% of the total products revenues during fiscal 2011.

The percentage of total revenues during fiscal years 2011 and 2010 that we derived from our largest customer, largest five customers and largest ten customers is provided in the accompanying table. In the table, various affiliates of Citigroup are classified as separate customers and the last row sets forth the percentage of total revenues we earned from the various affiliates of Citigroup with respect to our products and services business individually and with respect to our business taken as a whole.

	Products Revenues		Services Revenues		Total Revenues	
	2011	2010	2011	2010	2011	2010
Largest customer	10%	5%	12%	6%	9%	4%
Top 5 customers	25%	20%	41%	27%	26%	16%
Top 10 customers	32%	29%	59%	41%	35%	26%
Citigroup and its affiliates	11%	11%	46%	37%	23%	20%

Trade receivables

Trade receivables as of fiscal March 31, 2011 and 2010 were ₹ 8,205.6 million and ₹ 6,782.4 million respectively. Our days sales outstanding (which is the ratio of sundry debtors to total sales in a particular year multiplied by 365) for fiscal 2011 and 2010 were approximately 100 and 86 respectively. The Group periodically reviews its trade receivables outstanding as well as the aging, quality of the trade receivables, customer relationship and the history of the client. The following table represents the age profile of our trade receivables:

	Year ended March 31, 2011	Year ended March 31, 2010
Period in days		
0–180	92%	93%
More than 180	8%	7%
Total	100%	100%

Foreign currency and treasury operations

A substantial portion of our revenues is generated in foreign currencies while a majority of our expenses are incurred in Indian Rupees (INR), with the remaining expenses are incurred in US Dollars (USD) and European currencies.

Our philosophy for treasury operations is conservative and we invest funds predominantly in time deposits with well-known and highly rated Indian and foreign banks. The Group has ensured adequate internal controls over asset management, including cash management operations, credit management and debt collection.

The Group also maintains funds mainly in USD, EUR, JPY and SGD bank accounts or in deposits based on comparative exchange rates, interest rates and currency requirements.

Income taxes

Till March 31, 2011, we partially benefited from tax holidays extended by the Government of India to software products and IT services exporters from specially designated software technology parks in India. As a result of these incentives, our operations were subject to relatively lower tax liabilities in India. These tax incentives included a 10-year tax holiday from Indian corporate income taxes for the operation of seven of our Indian facilities. As a result, a substantial portion of our pre-tax income was not subject to tax in recent years.

The Finance Act, 2000, restricts the ten-year tax holiday available from the fiscal year in which the undertaking begins to manufacture or produce, or until fiscal 2011 (as extended in Finance Act, 2009), whichever is earlier. Thus, for our STPI units, this benefit expired on 31 March 2011. Income taxes also include foreign taxes representing income taxes payable overseas by us in various countries.

Employee Stock Purchase Scheme ('ESPS')

The Company has adopted the ESPS administered through a Trust ("the Trust") to provide equity based incentives to key employees of the Company. As per the scheme, the Trust can purchase shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are allocated by the Trust to nominated employees at an exercise price, which approximates the fair value on the date of the grant. The shares vest in the employees over a period of five years and the employees can purchase the shares from the Trust over a period of ten years based on continued employment, until which, the Trust holds the shares for the benefit of the employees. The employees are entitled to receive dividends, bonus, etc., that may be declared by the Company from time to time for the entire portion of shares held by the Trust on behalf of the employees.

On the acceptance of the offer, the selected employee undertakes to purchase the shares from the Trust within ten years from the date of acceptance of the offer. In case an employee resigns from employment, the rights relating to vested shares, which are eligible for exercise, may be purchased by the employee by payment of the exercise price whereas, the balance shares are forfeited in favour of the Trust. The Trustees have the right of recourse against the employees for any amounts that may remain unpaid on the shares accepted by them. As of the Balance Sheet date, the Trust has repaid the entire loan obtained from the Company on receipt of payments from employees against shares exercised.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines'), which are applicable to stock purchase schemes for employees of all Indian listed companies. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. However, no compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date.

A summary of the activity in the Company's ESPS is as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
	Number of shares	Number of shares
Opening balance of unallocated shares	165,150	165,145
Shares forfeited during the year	992	5
Closing balance of unallocated shares	166,142	165,150
Opening balance of allocated shares	54,548	134,834
Shares exercised during the year	(24,475)	(80,281)
Shares forfeited during the year	(992)	(5)
Closing balance of allocated shares	29,081	54,548
Shares eligible for exercise	29,081	54,548
Shares not eligible for exercise	–	–
Total allocated shares	29,081	54,548

Employee Stock Option Plan ('ESOP')

Pursuant to ESOP scheme approved by the shareholders of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ("Scheme 2002") for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the IPO and 619,000 options at various dates after IPO (including the grants of options out of options forfeited earlier). As per the scheme 2002, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme ("Scheme 2010") for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 618,000 options. As per the Scheme 2010, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

A summary of the activity in the Company's ESOP (Scheme 2002) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	242,382	1,152	348,853	1,075
Granted	60,000	2,333	–	–
Exercised	(39,945)	1,255	(85,471)	819
Forfeited	(16,600)	1,291	(21,000)	1,232
Outstanding at end of the year	245,837	1,414	242,382	1,152
Vested options	141,537		141,382	
Unvested options	104,300		101,000	

The weighted average share price for the year over which stock options were exercised was ₹ 2,188.

A summary of the activity in the Company's ESOP (Scheme 2010) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	–	–	–	–
Granted	618,000	2,050	–	–
Exercised	–	–	–	–
Forfeited	(56,135)	2,050	–	–
Outstanding at end of the year	561,865	2,050	–	–
Unvested options	561,865		–	

The details of options unvested and options vested and exercisable as on March 31, 2011 are as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	1,291–1,291	44,300	1,291	5.1
	2,050–2,050	561,865	2,050	9.4
	2,333–2,333	60,000	2,333	9.6
Options vested and exercisable	265–265	31,400	265	0.9
	515–515	32	515	2.3
	1,291–1,291	110,105	1,291	5.1
		807,702	1,856	8.3

The details of options unvested and options vested and exercisable as on March 31, 2010 were as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	419–560	–	–	–
	1,291–1,291	101,000	1,291	6.1
Options vested and exercisable	265–265	32,800	265	1.9
	515–515	32	515	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

Analysis of our financial results

Comparison of fiscal 2011 with fiscal 2010

Revenues

Our total revenues in the fiscal year ended March 31, 2011 were ₹ 29,969.3 million, an increase of 4% over our total revenues of ₹ 28,739.7 million in the fiscal year ended March 31, 2010. The increase in revenues was primarily attributable to an increase in the revenues from our products business as well as services business.

Products revenues

Our products revenues in the fiscal year ended March 31, 2011 were ₹ 19,965.4 million, an increase of 5% over our products revenues of ₹ 19,032.8 million in the fiscal year ended March 31, 2010 on the strength of large customer wins in Europe and ASPAC. The revenues from license fees comprised 21% of the revenues, implementation and customisation fees comprised 54% and Annual Maintenance Contracts comprised 25% of the revenues for the fiscal 2011.

Services revenues

Our services revenues represented 32% of our total revenues for the fiscal year ended March 31, 2011 as well as for 2010. Our services revenues were ₹ 9,532.4 million in the fiscal year ended March 31, 2011, an increase of 5% from ₹ 9,072.3 million in the fiscal year ended March 31, 2010. Revenues from time and material contracts comprised 64% of the services revenues and fixed price contracts comprised 36% for the fiscal 2011.

Business Process Outsourcing (BPO) Revenues

Our revenues from BPO services in the fiscal year ended March 31, 2011 were ₹ 729.5 million, decrease of 14% over our revenues from BPO services of ₹ 845.8 million in the fiscal year ended March 31, 2010.

Interest and other income (expense)

Our interest and other income in the fiscal year ended March 31, 2011 was ₹ 1,668.3 million, as compared to a loss of ₹ 856.2 million in the fiscal year ended March 31, 2010. The overall increase in interest income amounted to ₹ 695.9 million is mainly due to increase in deployment of excess funds and also increase in interest rates during the year. Additionally in fiscal 2011 there was a foreign exchange gain amounting to ₹ 227.2 million as compared to a loss of ₹ 1,568.7 million in fiscal 2010, mainly due to realisation at better rates on conversion of EUR and USD funds to INR during the year.

Cost of revenues and operating expenses

Cost of revenues

Our cost of revenues in the fiscal year ended March 31, 2011 was ₹ 13,343.6 million, a decrease of 2% over our cost of revenues of ₹ 13,601.6 million in the fiscal year ended March 31, 2010. Cost of revenues as a percentage of total revenues was 45% in the fiscal year ended March 31, 2011, compared to 47% in the fiscal year ended March 31, 2010.

We have invested significantly both in our products and services businesses to meet emerging market requirements, and create a strong foundation for future growth. In the financial year 2010–2011, we continued to invest in enhancing our products. We announced the launch of Oracle FLEXCUBE 11.0 that helps financial institutions respond faster to market dynamics, define and track processes and ensure compliance. Our investments in the Oracle Analytics platform resulted in the launch of several new offerings for Enterprise Performance Management, Capital Management and Stress Testing.

Our cost of products revenues in the fiscal year ended March 31, 2011 was ₹ 7,129.8 million, a decrease of 5% over our cost of products revenues of ₹ 7,506.2 million in the fiscal year ended March 31, 2010. Our cost of products revenues as a percentage of products revenues was 36% in the fiscal year ended March 31, 2011, compared to 39% in the fiscal year ended March 31, 2010.

Our cost of services revenues in the fiscal year ended March 31, 2011 was ₹ 5,959.7 million, an increase of 2% over our cost of services revenues of ₹ 5,828.7 million in the fiscal year ended March 31, 2010. The cost of services revenues as a percentage of services revenues was 63% in the fiscal year ended March 31, 2011, compared to 64% in the fiscal year ended March 31, 2010.

Sales and marketing expenses

Our sales and marketing expenses in the fiscal year ended March 31, 2011 were ₹ 2,742.6 million, an increase of 14% over our sales and marketing expenses of ₹ 2,397.7 million in the fiscal year ended March 31, 2010. Our sales and marketing expenses as a percentage of total revenues was 9% for the fiscal year ended March 31, 2011 and 8% for the fiscal year ended March 31, 2010.

Our sales and marketing expenses for our products business in the fiscal year ended March 31, 2011 were ₹ 2,260.6 million, an increase of 15% over our sales and marketing expenses for our products business of ₹ 1,965.9 million in the fiscal year ended March 31, 2010. Sales and marketing expenses for our products business as a percentage of products revenues was 11% in the fiscal year ended March 31, 2011, compared to 10% in the fiscal year ended March 31, 2010.

Our sales and marketing expenses for our services business in the fiscal year ended March 31, 2011 were ₹ 408.1 million, an increase of 20% over our sales and marketing expenses for our services business of ₹ 340.4 million in the fiscal year ended March 31, 2010. Sales and marketing expenses for our services business as a percentage of services revenues was 4% for both fiscal year ended March 31, 2011 and March 31, 2010.

General and administrative expenses

Our general and administrative expenses in the fiscal year ended March 31, 2011 stood at ₹ 2,663.2 million, an increase of 8% over our general and administrative expenses of ₹ 2,459.4 million in the fiscal year ended March 31, 2010. Our general and administrative expenses as a percentage of total revenues was 9% in the fiscal year ended March 31, 2011 as well in the fiscal year ended March 31, 2010.

General and administrative expenses for our products business in the fiscal year ended March 31, 2011 were ₹ 851.1 million, a decrease of 2% over our general and administrative expenses for our products business of ₹ 870.3 million in the fiscal year ended March 31, 2010. Our general and administrative expenses for our products business as a percentage of products revenues was 4% for the fiscal year ended March 31, 2011 compared to 5% for the fiscal year ended March 31, 2010.

General and administrative expenses for our services business in the fiscal year ended March 31, 2011 were ₹ 431.8 million, an increase of 8% over our general and administrative expenses for our services business of ₹ 400.2 million in the fiscal year ended March 31, 2010. Our general and administrative expenses for our services business as a percentage of services revenues was 5% for the fiscal year ended March 31, 2011 compared to 4% for the fiscal years ended March 31, 2010.

Income taxes

Our provision for income taxes in the fiscal year ended March 31, 2011 was ₹ 1,370.1 million, an increase of 14% over our provision for income taxes of ₹ 1,197.7 million in the fiscal year ended March 31, 2010. Our effective tax rate was 11% in the fiscal year ended March 31, 2011 compared to 13% in the fiscal year ended March 31, 2010.

Income from operations and net income

As a result of the foregoing factors, income from operations increased by 10% to ₹ 10,811.8 million in fiscal 2011 from ₹ 9,792.4 million in fiscal 2010, and net income increased by 44% to ₹ 11,109.9 million in fiscal 2011 from ₹ 7,736.6 million in fiscal 2010. Our net income margin is 37% for the fiscal year 2011 as against 27% in fiscal 2010. We define net income margins for a particular period as the ratio of net income to total revenues during such period.

Liquidity and capital resources

Our capital requirement relate primarily to financing the growth of our business. We have historically financed the majority of our working capital, capital expenditure and other requirements through our operating cash flow. During fiscal 2011 and 2010, we generated cash from operations of ₹ 6,297.5 million and ₹ 7,138.4 million respectively.

Oracle Financial Services Software is a zero debt company. We expect that our primary financing requirements in the future will be capital expenditure and working capital requirements in connection with the expansion of our business. We believe that the cash generated from operations will be sufficient to satisfy our currently foreseeable capital expenditure and working capital requirements.

Human capital

We recruit graduates from leading engineering and management institutions. We also hire functional experts from the banking industry. We had a net reduction of 799 employees during the fiscal year taking our employee strength to 9,652 employees as on March 31, 2011. The blend of functional knowledge and technical expertise, coupled with in-house training and real-life, experiences in working with financial institutions make our employees unique.

We enjoy cordial relationships with our employees and endeavour to give them an excellent, professionally rewarding and enriching work environment. We operate an effective performance management system, with a focus on employee development. This measures key result areas, competencies and training requirements ensuring all-round employee development.

Risks and concerns

Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposures are due to the following:

- foreign exchange rate fluctuations
- fluctuations in interest rates.

As of March 31, 2011, we had Cash and Bank Balances of ₹ 29,023.5 million out of which ₹ 26,056.2 million was in interest-bearing bank deposits. Consequently, we face an exposure on account of fluctuation in interest rates. These funds were mainly invested in bank deposits of longer maturity (more than 90 days) to earn a higher rate of interest income.

A substantial portion of our revenues is generated in foreign currencies while a majority of our expenses are incurred in Indian Rupees and the balance in US Dollars and European currencies. Our functional currency for Indian operations and consolidated financials is the Indian Rupee. We expect that the majority of our revenues will continue to be generated in foreign currencies for the foreseeable future and a significant portion of our expenses, including personnel costs and capital and operating expenditure, to continue to be incurred in Indian Rupees.

In addition, we face normal business risks such as global competition and country risks pertaining to countries that we operate in.

SWOT analysis

Strengths:

- Deep domain expertise with proven track record
- Oracle Stack: Complete, Integrated and Open with all products benchmarked on Oracle Exadata
- Unmatched solutions portfolio with depth of offering in the retail, corporate and investment banking, funds, cash management, trade, treasury, payments, lending, private wealth management, asset management and business analytics areas
- Superior quality and cost-efficient, end-to-end service capability, from business consulting, to application development and deployment, IT management, to Business Process Outsourcing
- Solutions built on best-in-class technology and architecture
- Continued momentum in new customer additions
- Extensive global client base
- High quality manpower resources
- Strong R&D capability
- Acknowledged leadership in core banking, application services and governance, risk and compliance, Anti-Money laundering, operational risk and process outsourcing domains.

Weaknesses:

- Exposure to various economies
- Lack of local resources in new markets/opportunities.

Opportunities:

- Increasing momentum in the acquisition of core banking systems by large and global financial institutions
- Cross sell and Up sell opportunities into rich global customer base
- Penetrate major geographies like China, Brazil, Japan, North America, Russia, LATAM and large parts of EMEA
- Develop strong global Partner model, greatly expanding pipeline and delivery capabilities
- Expanding solutions portfolio and entry into new market segments Consumer finance, business analytics, Basel II, Anti-Money Laundering, Private Wealth Management, Islamic banking, among others.

Threats:

- Competitive footprint in high-growth geographies
- Accelerated demand for talent in India
- Geo-political factors
- Customers negotiating harder as the financial position in many markets has changed.

Outlook

The worldwide market for financial services is undergoing rapid transformation. Emerging markets are becoming increasingly significant sources of growth for firms in mature economies. New asset classes such as private equity and hedge funds have seen dramatic shifts in customer engagement and have altered the focus of capital markets. The payments space, a major source of revenues and profit for financial institutions, is being restructured, thus altering the fundamental dynamics of the banking industry.

Over the last 36 months there have been significant changes in the economic environment. Your Company views the current economic scenario as an opportunity to help financial institutions meet their emerging business needs. To sustain their growth and profitability, global financial institutions will need to excel in areas such as offshoring, taxation and financial reporting, internal controls and service and process innovation.

Financial institutions are also reviewing their existing IT investments to ensure that they are attuned to changing customer preferences and aligned to the new business priorities. Core banking, risk management and compliance, investor service and internet banking are among the areas that continue to show significant potential. Financial institutions are innovating using available technologies to offer services to their customers on a 'self service' basis.

We see demand for core banking applications continuing as banks expand by buying the assets of other banks, establish presence in new countries or standardise applications across regions. Banks are looking at the centralisation of banking services such as account opening and origination of credit to improve their service levels, increase productivity and gain greater control over processes that are subject to regulatory scrutiny.

Global regulators have re-emphasised the importance of stress testing in the measurement of liquidity and credit risk and in evaluating how banks would fare under different scenarios. As a result of these factors we have gained increasing traction at Tier 1 banks for our products. Over the last 12 months banks have also exhibited renewed interest in aligning finance, risk and performance applications. Risk Adjusted Performance Measurements (RAPM) that can manage such alignment, has received interest from many regulators and has also attracted attention from the boards of many banks.

Oracle has been ranked number one in the banking space by an independent vendor and is committed to maintaining its leadership position in financial services. Oracle will continue to invest in expanding its banking footprint through its own internal R&D and also seek "best-in-class" acquisition targets.

With a process-driven approach based on a Service-Oriented Architecture, your Company has the distinct advantage of offering banks the combined benefits of interoperability, extensibility and standardisation. Together with Oracle we provide a complete banking footprint, spanning all major distribution, manufacturing and corporate administration functions.

Internal control systems and their adequacy

Oracle Financial Services Software group has in place adequate systems for internal control and documented procedures covering all financial and operating functions. These systems are designed to provide reasonable assurance with regard to maintaining proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorised use or losses, and ensuring reliability of financial and operational information. The group continuously strives to align all its processes and controls with global best practices.

Auditors' report

To
The Board of Directors of Oracle Financial Services Software Limited

1. We have audited the attached consolidated balance sheet of Oracle Financial Services Software Limited, its subsidiaries and associate company (collectively referred to as 'the Group' as described in Note 1 of Schedule 15 to the consolidated financial statements) as at March 31, 2011, and also the consolidated profit and loss account and consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard ('AS') 21, Consolidated Financial Statements and AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).
4. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2011;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Associates
Firm Registration number:101049W
Chartered Accountants

per Amit Majmudar
Partner
Membership No.: 36656

Mumbai, India
May 10, 2011

Consolidated balance sheet

as at March 31

(All amounts in ₹ thousands)

	Schedules	2011	2010
Sources of funds			
Shareholders' funds			
Share capital	1	419,474	419,274
Share application money pending allotment		775	8,068
Reserves and surplus	2	53,637,133	42,476,622
Deferred tax liability	3	91,558	32,911
		54,148,940	42,936,875
Application of funds			
Fixed assets			
Gross block	4	12,829,313	12,000,159
Less: Accumulated depreciation and amortisation/impairment		3,483,556	3,636,871
Net block		9,345,757	8,363,288
Capital work-in-progress and advances		639,699	1,304,106
		9,985,456	9,667,394
Investments	5	9,982	9,982
Deferred tax assets	3	755,240	399,726
Current assets, loans and advances			
Sundry debtors	6	8,205,607	6,782,391
Cash and bank balances		29,023,468	22,045,843
Other current assets		3,975,907	2,327,793
Loans and advances		9,337,559	7,724,538
		50,542,541	38,880,565
Less: Current liabilities and provisions	7		
Current liabilities		5,751,842	4,990,369
Provisions		1,392,437	1,030,423
		7,144,279	6,020,792
Net current assets		43,398,262	32,859,773
		54,148,940	42,936,875
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Consolidated profit and loss

for the year ended March 31

(All amounts in ₹ thousands, except per share data)

	Schedules	2011	2010
Revenue	8	29,969,319	28,739,742
Cost of revenue	9	(13,343,639)	(13,601,610)
Gross profit		16,625,680	15,138,132
Operating expenses			
Selling and marketing expenses	10	(2,742,550)	(2,397,710)
General and administrative expenses	11	(2,663,212)	(2,459,404)
Depreciation and amortisation	4	(408,171)	(488,653)
Operating profit		10,811,747	9,792,365
Non-operating income (expense)			
Interest income	12	1,395,496	699,616
Foreign exchange gain (loss), net		227,161	(1,568,714)
Other income, net	13	45,601	12,933
Profit before provision for taxes		12,480,005	8,936,200
Provision for taxes			
Current tax [Refer note 14 of schedule 15]		(1,672,288)	(1,283,686)
Deferred tax		302,171	61,495
Fringe benefit tax		–	24,496
Net profit for the year before minority interest		11,109,888	7,738,505
Share of minority interest		–	(1,867)
Net profit for the year		11,109,888	7,736,638
Profit and loss account, beginning of the year		23,610,287	15,873,649
Surplus carried to Balance Sheet		34,720,175	23,610,287
Earnings per share of ₹ 5 each (in ₹)	14		
Basic		132.45	92.33
Diluted		132.25	92.16
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the consolidated profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Schedules annexed to and forming part of the accounts

(All amounts in ₹ thousands, except share data)

	As at March 31, 2011	As at March 31, 2010
Schedule 1: Share capital		
Authorised:		
100,000,000 (March 31, 2010–100,000,000) equity shares of ₹ 5 each	500,000	500,000
Issued, subscribed and fully paid-up:		
83,894,802 (March 31, 2010–83,854,857) equity shares of ₹ 5 each	419,474	419,274
a. Of the above, 67,481,698 (March 31, 2010–67,481,698) equity shares of ₹ 5 each are held by Oracle Global (Mauritius) Limited, the holding company.		
b. Of the above, 62,121,800 (March 31, 2010–62,121,800) equity shares of ₹ 5 each had been issued as fully paid-up bonus shares by capitalising the securities premium account.		
c. Refer note 6(b) of schedule 15 for the options granted for unissued equity shares.		
Schedule 2: Reserves and surplus		
Securities premium		
Balance, beginning of the year	9,524,546	9,454,959
Received during the period on exercise of stock options	49,928	69,587
Balance, end of the year	9,574,474	9,524,546
General reserve	10,145,191	10,145,191
Foreign currency translation reserve		
Balance, beginning of year	(804,309)	(844,907)
Addition during the year on net investment in Non integral operations	695	40,598
Balance, end of the year	(803,614)	(804,309)
Gain on dilution of equity investment in joint venture	907	907
Profit and loss account	34,720,175	23,610,287
	53,637,133	42,476,622
Schedule 3: Deferred tax asset (liability)		
Deferred tax asset		
Difference between book and tax depreciation	155,073	179,180
Provision for compensated absence	110,796	102,100
Provision for gratuity	115,179	78,317
Provision for doubtful debts	253,421	26,663
Others	120,770	13,466
	755,240	399,726
Deferred tax liability		
Difference between book and tax depreciation	(16,179)	(2,978)
Deferred revenue	(75,379)	(29,933)
	(91,558)	(32,911)
	663,682	366,815

Schedule 4: Fixed assets

Particulars	As at		Gross block		Depreciation, amortisation and impairment losses		Net block			
	April 1, 2010	As at Additions	Sale/ deletions	Translation gain (loss)	April 1, 2010	For the year	Sale/ deletions	Translation gain (loss)	As at March 31, 2010	As at March 31, 2011
Tangible assets:										
Freehold Land	538,312	-	-	-	-	-	-	-	538,312	538,312
Improvement to leasehold premises	357,967	6,464	45,073	-	256,968	20,346	44,458	-	86,502	100,999
Buildings (Note 1)	1,133,714	845,202	-	-	177,362	60,520	-	-	1,741,034	956,352
Computer equipment										
Owned	1,626,486	180,952	125,883	(102)	1,507,924	119,357	125,859	(989)	1,500,433	118,562
Under finance lease	7,232	-	-	-	7,232	-	-	-	7,232	-
Electrical and office equipment	806,603	197,907	43,980	(15)	503,725	98,192	43,653	(195)	558,069	302,878
Furniture and fixtures										
Owned	634,178	160,543	46,343	(219)	417,141	90,854	45,951	(551)	461,493	217,037
Under finance lease	2,982	-	-	-	2,982	-	-	-	2,982	-
Vehicles under finance lease	51,730	2,322	11,571	-	17,774	10,336	8,780	-	19,330	33,956
Intangible assets:										
Goodwill on consolidation [Note 2&3 below]	6,428,806	-	291,050	-	342,180	-	291,050	-	51,130	6,086,626
Goodwill on acquisition	197,473	-	-	-	197,473	-	-	-	197,473	-
Customer contracts	22,290	-	-	-	22,290	-	-	-	22,290	-
Product IPR	138,619	-	-	-	137,224	1,395	-	-	138,619	1,395
PeopleSoft ERP	53,767	-	-	-	46,596	7,171	-	-	53,767	7,171
Total	12,000,159	1,393,390	563,900	(336)	3,636,871	408,171	559,751	(1,735)	3,483,556	8,363,288
As at March 31, 2010	12,052,804	173,442	224,614	(1,473)	3,360,379	488,653	210,803	(1,358)	3,636,871	
							Capital work-in-progress and advances		639,699	1,304,106
									9,985,456	9,667,394

Notes:

1. Includes 10 (March 31, 2010 – 10) shares of ₹ 50/- each in Takshila Building No. 9, Co-op Housing Society Ltd., Mumbai.
2. Accumulated depreciation, amortisation and impairment losses as at April 1, 2010 consists of impairment of goodwill of SuperSolutions Corporation [merged with Oracle Financial Services Software, Inc. effective January 2, 2008] amounting to ₹ 51,130 and impairment of goodwill of i-flex solutions Inc. (Canada) amounting to ₹ 291,050.
3. Goodwill on consolidation of i-flex solutions Inc. (Canada) and provision for impairment on the same amounting to ₹ 291,050 was written back during the year on dissolution of this entity effective March 31, 2011.

As at
March 31, 2011

As at
March 31, 2010

Schedule 5: Investments

a. Long term investments (at cost) (unquoted)

Trade

EBZ Online Private Limited

242,240 (March 31, 2010–242,240) equity shares of ₹ 10 each, fully paid-up

Less: Provision for diminution in value of investment

45,000
(45,000)

45,000
(45,000)

–

–

b. Current investment (at cost or fair value, whichever is lower)

Non trade (quoted)

9% Dhanalakshmi Bank Bond Series VI

10 (March 31, 2010–10) Bonds of ₹ 1,000,000 each, fully paid-up

9,982
9,982

9,982
9,982

Aggregate amount of quoted investment

9,982

9,982

Aggregate market value of quoted investment

9,982

9,982

Aggregate amount of unquoted investment

–

–

Schedule 6: Current assets, loans and advances

a. Sundry debtors (unsecured)

Debts outstanding for a period exceeding six months:

Considered good

648,260

453,145

Considered doubtful

928,798

758,878

1,577,058

1,212,023

Other debts:

Considered good

7,557,347

6,329,246

Considered doubtful

13,287

–

9,147,692

7,541,269

Less: Provision for doubtful debts

(942,085)

(758,878)

8,205,607

6,782,391

b. Cash and bank balances

Cash in hand

1,560

1,787

Cheques on hand

489

494

Balances with scheduled banks:

Current accounts in foreign currency

996,233

3,404,787

Other current accounts

54,536

128,243

Deposit accounts

24,670,969

14,263,523

Margin money deposit

6,622

6,570

Unclaimed dividend accounts

3,457

982

Balances with non-scheduled banks:

Current accounts in foreign currency

1,911,037

1,570,067

Deposit account in foreign currency

1,378,565

2,669,390

29,023,468

22,045,843

c. Other current assets

Interest accrued on Bank deposits

427,352

102,235

Unbilled revenue

3,548,555

2,218,578

Net investment in lease

–

6,980

3,975,907

2,327,793

d. Loans and advances (unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received:

Deposits for premises and others

3,298,829

3,305,759

Prepaid expenses

177,874

253,863

Other advances

578,301

499,348

Advance tax, net of provision for taxes

₹ 7,731,498 (March 31, 2010–₹ 5,099,115)

1,917,903

1,727,792

MAT credit entitlement

3,364,652

1,937,776

9,337,559

7,724,538

	As at March 31, 2011	As at March 31, 2010
Schedule 7: Current liabilities and provisions		
a. Current liabilities		
Accrued expenses	2,308,852	2,212,247
Deferred revenues	2,545,023	1,884,263
Sundry creditors	151,703	107,743
Advances from customers	22,098	45,201
Investor Education and Protection Fund to be credited by unclaimed dividends*	3,457	982
Other current liabilities	720,709	739,933
	5,751,842	4,990,369
* There is no amount due and outstanding as at balance sheet date to be credited to the Investor Education and Protection Fund.		
b. Provisions		
For gratuity	379,119	271,453
For compensated absence	477,741	438,830
For taxation, net of advance tax ₹ 250,789 (March 31, 2010 – ₹ 260,798)	535,577	320,140
	1,392,437	1,030,423

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 8: Revenue		
Product licenses and related activities	19,965,426	19,032,801
IT solutions and consulting services	9,274,403	8,861,122
Business Processing Services	729,490	845,819
	29,969,319	28,739,742

Schedule 9: Cost of revenue		
Employee costs	10,810,342	11,002,289
Travel related expenses (net of recoveries)	1,074,897	1,272,515
Professional fees	1,323,572	1,121,150
Application software	134,828	205,656
	13,343,639	13,601,610

Schedule 10: Selling and marketing expenses		
Employee costs	1,725,512	1,787,538
Professional fees [Refer note 12 of schedule 15]	227,584	9,535
Travelling expenses	306,495	279,051
Advertising expenses	27,725	59,114
Rent	82,343	100,123
Communication expenses	50,068	53,672
Provision for doubtful debts, net of reversals	182,317	(198,603)
Bad Debts	48,557	214,858
Repairs and maintenance	11,642	8,771
Other expenses	80,307	83,651
	2,742,550	2,397,710

Schedule 11: General and administrative expenses		
Employee costs	616,708	687,056
Professional fees	216,217	207,558
Rent	808,097	609,382
Communication expenses	206,711	253,187
Power	233,441	228,877
Repairs and maintenance	134,559	155,403
Travelling expenses	49,750	60,011
Other expenses [Refer note 11 of schedule 15]	397,729	257,930
	2,663,212	2,459,404

	Year ended March 31, 2011	Year ended March 31, 2010
--	------------------------------	------------------------------

Schedule 12: Interest income

Interest on:		
Bank deposits	1,390,435	667,472
{Includes tax deducted at source of ₹ 127,189 (March 31, 2010–₹ 83,535)}		
Bonds	900	900
{Includes tax deducted at source of Nil (March 31, 2010–Nil)}		
Income tax refund	2,917	28,156
Lease assets	1,244	3,088
	1,395,496	699,616

Schedule 13: Other income (expense), net

Profit (loss) on sale of fixed assets, net	4,065	(12,190)
Miscellaneous income	41,536	25,123
	45,601	12,933

Schedule 14: Reconciliation of basic and diluted shares used in computing earnings per share

	Number of shares	
Weighted average shares outstanding for basic earnings per share	83,882,022	83,793,213
Add: Effect of dilutive stock options	123,857	158,986
Weighted average shares outstanding for diluted earnings per share	84,005,879	83,952,199

Schedule 15: Notes to accounts

1. Background and nature of operations

Oracle Financial Services Software Limited (the “Company”) was incorporated in India with limited liability on September 27, 1989. The Company is a subsidiary of Oracle Global (Mauritius) Limited (“Oracle”) with Oracle holding 80.44% ownership interest in the Company as at March 31, 2011.

The Company along with its subsidiaries and associate is principally engaged in the business of providing information technology solutions and knowledge processing services to the financial services industry worldwide. The Company has a suite of banking products, which caters to the needs of corporate, retail, investment banking, treasury operations and data warehousing.

The Company has following subsidiaries and associate (hereinafter collectively referred as the “Group”):

Companies	Country of Incorporation	Ownership Interest	Relationship
Direct holding			
Oracle Financial Services Software B.V.	The Netherlands	100%	Subsidiary
Oracle Financial Services Software Pte. Ltd.	Singapore	100%	Subsidiary
Oracle Financial Services Software America, Inc.	United States of America	100%	Subsidiary
ISP Internet Mauritius Company	Republic of Mauritius	100%	Subsidiary
Oracle (OFSS) Processing Services Limited	India	100%	Subsidiary
Oracle (OFSS) ASP Private Limited	India	100%	Subsidiary
Oracle Financial Services Software Chile Limitada	Chile	100%	Subsidiary
Oracle Financial Services Software (Shanghai) Limited	Republic of China	100%	Subsidiary
Login SA	France	33%	Associate
Subsidiaries of Oracle Financial Services Software America, Inc.			
Oracle Financial Services Software, Inc.	United States of America	100%	Subsidiary
i-flex solutions Inc. (Canada) (dissolved on March 31, 2011)	Canada	100%	Subsidiary
Mantas Inc.	United States of America	100%	Subsidiary
Subsidiaries of Mantas Inc.			
Mantas Limited	United Kingdom	100%	Subsidiary
Sotas Inc.	United States of America	100%	Subsidiary
Mantas Singapore Pte. Ltd.	Singapore	100%	Subsidiary
Subsidiaries of i-flex solutions Inc. (Canada)			
Castek Inc. (dissolved on September 1, 2010)	United States of America	100%	Subsidiary
Castek Software Factory Ltd. (dissolved on September 1, 2010)	United States of America	100%	Subsidiary
Castek RBG Inc. (dissolved on September 1, 2010)	United States of America	100%	Subsidiary
Subsidiary of Sotas Inc.			
Mantas India Pvt. Ltd.	India	100%	Subsidiary
Subsidiary of Oracle Financial Services Software B.V.			
Oracle Financial Services Software SA	Greece	100%	Subsidiary
Subsidiary of Oracle Financial Services Software Pte. Ltd.			
Oracle Financial Services Consulting Pte. Ltd.	Singapore	100%	Subsidiary
Subsidiaries of ISP Internet Mauritius Company			
Oracle (OFSS) BPO Services Inc. (formerly known as i-flex Processing Services Inc.)	United States of America	100%	Subsidiary
Oracle (OFSS) BPO Services Limited	India	100%	Subsidiary

2. Summary of significant accounting policies

a. Basis of presentation and consolidation

The consolidated financial statements includes the accounts of the Company, its subsidiaries and associate company and are prepared in accordance with accounting principles generally accepted in India under the historical cost convention on the accrual basis of accounting and complying in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous years’ except for the changes in accounting policies described in note 2 (c) below. The financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 (the ‘Act’). However, as these financial statements are not statutory financial statements, full compliance with the Act are not required and hence these financial statements do not reflect all the disclosure requirements of the Act.

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard ('AS') 21, 'Consolidated Financials Statements' and AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements', notified by Companies (Accounting Standards) Rules, 2006 (as amended). The financial statements of the Company and its subsidiaries are consolidated on a line to line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or unrealised cash losses. Any excess of the cost to the parent company of its investment in a subsidiary over the parent company's portion of equity of subsidiary at the date, at which investment in the subsidiary is made, is described as goodwill and recognised separately as an asset in the consolidated financial statements. Investment in associate company is accounted under equity method in consolidated financial statements.

The significant accounting policies adopted by the Group, in respect of the consolidated financial statements are set out as below:

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Change in Accounting Policy of revenue recognition for fixed price contracts

In the current year, the Group has changed its policy of revenue recognition for fixed price contracts related to customisation projects. The revenue has been recognised using proportionate completion method till contract reaches 90% completion. Balance is recognised at the time of receipt of customer acceptance. Hitherto, such revenue was restricted to the lower of proportionate completed efforts and acceptance received from the customer for the milestone achieved.

As a result of this change in policy, corresponding revenue and net profit for the current year of the Group and its Products segment is higher by ₹ 489,474.

d. Fixed assets, depreciation and amortisation

Fixed assets including assets under finance lease arrangements are stated at cost less accumulated depreciation. The Group capitalises all direct costs relating to the acquisition and installation of fixed assets. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready to use before such date are disclosed under 'Capital work-in-progress and advances'. Customer contracts and product Intellectual property rights (IPRs) are capitalised based on a fair value. The Group records the difference between considerations paid to acquire these contracts and the fair value of assets and liabilities acquired as goodwill.

The Group purchases certain specific use application software, which is in ready to use condition, for internal use. It is estimated that such software has a relatively short useful life, usually less than one year. The Group, therefore, charges to income the cost of acquiring such software.

Depreciation and amortisation are computed using straight-line method, at the rates specified in Schedule XIV to the Act or based on the estimated useful life of assets, whichever is higher. The estimated useful life considered for depreciation of fixed assets is as follows:

Asset description	Asset life (in years)
Tangible assets	
Improvement of leasehold premises	Lesser of 7 years or lease term
Buildings	20
Computer equipment	3
Electrical and office equipment	2-7
Furniture and fixtures	2-7
Vehicles under finance lease	Lesser of 3 to 5 years or lease term
Intangible assets	
Goodwill on acquisition	3 to 5
Customer contract	5
Product IPR	5
PeopleSoft ERP	5

Goodwill arising on consolidation is evaluated for impairment annually.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to assets. After impairment, depreciation is provided on a revised carrying amount of assets over its remaining useful life.

e. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Trade investments refer to the investments made with the aim of enhancing the Group's business interests in providing information technology solutions to the financial services industry world wide.

Long term investments are stated at cost less provision for diminution on account of other than temporary decline in the value of the investment.

Current investments are stated at lower of cost and fair value determined on an individual investment basis.

f. Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary items are translated into reporting currency at the closing rates of exchange prevailing at the date of the balance sheet. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded or reported in previous financial statement, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Foreign operations of the Group are classified under integral and non integral foreign operations. The financial statements of integral foreign operations are translated as if the transactions of foreign operations have been those of the Company itself. In translating the financial statements of non-integral foreign operations for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operations are translated at closing rate, income and expense items of the non-integral foreign operations are translated at the average exchange rate; all the resulting exchange differences are accumulated in foreign currency translation reserve until the disposal of the net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have deferred and which relate to that operation are recognised as income or a expenses in the same period in which the gain or loss on disposal is recognised. When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

g. Revenue recognition

Revenue is recognised as follows:

Product licenses and related revenue:

- License fees are recognised, on delivery and subsequent milestone schedule as per the terms of the contract with the end user.
- Implementation and customisation services are recognised as services are provided, when arrangements are on a time and material basis. Revenue for fixed price contracts is recognised using the proportionate completion method till contracts reach 90% completion. Balance revenue is recognised at the time of receipt of customer acceptance.
- Proportionate completion is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. The Group monitors estimates of total contract revenue and cost on a routine basis throughout the delivery period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss.
- Product maintenance revenue is recognised, over the period of the maintenance contract on a straight line basis.

IT solutions and consulting services:

- Revenue from IT solutions and consulting services are recognised as services are provided, when arrangements are on a time and material basis.
- Revenue from fixed price contracts is recognised using the proportionate completion method till contracts reach 90% completion. Balance revenue is recognised at the time of receipt of customer acceptance. Proportionate completion is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. The Group monitors estimates of total contract revenue and cost on a routine basis throughout the delivery period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss.

Business processing services ('BPO'):

Revenue from BPO services are recognised as services are provided, as per the arrangement with customers.

Cost and revenue in excess of billing is classified as unbilled revenue while billing in excess of revenue is classified as deferred revenue.

Reimbursable expenses for projects are invoiced separately to customers and although reflected as sundry debtors to the extent outstanding as at year end, are not included as revenue or expense.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

h. Research and development expenses for software products

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is established. Software product development costs incurred subsequent to the achievement of technological feasibility are not material and are expensed as incurred.

i. Retirement and other employee benefits

The Group's employee benefits primarily cover provident fund, superannuation, gratuity and compensated absences.

Provident fund and superannuation fund are defined contribution schemes and the Group has no further obligation beyond the contributions made to the fund. Contributions are charged to profit and loss account in the year in which they accrue.

Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the year. The gratuity liability and net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. All actuarial gain/loss are immediately recorded to the profit and loss account and are not deferred. The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (LIC) to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. All actuarial gains/losses are immediately recognised to the profit and loss account and are not deferred.

j. Leases

Where the Company is the lessee

Lease of assets under which substantially all the risks and benefits incidental to ownership are transferred to the Company are classified as finance leases. These assets are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense in profit and loss account on a straight-line basis over the lease term.

Where the Company is the lessor

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue.

k. Income-tax

Tax expense comprises of current and deferred tax. Current income tax for the Company is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction and enterprise.

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in profit and loss account using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the company does not have a legal right to do so. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where there are carry forward losses, deferred tax asset is recognised only if there is virtual certainty supported by convincing evidence that future taxable income will be available against which deferred tax asset can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain that future taxable income will be available against which deferred tax assets can be realised. In case of Indian operations, deferred tax asset is recognised only on those timing differences, which reverses in post tax free period, as the Company enjoys exemption under section 10A of the Indian Income Tax Act, 1961 till financial year ended on March 31, 2011.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

l. Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares. The weighted average number of shares and potentially dilutive equity shares are adjusted for the bonus shares and sub-division of shares. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

m. Share-based compensation/payments

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities Exchange Board of India (SEBI) (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Group uses the intrinsic value method of accounting for its employee share based compensation plan and other share based arrangements. Under this method compensation expense is recorded over the vesting period of the option on straight line basis, if the fair value of the underlying stock exceeds the exercise price at the grant date.

n. Provision and contingencies

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o. Cash and cash equivalents

Cash and cash equivalents for purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3. Commitments and contingent liabilities

a. Capital commitments

	March 31, 2011	March 31, 2010
Contracts remaining to be executed on capital account not provided for (net of advances) including capital commitment through issuance of letter of intents of ₹ 343,038 (March 31, 2010—₹ 979,350).	919,973	1,957,451

b. Contingent liabilities

A customer has filed a lawsuit against the Company and one of its subsidiaries, claiming damages of upwards of ₹ 5,306,406. The claims are being rigorously defended by the Company and the Company has raised counter claims on the customer for breach of contract and outstanding fees. In respect of this matter, future cash outflow is determinable only on settlement of this case.

4. Leases

a. Where Company is lessee

Finance lease

The Group takes vehicles, furniture and fixture and computer equipment under finance lease of up to five years. None of the lease agreements have an escalation clause. Future minimum lease payments under finance lease as at March 31, 2011 and 2010 are as follows:

	Principal	Interest	As at March 31, 2011 Total
Not later than one year	8,752	2,559	11,311
Later than one year but not later than five years	16,658	2,313	18,971
Total minimum payments	25,410	4,872	30,282
			As at March 31, 2010
Not later than one year	10,013	3,621	13,634
Later than one year but not later than five years	25,952	4,648	30,600
Total minimum payments	35,965	8,269	44,234

Operating lease

The Group has taken certain office premises and residential premises for employees under operating lease, which expire at various dates through year 2025. Some of these lease agreements have a price escalation clause. Gross rental expenses for the year ended March 31, 2011 aggregated to ₹ 878,503 (March 31, 2010—₹ 691,450). The minimum rental payments to be made in future in respect of these leases are as follows:

	March 31, 2011	March 31, 2010
Not later than one year	609,994	719,881
Later than one year but not later than five years	1,399,072	1,442,977
Later than five years	2,339,006	2,531,391
	4,348,072	4,694,249

b. Where Company is lessor

Finance lease

The Company has given IT equipment under finance lease for a period of five years. The lease tenure for this equipment has been completed during the year and there are no further lease payments receivables as at March 31, 2011. The present value of minimum lease payments receivable under this finance lease as at March 31, 2010 are as follows:

	Principal	Interest	As at March 31, 2010 Total
Not later than one year	6,980	1,199	8,179
Later than one year but not later than five years	—	—	—
Total minimum payments	6,980	1,199	8,179

5. Derivatives

The Company enters into forward foreign exchange contracts and option contracts where the counter party is a bank. The Company purchases forward foreign exchange contracts and option contracts to mitigate the risks of change in foreign exchange rate on receivables and payables denominated in certain foreign currencies. The Company considers the risk of non-performance by the counter party as non-material. During the year ended March 31, 2011, the Company has not entered in to any forward contract or option contracts.

As of balance sheet date, the Group's net foreign currency exposure that is not hedged is ₹ 18,281,898 (March 31, 2010—₹ 21,871,139).

6. Share-based compensation/payments

a. Employee Stock Purchase Scheme ('ESPS')

The Company has adopted the ESPS administered through a Trust ("the Trust") to provide equity based incentives to key employees of the Company. As per the scheme, the Trust can purchase shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are allocated by the Trust to nominated employees at an exercise price, which approximates the fair value on the date of the grant. The shares vest in the employees over a period of five years and the employees can purchase the shares from the Trust over a period of ten years based on continued employment, until which, the Trust holds the shares for the benefit of the employees. The employees are entitled to receive dividends, bonus, etc., that may be declared by the Company from time to time for the entire portion of shares held by the Trust on behalf of the employees.

On the acceptance of the offer, the selected employee undertakes to purchase the shares from the Trust within ten years from the date of acceptance of the offer. In case an employee resigns from employment, the rights relating to vested shares, which are eligible for exercise, may be purchased by the employee by payment of the exercise price whereas, the balance shares are forfeited in favour of the Trust. The Trustees have the right of recourse against the employees for any amounts that may remain unpaid on the shares accepted by them. As of the Balance Sheet date, the Trust has repaid the entire loan obtained from the Company on receipt of payments from employees against shares exercised.

The Securities and Exchange Board of India ('SEBI') has issued the Employee Stock Option Scheme and Stock Purchase Guidelines, 1999 ('SEBI guidelines'), which are applicable to stock purchase schemes for employees of all Indian listed companies. In accordance with these guidelines, the excess of market price of the underlying equity shares on the date of grant of the stock options over the exercise price of the options is to be recognised in the books of account and amortised over the vesting period. However, no compensation cost has been recorded as the scheme terms are fixed and the exercise price equals the market price of the underlying stock on the grant date.

A summary of the activity in the Company's ESPS is as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
	Number of shares	Number of shares
Opening balance of unallocated shares	165,150	165,145
Shares forfeited during the year	992	5
Closing balance of unallocated shares	166,142	165,150
Opening balance of allocated shares	54,548	134,834
Shares exercised during the year	(24,475)	(80,281)
Shares forfeited during the year	(992)	(5)
Closing balance of allocated shares	29,081	54,548
Shares eligible for exercise	29,081	54,548
Shares not eligible for exercise	–	–
Total allocated shares	29,081	54,548

b. Employee Stock Option Plan ('ESOP')

Pursuant to ESOP scheme approved by the shareholders of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ("Scheme 2002") for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the IPO and 619,000 options at various dates after IPO (including the grants of options out of options forfeited earlier). As per the scheme 2002, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme ("Scheme 2010") for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 618,000 options. As per the Scheme 2010, each of 20% of the total options granted will vest to the eligible employees and directors on completion of 12, 24, 36, 48 and 60 months and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years. The employee pays the exercise price upon exercise of option.

A summary of the activity in the Company's ESOP (Scheme 2002) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	242,382	1,152	348,853	1,075
Granted	60,000	2,333	–	–
Exercised	(39,945)	1,255	(85,471)	819
Forfeited	(16,600)	1,291	(21,000)	1,232
Outstanding at end of the year	245,837	1,414	242,382	1,152
Vested options	141,537		141,382	
Unvested options	104,300		101,000	

The weighted average share price for the year over which stock options were exercised was ₹ 2,188.

A summary of the activity in the Company's ESOP (Scheme 2010) is as follows:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	–	–	–	–
Granted	618,000	2,050	–	–
Exercised	–	–	–	–
Forfeited	(56,135)	2,050	–	–
Outstanding at end of the year	561,865	2,050	–	–
Unvested options	561,865		–	

The details of options unvested and options vested and exercisable as on March 31, 2011 are as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	1,291–1,291	44,300	1,291	5.1
	2,050–2,050	561,865	2,050	9.4
	2,333–2,333	60,000	2,333	9.6
Options vested and exercisable	265–265	31,400	265	0.9
	515–515	32	515	2.3
	1,291–1,291	110,105	1,291	5.1
		807,702	1,856	8.3

The details of options unvested and options vested and exercisable as on March 31, 2010 were as follows:

	Range of exercise prices (₹)	Shares	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options unvested	419–560	–	–	–
	1,291–1,291	101,000	1,291	6.1
Options vested and exercisable	265–265	32,800	265	1.9
	515–515	32	515	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

Stock Options granted during the year ended March 31, 2011:

The weighted average fair value of stock options granted during the year was ₹ 844.

The Black Scholes valuation model has been used for computing the weighted average fair value of stock options granted considering the following inputs:

	ESOP Scheme 2002	ESOP Scheme 2010
Exercise Price	2,333	2,050
Expected Volatility	26%	26%
Historical Volatility	26%	26%
Life of the options granted (Vesting and exercise period) in years	10	10
Expected dividends	Nil	Nil
Average risk-free interest rate	5.75%	5.75%
Expected dividend rate	Nil	Nil

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

Had compensation cost been determined in a manner consistent with the fair value approach, the Company's net profit and earnings per share as reported would have changed to the amounts indicated below:

	Year ended March 31, 2011	Year ended March 31, 2010
Profit as reported	11,109,888	7,736,638
Add: Employee stock compensation under intrinsic value method	–	–
Less: Employee stock compensation under fair value method	(132,716)	(5,659)
Proforma profit	10,977,172	7,730,979
Earnings Per Share		
Basic		
As reported	132.45	92.33
Proforma	130.86	92.26
Diluted		
As reported	132.25	92.16
Proforma	130.67	92.09

7. Employee Benefits Obligation

Defined contribution plans

During the year ended March 31, 2011 and 2010, the Group contributed following amounts to defined contributions plans:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Provident fund	193,328	181,090
Superannuation fund	61,639	55,094
	254,967	236,184

Defined benefit plan-gratuity

The amounts recognised in the profit and loss account are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Current service cost	48,115	51,050
Interest cost	22,337	18,601
Expected return on plan assets	(177)	(2,515)
Past service cost	55,639	–
Recognised net actuarial loss (gain)	37,579	(19,034)
Net employee benefit expense	163,493	48,102
Actual return on plan assets	624	331

The amounts recognised in the balance sheet are as follows:

	March 31, 2011	March 31, 2010
Particulars		
Present value of funded obligations	370,120	257,770
Present value of unfunded obligations	24,121	16,041
Total defined benefit obligations	394,241	273,811
Fair value of plan assets	(15,122)	(2,358)
Net liability	379,119	271,453

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Defined benefit obligation at beginning of the year	273,811	239,737
Current service cost	48,115	51,050
Interest cost	22,337	18,601
Benefits paid	(43,687)	(14,359)
Actuarial loss (gain)	38,026	(21,218)
Past service cost	55,639	–
Defined benefit obligation at end of the year	394,241	273,811

Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Particulars		
Fair value of plan assets at beginning of the year	2,358	1,468
Expected return on plan assets	177	2,515
Actuarial gain (loss)	447	(2,184)
Contributions by employer	55,827	14,918
Benefits paid	(43,687)	(14,359)
Fair value of plan assets at end of the year	15,122	2,358

Plan assets are administered by LIC and 100% of the plan assets are invested in lower risk assets, primarily in debt securities.

The assumptions used in accounting for the gratuity plan are set out as below:

	March 31, 2011	March 31, 2010
Discount rate	7.60%–7.94%	4.3%–7.9%
Expected returns on plan assets	7.50%	7.50%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

The Group evaluates these assumptions annually based on its long-term plans of growth and industry standards. The discount rates are based on current market yields on government bonds consistent with the currency and estimated term of the post employment benefits obligations. Plan assets are administered by the LIC and invested in lower risk assets, primarily debt securities. The Group's contribution for the year ending March 31, 2012 is expected to be ₹ 51,605.

The expected benefit payments as of March 31, 2011 are below:

Year ending March 31	Amount
2012	72,773
2013	75,691
2014	76,111
2015	76,856
2016	82,535
2017–2021	372,218

Present value of the defined benefit obligation, fair value of the plan assets, deficit and experience adjustments in the plan assets and liabilities for current and previous four years are as follows:

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
Particulars					
Present value of funded obligations	(370,120)	(257,770)	(231,672)	(173,999)	(131,397)
Present value of unfunded obligations	(24,121)	(16,041)	(8,065)	(2,735)	(2,787)
Fair value of plan assets	15,122	2,358	1,468	228	4,697
Deficit	(379,119)	(271,453)	(238,269)	(176,506)	(129,487)
Experience adjustments on plan liabilities	48,346	(10,677)	3,204	18,051	6,702
Experience adjustments on plan assets	447	(2,184)	257	(469)	9

8. 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 Group is organised by business segment and geographically. For management purposes the Group is primarily organised on a worldwide basis into three business segments:

- Product licenses and related activities ('Products')
- IT solutions and consulting services ('Services') and
- Business Processing Services ('BPO–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 various banking software products. The related activities include enhancements, implementation and maintenance activities.

Oracle Financial Services Consulting offers services spanning the entire lifecycle of applications used by financial service institutions. The division's portfolio includes Consulting, Application, Support and Technology Services that help institutions improve efficiency, optimise costs, meet risk and compliance mandates and implement IT solutions finely attuned to their business needs.

BPO–Services comprises of business process outsourcing services to the Lending, Collections, Customer Service, Capital Markets industry.

	Year ended March 31, 2011					
Particulars	Products	Services	BPO-Services	Corporate	Eliminations	Total
Revenue						
External revenue	19,965,426	9,532,392	471,501	–	–	29,969,319
Inter-segment revenue	–	–	257,989	–	(257,989)	–
Total revenue	19,965,426	9,532,392	729,490	–	(257,989)	29,969,319
Cost of revenue	(7,129,783)	(5,959,661)	(254,195)	–	–	(13,343,639)
Gross profit	12,835,643	3,572,731	475,295	–	(257,989)	16,625,680
Selling and marketing expenses	(2,260,567)	(408,098)	(73,885)	–	–	(2,742,550)
General and administrative expenses						
[Refer note 11 of schedule 15]	(851,081)	(431,815)	(149,643)	(1,230,673)	–	(2,663,212)
Depreciation and amortisation	(158,081)	(165,130)	(19,081)	(65,879)	–	(408,171)
Inter segment expense	–	(257,989)	–	–	257,989	–
Segment Results	9,565,914	2,309,699	232,686	(1,296,552)	–	10,811,747
Interest income						1,395,496
Foreign exchange gain, net						227,161
Other income, net						45,601
Profit before provision for taxes						12,480,005
Provision for taxes						
[Refer note 14 of schedule 15]						(1,370,117)
Net profit for the year before minority interest						11,109,888
Share of minority interest						–
Net profit						11,109,888
Other information						
Capital expenditure by segment	717,444	556,079	944	118,923	–	1,393,390
Other non cash expenses	186,191	43,659	1,023	–	–	230,874
Segment assets	15,799,695	4,386,178	244,663	40,862,683	–	61,293,219
Segment liabilities	3,748,824	802,805	124,573	2,559,635	–	7,235,837
Shareholders' funds				54,057,382	–	54,057,382

	Year ended March 31, 2010					
Particulars	Products	Services	BPO-Services	Corporate	Eliminations	Total
Revenue						
External revenue	19,032,801	9,072,322	634,619	–	–	28,739,742
Inter-segment revenue	–	–	211,200	–	(211,200)	–
Total revenue	19,032,801	9,072,322	845,819	–	(211,200)	28,739,742
Cost of revenue	(7,506,184)	(5,828,719)	(266,707)	–	–	(13,601,610)
Gross profit	11,526,617	3,243,603	579,112	–	(211,200)	15,138,132
Selling and marketing expenses						
[Refer note 12 of schedule 15]	(1,965,876)	(340,370)	(91,464)	–	–	(2,397,710)
General and administrative expenses	(870,306)	(400,230)	(147,509)	(1,041,359)	–	(2,459,404)
Depreciation and amortisation	(229,287)	(176,595)	(24,139)	(58,632)	–	(488,653)
Inter segment expense	–	(211,200)	–	–	211,200	–
Segment Results	8,461,148	2,115,208	316,000	(1,099,991)	–	9,792,365
Interest income						699,616
Foreign exchange loss, net						(1,568,714)
Other income, net						12,933
Profit before provision for taxes						8,936,200
Provision for taxes						
[Refer note 14 of schedule 15]						(1,197,695)
Net profit for the year before minority interest						7,738,505
Share of minority interest						(1,867)
Net profit						7,736,638
Other information						
Capital expenditure by segment	56,085	20,799	7,840	43,442	–	128,166
Other non cash expenses	16,702	(2,654)	2,207	–	–	16,255
Segment assets	12,703,472	3,822,359	252,541	32,179,295	–	48,957,667
Segment liabilities	3,077,591	1,180,330	111,769	1,684,013	–	6,053,703
Shareholders' funds				42,903,964	–	42,903,964

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 business process outsourcing 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, net of allowances, unbilled revenue, deposits for premises and fixed assets. Segment liabilities primarily include 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:

Regions	Year ended March 31, 2011		Year ended March 31, 2010	
	Amount	%	Amount	%
United States of America	9,214,453	31%	9,054,624	32%
Europe	7,896,373	26%	9,061,042	32%
Asia Pacific	7,443,207	25%	6,349,813	21%
Middle East, India and Africa	4,362,004	15%	3,646,644	13%
Latin America and Caribbean	1,053,283	3%	627,619	2%
	29,969,319	100%	28,739,742	100%

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

Regions	Year ended March 31, 2011		Year ended March 31, 2010	
	Amount	%	Amount	%
United States of America	8,193,710	13%	8,211,621	17%
Europe	6,308,336	10%	5,416,942	11%
Asia Pacific	5,933,233	10%	5,460,098	11%
Middle East, India and Africa	40,602,798	66%	29,672,558	60%
Latin America and Caribbean	255,142	1%	196,448	1%
	61,293,219	100%	48,957,667	100%

The following table shows the Group's consolidated additions to fixed assets & intangible assets by geographical market:

Regions	Year ended March 31, 2011		Year ended March 31, 2010	
	Amount	%	Amount	%
United States of America	14,925	1%	24,841	14%
Europe	1,333	0%	47,305	27%
Asia Pacific	9,335	1%	3,955	2%
Middle East, India and Africa	1,364,181	98%	97,340	57%
Latin America and Caribbean	3,616	0%	–	0%
	1,393,390	100%	173,442	100%

9. Related party transactions

Names of Related Parties and description of relationship:

Relationship	Names of related parties
Ultimate Holding Company	Oracle Corporation
Holding Company	Oracle Global (Mauritius) Limited
Fellow Subsidiaries	Oracle (China) Software Systems Company Limited Oracle (Philippines) Corporation Oracle America Inc Oracle Aoyama Center Oracle Austria GmbH Oracle Bilgisayar Sistemleri Ltd. Sti. Oracle Do Brasil Sistemas Limitada Oracle Corporation Canada Inc Oracle Caribbean, Inc. Oracle Colombia Ltda. Oracle Consulting Services USA Oracle Corporation Oracle Corporation (S) Pte Ltd Oracle Corporation (South Africa) (Pty) Oracle Corporation (Thailand) Co., Ltd Oracle Corporation Australia Pty Ltd Oracle EMEA Limited Oracle Corporation Malaysia Sdn. Bhd. Oracle Corporation Singapore Pte Ltd. Oracle Corporation South Africa (PTY) Ltd. Oracle Corporation UK Ltd Oracle Corpotaion (Pty) Ltd Oracle de Centro America S.A. Oracle East Central Europe Limited Oracle Egypt Limited Oracle France s.a.s. Oracle Hellas, S.A. Oracle Hungary Kft. Oracle Iberica, S.R.L. Oracle India Private Limited Oracle Corporation Japan Oracle Korea, Ltd. Oracle Nederland B.V. Oracle Norge AS Oracle Polska Sp.z.oo. Oracle Portugal–Sistemas de Informacao Lda. Oracle Research & Development Center (shenzhen) Co., Ltd Oracle Software Systems Israel Ltd Oracle Systems Hong Kong limited Oracle Systems Limited Oracle Taiwan Inc Oracle Vietnam Pte Ltd. PT Oracle Indonesia Oracle Romania S.R.L Sistemas Oracle Chile Sun Microsystems Inc
Key Managerial Personnel ('KMP')	For the financial year 2010–2011 Chaitanya Kamat–Managing Director and Chief Executive Officer (from October 25, 2010) N R Kothandaraman (N R K Raman)–Managing Director and Chief Executive Officer (till October 25, 2010) Joseph John– Whole-time Director (till March 31, 2011) For the financial year 2009–2010 R Ravisankar– Vice Chairman (Whole-time Director) N R Kothandaraman (N R K Raman)–Managing Director and Chief Executive Officer Makarand Padalkar–Chief Financial Officer Avadhut (Vinay) Ketkar – Chief Accounting Officer Joseph John–Executive Vice President, Universal Banking Products V Shankar–Executive Vice President and Global Head, PrimeSourcing & Insurance Solutions Atul Gupta–Sr. Vice President, Process and Quality Management Group Vijay Sharma–Sr. Vice President, Oracle Financial Services Consulting Pte. Ltd. S Hariharan–Sr. Vice President, Infrastructure Services Group Vivek Govilkar–Sr. Vice President, Human Resources and Training V Srinivasan–Vice President, Corporate Development and Chief of Staff Vikram Gupta– Vice President, Private Wealth Management

Transactions and balances outstanding with these parties are described below:

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Revenue				
<i>Fellow subsidiaries</i>				
Oracle America Inc	622,440	588,065	184,664	541,368
Oracle (Philippines) Corporation	15,273	—	12,382	—
Oracle Austria GmbH	12,659	—	2,768	—
Oracle Bilgisayar Sistemleri Ltd. Sti.	1,136	—	444	—
Oracle Do Brasil Sistemas Limitada	1,821	—	1,785	—
Oracle Corporation Canada Inc	88,064	—	26,888	—
Oracle Colombia Ltda.	155,729	—	141,820	—
Oracle Consulting Services USA	—	—	32	32
Oracle Corporation	—	—	301	—
Oracle Corporation (S) Pte Ltd	3,699	—	—	—
Oracle Corporation (South Africa) (Pty)	97,893	—	21,217	—
Oracle Corporation (Thailand) Co., Ltd	101,340	2,966	88,460	3,179
Oracle Corporation Australia Pty Ltd	2,587,908	1,180,414	1,696,139	684,971
Oracle Corporation Malaysia Sdn. Bhd.	24,251	23,196	23,166	—
Oracle Corporation Singapore Pte Ltd.	16,040	570	3,288	—
Oracle Corporation UK Ltd	670,952	—	925,562	—
Oracle Corpotaion (Pty) Ltd	7,514	—	—	—
Oracle de Centro America S.A.	1,325	—	227	—
Oracle Do Brasil Sistemas Limitada	—	—	—	1,804
Oracle East Central Europe Limited	81,320	—	(11,511)	—
Oracle Egypt Limited	28,506	21,325	18,474	15,534
Oracle Hellas, S.A.	200	—	—	—
Oracle Hungary Kft.	7,759	—	—	—
Oracle Iberica, S.R.L.	32,169	—	38,468	—
Oracle India Private Limited	4,508	1,430	—	1,577
Oracle Nederland B.V.	31,660	69,542	23,694	73,940
Oracle Norge AS	104,484	—	23,307	—
Oracle Polska Sp.z.oo.	7,365	—	1,360	—
Oracle Portugal—Sistemas de Informacao Lda.	164,299	15,121	112,091	1,931
Oracle Software Systems Israel Ltd	—	2,096	—	—
Oracle Systems Hong Kong limited	109,247	4,685	71,210	—
Oracle Systems Limited	46,929	—	15,828	—
Oracle Vietnam Pte Ltd.	11,090	—	10,779	—
PT Oracle Indonesia	735	—	—	83
Oracle Romania S.R.L	11,282	—	—	—
Sistemas Oracle Chile	3,169	—	—	—
Unbilled revenue				
<i>Fellow subsidiaries</i>				
Oracle America Inc	—	—	161,816	13,805
Oracle Corporation Australia Pty Ltd	—	—	333,920	159,368
Oracle Portugal—Sistemas de Informacao Lda.	—	—	6,761	—
Oracle Nederland B.V.	—	—	—	671
Oracle Egypt Limited	—	—	—	440
Oracle Systems Hong Kong limited	—	—	30,848	4,685
Oracle Corporation Malaysia Sdn. Bhd.	—	—	6,703	23,196
Oracle (Philippines) Corporation	—	—	2,746	—
Oracle Bilgisayar Sistemleri Ltd. Sti.	—	—	844	—
Oracle Corporation Canada Inc	—	—	36,686	—

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Oracle Colombia Ltda.	–	–	34,548	–
Oracle Corporation (South Africa) (Pty)	–	–	36,456	–
Oracle Corporation (Thailand) Co., Ltd	–	–	22,467	–
Oracle East Central Europe Limited	–	–	34,170	–
Oracle Hungary Kft.	–	–	7,744	–
Oracle India Private Limited	–	–	2,987	–
Oracle Systems Limited	–	–	31,000	–
Oracle Norge AS	–	–	5,945	–
Oracle Polska Sp.z.oo.	–	–	5,468	–
Oracle Vietnam Pte Ltd.	–	–	1,442	–
Oracle Romania S.R.L	–	–	11,260	–
Provision for doubtful debts				
<i>Fellow subsidiaries</i>				
Oracle America Inc	(4,104)	3,759	(8,068)	(12,172)
Oracle EMEA Limited	–	(1,976)	–	–
Oracle Portugal–Sistemas de Informacao Lda.	(1,449)	1,062	–	(1,449)
Oracle Corporation Australia Pty Ltd	–	(496)	–	–
PT Oracle Indonesia	(62)	46	–	(62)
Oracle India Private Limited	–	(13)	–	–
Oracle Consulting Services USA	(6)	6	–	(6)
Application software				
<i>Fellow subsidiaries</i>				
Oracle India Private Limited	51,267	102,531	(14,301)	(15,108)
Oracle America Inc	–	381	–	–
Oracle Systems Limited	–	2,348	–	–
Oracle Caribbean, Inc.	486	4,897	(295)	–
Oracle Software Systems Israel Ltd	216	2,303	–	–
Professional fees				
<i>Fellow subsidiaries</i>				
Oracle America Inc	2,472	–	(1,957)	–
Oracle Bilgisayar Sistemleri Ltd. Sti.	11	–	(11)	–
Oracle Do Brasil Sistemas Limitada	9	–	(9)	–
Oracle Corporation Canada Inc	1,585	–	(1,585)	–
Oracle Corporation (South Africa) (Pty)	324	–	(324)	–
Oracle Corporation (Thailand) Co., Ltd	2,272	–	(2,272)	–
Oracle Corporation Australia Pty Ltd	45,656	–	(29,447)	–
Oracle Corporation Malaysia Sdn. Bhd.	404	–	(404)	–
Oracle Corportaion (Pty) Ltd	18	–	(18)	–
Oracle de Centro America S.A.	44	–	(44)	–
Oracle Egypt Limited	1,392	–	(1,392)	–

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Oracle Hellas, S.A.	7	—	(7)	—
Oracle India Private Limited	53	—	(53)	—
Oracle Nederland B.V.	780	—	—	—
Oracle Polska Sp.z.oo.	51	—	(51)	—
Oracle Portugal—Sistemas de Informacao Lda.	1,705	—	(1,705)	—
Oracle Software Systems Israel Ltd	77	—	(77)	—
Oracle Systems Hong Kong limited	499	—	(499)	—
Oracle Systems Limited	114	—	(114)	—
Oracle America Inc	2,826	—	(2,826)	—
Oracle Vietnam Pte Ltd.	123	—	(123)	—
PT Oracle Indonesia	25	—	(25)	—
Sistemas Oracle Chile	110	—	(110)	—
Oracle Research & Development Center (shenzhen) Co., Ltd	63,053	59,764	(74,987)	(53,788)
Other expenses				
<i>Fellow subsidiaries</i>				
Oracle America Inc	20,340	495	(20,224)	495
Oracle India Private Limited	4,839	1,061	—	—
Oracle Caribbean, Inc.	280	—	(280)	—
Oracle Corporation Singapore Pte Ltd.	—	1,977	—	—
Oracle Corporation South Africa (PTY) Ltd.	31,543	—	—	—
Oracle Nederland B.V.	3,168	—	—	—
Oracle Hellas, S.A.	201	1,034	—	—
Sistemas Oracle Chile	109	—	(109)	—
Sun Microsystems Inc	929	—	(929)	—
Oracle Corporation Canada Inc	1,678	—	(1,678)	—
Oracle Do Brasil Sistemas Limitada	9	—	(9)	—
Procurement of fixed assets				
<i>Fellow Subsidiaries</i>				
Oracle Corporation Singapore Pte Ltd.	11,385	—	—	—
Deferred Revenue				
<i>Fellow subsidiaries</i>				
Oracle (Philippines) Corporation	—	—	(387)	—
Oracle America Inc	—	—	(10,962)	(10,726)
Oracle Austria GmbH	—	—	(1,751)	—
Oracle Colombia Ltda.	—	—	(21,222)	—
Oracle Corporation	—	—	(305)	—
Oracle Corporation (S) Pte Ltd	—	—	(160)	—
Oracle Corporation (Thailand) Co., Ltd	—	—	(1,118)	—
Oracle Corporation Australia Pty Ltd	—	—	(96,967)	(57,353)

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Oracle Corporation Malaysia Sdn. Bhd.	–	–	(18,397)	–
Oracle Corporation Singapore Pte Ltd.	–	–	(1,579)	–
Oracle Corporation UK Ltd	–	–	(130,794)	–
Oracle Corporaion (Pty) Ltd	–	–	(3,011)	–
Oracle Do Brasil Sistemas Limitada	–	–	–	(1,821)
Oracle East Central Europe Limited	–	–	(6,514)	–
Oracle Egypt Limited	–	–	(8,595)	(5,801)
ORACLE IBERICA S.R.L.	–	–	(6,198)	–
Oracle Nederland B.V.	–	–	(1,115)	(1,091)
Oracle Portugal–Sistemas de Informacao Lda.	–	–	(14,308)	(138)
Oracle Systems Hong Kong limited	–	–	(6,524)	–
Oracle Vietnam Pte Ltd.	–	–	(129)	–
Security Deposit				
Oracle India Private Limited	–	–	892	892
Rent				
<i>Fellow subsidiaries</i>				
Oracle Corporation Japan	–	20,125	–	–
Oracle India Private Limited	6,502	6,242	–	–
Oracle Korea, Ltd.	417	287	–	–
Oracle (China) Software Systems Company Limited	511	863	–	–
Oracle Corporation Australia Pty Ltd	1,856	–	–	–
Oracle (Philippines) Corporation	98	176	(16)	–
Oracle Corporation Malaysia Sdn. Bhd.	364	–	(30)	–
Oracle America Inc	(4,137)	1,145	(94)	225
Oracle Systems Hong Kong limited	1,060	735	–	–
Oracle Nederland B.V.	12,901	3,414	(3,495)	–
Oracle Corporation South Africa (PTY) Ltd.	428	372	(33)	372
Oracle France s.a.s.	3,006	–	(365)	–
Oracle Taiwan Inc	778	614	–	–
Oracle Aoyama Center	20,109	–	–	–
Sistemas Oracle Chile	13,222	–	(13,222)	–
Advance received from Customers				
<i>Fellow subsidiaries</i>				
Oracle Corporation Australia Pty Ltd	12,851	12,840	(25,691)	(12,840)
Oracle Egypt Limited	(2,638)	2,638	–	(2,638)
Oracle America Inc	(275,309)	343,188	(67,879)	(343,188)
Key Managerial personnel				
Remuneration [Refer note 1 below]	40,318	155,209	–	–
Lease rent	–	1,429	–	–
Rent	–	96	–	–
Rental deposit	–	–	–	100

Note 1: Remuneration includes salary, bonus and perquisites. The bonus is included on payment basis. As the liabilities for gratuity and compensated absence are provided on an actuarial basis for the Company as a whole, the amounts pertaining to individual KMP are not included above. During the year 60,000 options under the Employees Stock Option Plan 2002 Scheme and 10,600 options under Employees Stock Option Plan 2010 Scheme were granted to KMP. The terms and conditions of appointment of Managing Director & Chief Executive Officer and the remuneration paid to him will be subject to approval of shareholders at the Annual General Meeting.

10. Aggregate expenses

	Year ended March 31, 2011	Year ended March 31, 2010
Salaries and bonus [Refer note 13 of schedule 15]	12,140,274	12,672,315
Staff welfare expenses	541,120	474,400
Contribution to provident and other funds	471,168	330,168
Travel related expenses (net of recoveries)	1,431,142	1,611,577
Professional fees [Refer note 12 of schedule 15]	1,767,373	1,338,243
Application software	142,248	210,260
Communication expenses	256,779	306,859
Rent	890,440	709,505
Advertising expenses	31,386	61,063
Power	242,563	240,542
Insurance	19,821	20,956
Repairs and maintenance:		
Buildings and leasehold premises	16,540	35,631
Computer equipment	64,285	74,723
Others	65,376	53,819
Rates and taxes	70,450	133,126
Finance charge on leased assets	2,132	2,492
Provision for doubtful debts, net	182,317	(198,603)
Bad debts	48,557	214,858
Other expenses [Refer note 11 of schedule 15]	365,430	166,790
	18,749,401	18,458,724

11. General and administrative expenses for the year ended March 31, 2011 includes ₹ 122,067 in connection with a claim against the Company.
12. Selling and marketing expenses for the year ended March 31, 2010 include reversal of referral fee provisions under Product segment amounting to ₹ 184,476 based on a settlement agreement entered with a distributor.
13. Employee costs for the year ended March 31, 2011 are net of ₹ 238,418 pertaining to write back of bonus provision of earlier year, no longer required due to changes in compensation policy of the Company.

14. Provision for taxes

- a. Breakup of current tax is as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
Current tax	3,099,164	2,349,408
Less: MAT credit entitlement	(1,426,876)	(1,065,722)
Net Current tax	1,672,288	1,283,686

- b. During the year ended March 31, 2011, the Group has recorded income tax expense of ₹ 439,733 (March 31, 2010 – ₹ 544,542) related to previous years.

15. Prior period's figures have been reclassified, where necessary to conform with current period's presentation.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Y M Kale
Director

per Amit Majmudar
Partner
Membership No.: 36656

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

S Venkatachalam
Director

Mumbai, India
May 10, 2011

Mumbai, India
May 10, 2011

Consolidated statement of cash flow

for the year ended March 31

(All amounts in ₹ thousands)

	2011	2010
Cash flows from operating activities		
Profit before provision for taxes	12,480,005	8,936,200
Adjustments to reconcile profit before provision for taxes to cash used in operating activities:		
Depreciation and amortisation	408,171	488,653
(Profit) loss on sale/write off of fixed assets, net	(4,065)	12,190
Provision for doubtful debts, net	182,317	(198,603)
Bad debts	48,557	214,858
Interest income	(1,395,496)	(699,616)
Effect of exchange rate changes in cash and cash equivalent	(231,859)	639,970
Unrealised exchange (gain) loss	(75,982)	596,972
Deferred rent	98,317	(20,756)
Marked to market of current investment	–	(417)
Finance charge on leased assets	2,132	2,492
Operating Profit before Working Capital changes	11,512,097	9,971,943
Changes in assets and liabilities, net of effect of acquisition		
(Increase) decrease in sundry debtors	(1,587,470)	1,007,102
(Increase) in other current assets	(1,317,260)	(738,459)
Decrease (increase) in loans and advances	8,577	(44,026)
Increase (decrease) in current liabilities and provisions	613,155	(634,601)
Cash from operating activities	9,229,099	9,561,959
Payment of domestic and foreign taxes	(2,931,624)	(2,423,520)
Net cash provided by operating activities	6,297,475	7,138,439
Cash flows from investing activities		
Additions to fixed assets including capital work in progress	(677,701)	(400,341)
Net investment in lease	8,224	13,336
Deposits for office premises	7,199	(134,312)
Acquisition of company, net of cash acquired	–	(66,341)
Proceeds from sale of fixed assets	5,423	1,037
Bank fixed deposits having maturity of more than three months matured	39,811,166	24,973,721
Bank fixed deposits having maturity of more than three months booked	(50,319,279)	(29,675,453)
Proceeds from maturity of margin money	(52)	4,280
Interest received	1,069,180	662,040
Net cash used in investing activities	(10,095,840)	(4,622,033)
Cash flows from financing activities		
Issue of shares against ESOP scheme	42,833	69,908
Advance against equity shares to be issued under ESOP Scheme	–	8,068
Payment of lease obligations	(12,219)	(12,313)
Net cash provided by financing activities	30,614	65,663
Net (decrease) increase in cash and cash equivalents	(3,767,751)	2,582,069
Cash and cash equivalents at beginning of the year	6,854,470	4,912,371
Effect of exchange rate changes in cash and cash equivalent	231,859	(639,970)
Cash and cash equivalents at end of the year (Note 1)	3,318,578	6,854,470

Consolidated statement of cash flow (continued)
for the year ended March 31

(All amounts in ₹ thousands)

	2011	2010
Note 1: Component of cash and cash equivalent		
Cash and bank balances [Refer schedule 6(b)]*	29,023,468	22,045,843
Less:		
Bank deposits having maturity of more than three months	(25,698,268)	(15,184,803)
Margin money deposit/Escrow account	(6,622)	(6,570)
Cash and cash equivalents at end of the year	3,318,578	6,854,470

* Includes amount kept in unclaimed dividend accounts of ₹ 3,457 (March 31, 2010-₹ 982) not available for use by the Company and ₹ 24,324 held in current account of Central Bank of Libya which are not freely remissible to the Group due to unstable conditions in Libya.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates
Firm Registration number: 101049W
Chartered Accountants

per Amit Majmudar
Partner
Membership No.: 36656

Mumbai, India
May 10, 2011

Chaitanya Kamat
Managing Director
& Chief Executive Officer

Hoshi D Bhagwagar
Company Secretary
& Compliance Officer

Mumbai, India
May 10, 2011

Y M Kale
Director

S Venkatachalam
Director

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Annual General Meeting Notice

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Notice to members

NOTICE is hereby given that the Twenty Second Annual General Meeting of Oracle Financial Services Software Limited will be held at The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059 on Thursday, August 18, 2011 at 3.00 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Derek H Williams, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. William T Comfort, Jr., who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

Special Business:

5. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:
“RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to appoint Branch Auditors to conduct the audit of branch office(s) of the Company, whether existing or which may be opened hereafter, in India or abroad, in consultation with the Company’s Statutory Auditors, any person(s) qualified to act as Branch Auditors within the meaning of Section 228 of the Companies Act, 1956, and to fix their remuneration.”
6. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:
“RESOLVED THAT Mr. Chaitanya Kamat, who was appointed as an Additional Director of the Company and who holds office until the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
7. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:
“RESOLVED THAT Mr. S Venkatachalam, who was appointed as an Additional Director of the Company and who holds office until the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
8. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:
“RESOLVED THAT Mr. Robert K Weiler, who was appointed as an Additional Director of the Company and who holds office until the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
9. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:
“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956, if any, read with Schedule XIII of the said Act, the Articles of Association of the Company and subject to such other approvals as may be necessary in this regard, the consent of the Company be and is hereby accorded to the appointment and terms

of remuneration of Mr. Chaitanya Kamat, as the Managing Director and Chief Executive Officer of the Company, for a period of three years with effect from October 25, 2010 to October 24, 2013, at a remuneration as set out below:

Remuneration:

1. Gross Salary: In the scale of ₹ 2.00 crore p.a. to ₹ 2.50 crore p.a. inclusive of perquisites and allowances as mentioned below:

Perquisites and allowances:

- a. Housing: Furnished/unfurnished residential accommodation or house rent allowance up to 10% of the salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings, if any, shall be valued as per Income Tax Rules, 1962.
- b. Medical reimbursement/allowance: Reimbursement of actual expenses for self and family and/or allowance as per the rules of the Company.
- c. Leave travel concession/allowance: For self and family once in a year, as per the rules of the Company.
- d. Club Fees: Fees payable subject to a maximum of two clubs.
- e. Provision for driver/driver's salary allowance and car maintenance expense reimbursement: As per the rules of the Company.
- f. Company car and telephone: Use of Company's car and telephone at the residence for residential official purposes, as per the rules of the Company.
- g. Personal accident insurance: As per the rules of the Company.
- h. Other benefits:
 - i. Earned/privilege leave: As per the rules of the Company.
 - ii. Company's contribution to provident fund and superannuation fund: As per the rules of the Company.
 - iii. Gratuity: As per the rules of the Company.
 - iv. Encashment of leave: As per the rules of the Company.

2. Performance linked Bonus: Payable annually or at other intervals, as may be decided by the Compensation Committee or the Board.

RESOLVED FURTHER THAT Mr. Chaitanya Kamat, be granted such number of employee stock options as may be decided by the Board or the Compensation Committee.

RESOLVED FURTHER THAT notwithstanding anything stated herein above, wherein in any financial year, closing on and after March 31, 2011, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Chaitanya Kamat the remuneration as mentioned above as the minimum remuneration.

RESOLVED FURTHER THAT the Board or the Compensation Committee of the Board be and is hereby authorised to decide the remuneration (salary, perquisites and bonus) payable to Mr. Chaitanya Kamat, within the terms approved by the members as above, subject to such other approvals as may be required.

RESOLVED FURTHER THAT the terms and conditions and the remuneration as mentioned above that forms part of the Agreement dated November 3, 2010 entered into between Mr. Chaitanya Kamat and the Company placed before the meeting be and is hereby approved and the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of his said appointment or the Agreement in such manner as may be agreed to between the Board of Directors and Mr. Chaitanya Kamat."

10. To consider and, if thought fit, to pass, with or without modification(s), as a Special Resolution the following:

"RESOLVED THAT pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other statutory approvals as may be required, the consent of the members be and is hereby accorded to the payment of commission to the Directors of the Company (excluding the Managing Director and Whole-time Directors), not exceeding in the aggregate one per cent per annum of the net profits of the Company, which shall be calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956, such payment to be in such amounts or proportions and in such manner as may be decided by the Board of Directors or the Compensation Committee based on the attendance, participation and the contribution of the concerned Directors or on the basis of such other criteria as may be laid down by the Board of Directors or the Compensation Committee from time to time, and that such commission shall be paid by the Company to such Directors for a period of five years commencing from April 1, 2012 to March 31, 2017."

11. To consider and, if thought fit, to pass, with or without modification(s), as a Special Resolution the following:

“RESOLVED THAT in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“SEBI Guidelines”) [including any amendment(s) thereto], issued by the Securities and Exchange Board of India (“SEBI”) and pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and subject to the provisions of the Memorandum & Articles of Association of the Company, the provisions contained in the RBI guidelines, listing agreements entered into by the Company with Stock Exchanges where the equity shares of the Company are listed and subject to all necessary approvals, consents, permissions and/or sanctions as may be required from all applicable authorities, and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, consents, permissions and/or sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include the Compensation Committee to which the Board may delegate its powers, including the powers conferred by these Resolutions), consent of the Company be and is hereby accorded to the Board to create, issue, grant, offer and allot at any time, or from time to time, to the present and future employees and Directors (whole-time or otherwise) of the Company selected on the basis of a criteria prescribed by the Board in accordance with the SEBI Guidelines (hereinafter referred to as “the Eligible Employees” which expression shall, unless repugnant to the context, mean and include the present and future Employees and Directors (whole-time or otherwise) of the Company), such number of options as the Board may decide which could give rise to equity shares of face value of ₹ 5/- each of the Company, not exceeding 12.5% of the issued and paid-up share capital of the Company at any given time, on the terms and conditions described below:

- i) The exercise price of the options shall not be less than such minimum price, if any, prescribed under the SEBI Guidelines and as determined by the Board.
- ii) The equity shares issued upon exercise of the options shall rank pari passu in all respects with the existing equity shares including dividend.
- iii) Each option granted to the Eligible Employees shall be entitled to one equity share of the Company at a price to be determined by the Board and subject to any regulations or guidelines of the SEBI in regard to the pricing of the options, as applicable from time to time.
- iv) Each option shall be vested in the optionee after a minimum period of 12 months from the date of grant of the option or at such times as may be determined by the Board from time to time.
- v) The options shall be valid and exercisable for such periods as may be determined by the Board, from time to time.
- vi) The consideration for the shares to be issued upon exercise of an option as determined by the Board at the time of granting the options may consist of cash, cheque or consideration received by the Company under a cashless exercise program implemented by the Company or any combination of the foregoing methods of payment.
- vii) No Eligible Employee shall, during any fiscal year of the Company, be granted options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.
- viii) The Company shall conform to the accounting policies mandated by applicable law or regulations of the SEBI or any other relevant regulation as is applicable to the accounting of such options.
- ix) Subject to the approval of the stock exchanges, the relevant equity shares on exercise of the options shall be listed on the stock exchanges.
- x) The Board shall have the power to make reasonable adjustments to the number of options to be exercised and the exercise price in case of rights issues, bonus issues, stock splits and other corporate actions.
- xi) The Board shall have absolute discretion from time to time to modify or substitute any such terms, including but not limited to, acceleration of vesting period of options granted or, if it thinks fit, not to undertake or proceed with the implementation of this Resolution in whole or in part.

RESOLVED FURTHER THAT the maximum number of equity shares issued to any specific employee/director under the said Scheme(s) shall not exceed 1% of the issued and paid-up share capital of the Company in any financial year.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to pay fees and commission and incur expenses in relation thereto and do all such acts, deeds, matters and things and execute all such deeds, documents, instructions and writings as it may, in its absolute discretion, deem necessary or desirable for such purpose.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to evolve, decide upon and bring into effect one or more Employee Stock Option Schemes or Plans (“ESOPs”) and subject to the SEBI guidelines, make any amendments, modifications, alterations in ESOPs from time to time, as may be required, including making necessary adjustments in case of rights issues, bonus issues, stock splits or any other corporate actions subsequently and to settle all questions, difficulties or doubts that may arise in relation to the implementation of ESOPs and to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may, in its absolute discretion, deem necessary or desirable for such purpose without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee to give effect to this resolution.”

12. To consider and, if thought fit, to pass, with or without modification(s), as a Special Resolution the following:

“RESOLVED THAT in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“SEBI Guidelines”) [including any amendment(s) thereto], issued by the Securities and Exchange Board of India (“SEBI”) and pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and subject to the provisions of the Memorandum & Articles of Association of the Company, the provisions contained in the RBI guidelines, listing agreements entered into by the Company with Stock Exchanges where the equity shares of the Company are listed and subject to all necessary approvals, consents, permissions and/or sanctions as may be required from all applicable authorities, and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, consents, permissions and/or sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include the Compensation Committee to which the Board may delegate its powers, including the powers conferred by these Resolutions), consent of the Company be and is hereby accorded to the Board to create, issue, grant, offer and allot at any time or from time to time to the present and future employees and Directors (whole-time or otherwise) of the Company’s present and future subsidiaries selected on the basis of a criteria prescribed by the Board in accordance with the SEBI Guidelines (hereinafter referred to as “the Eligible Employees” which expression shall, unless repugnant to the context, mean and include the present and future employees and Directors (whole-time or otherwise) of the present and future subsidiaries of the Company) such number of options as may be decided by the Board within the limits as prescribed in resolution no. 11 on such terms and conditions described below:

- i) The exercise price of the options shall not be less than such minimum price, if any, prescribed under the SEBI Guidelines and as determined by the Board.
- ii) The equity shares issued upon exercise of the options shall rank pari passu in all respects with the existing equity shares including dividend.
- iii) Each option granted to the Eligible Employees shall be entitled to one equity share of the Company at a price to be determined by the Board and subject to any regulations or guidelines of the SEBI in regard to the pricing of the options, as applicable from time to time.
- iv) Each option shall be vested in the optionee after a minimum period of 12 months from the date of grant of the option or at such times as may be determined by the Board from time to time.
- v) The options shall be valid and exercisable for such periods as may be determined by the Board, from time to time.
- vi) The consideration for the shares to be issued upon exercise of an option as determined by the Board at the time of granting the options may consist of cash, cheque or consideration received by the Company under a cashless exercise program implemented by the Company or any combination of the foregoing methods of payment.
- vii) No Eligible Employee shall, during any fiscal year of the Company, be granted options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.
- viii) The Company shall conform to the accounting policies mandated by applicable law or regulations of the SEBI or any other relevant regulation as is applicable to the accounting of such options.
- ix) Subject to the approval of the stock exchanges, the relevant equity shares on exercise of the options shall be listed on the stock exchanges.
- x) The Board shall have the power to make reasonable adjustments to the number of options to be exercised and the exercise price in case of rights issues, bonus issues, stock splits and other corporate actions.
- xi) The Board shall have absolute discretion from time to time to modify or substitute any such terms including but not limited to acceleration of vesting period of options granted or, if it thinks fit, not to undertake or proceed with the implementation of this Resolution in whole or in part.

RESOLVED FURTHER THAT the maximum number of equity shares issued to any specific employee/director under the said Scheme(s) shall not exceed 1% of the issued and paid-up share capital of the Company in any financial year.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to pay fees and commission and incur expenses in relation thereto and do all such acts, deeds, matters and things and execute all such deeds, documents, instructions and writings as it may, in its absolute discretion, deem necessary or desirable for such purpose.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to evolve, decide upon and bring into effect one or more Employee Stock Option Schemes or Plans (“ESOPs”) and subject to SEBI guidelines make any amendments, modifications, alterations in ESOPs from time to time, as may be required, including making necessary adjustments in case of rights issues, bonus issues, stock splits or any other corporate actions subsequently and to settle all questions, difficulties or doubts that may arise in relation to the implementation of ESOPs and to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may, in its absolute discretion, deem

necessary or desirable for such purpose without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee to give effect to this resolution.”

13. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:

“RESOLVED THAT Ms. Dorian Daley, a Director of the Company, who retires by rotation at this Annual General Meeting and who has expressed her desire not to be re-appointed as a Director, be retired and not be re-appointed.

RESOLVED FURTHER THAT the resulting vacancy on the Board be not filled up at this Annual General Meeting or any adjourned meeting thereof.”

By Order of the Board

Hoshi D Bhagwagar
Company Secretary and Compliance Officer

Registered Office:
Oracle Park
Off Western Express Highway
Goregaon (East)
Mumbai 400063

July 15, 2011

Notes:

- a) The information as required pursuant to Clause 49 of the listing agreement along with an Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect of item nos. 5 to 13 mentioned in the above Notice are annexed hereto.
- b) The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, August 13, 2011 to Thursday, August 18, 2011, both days inclusive, for the purpose of Annual General Meeting.
- c) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THAT A PROXY NEED NOT BE A MEMBER.
- d) The instrument appointing proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- e) The members/proxies are requested to bring duly completed Attendance Slips sent herewith for attending the meeting.
- f) The documents referred to in the Notice and the Explanatory Statement annexed hereto are available for inspection by the members of the Company at the Registered Office of the Company between 2.00 p.m. to 4.00 p.m. on any working day of the Company.
- g) Members may please note that the Registrars and Transfer Agents have set up a separate cell to address various investor queries. Accordingly, the queries can be directed to +91-22-2594 6970 or can be e-mailed to rnt.helpdesk@linkintime.co.in.
- h) Members who hold shares in physical form are requested to notify promptly any change in their addresses to the Company's Registrars and Transfer Agents, Link Intime India Private Limited, having its office at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400078. The members who hold shares in demat mode are requested to notify promptly, any change in their addresses to their respective Depository Participants.
- i) As a part of Green Initiative in Corporate Governance, the Ministry of Corporate Affairs vide its Circular No. 17/2011 dated April 21, 2011 and Circular No. 18/2011 dated April 29, 2011 has clarified that a company would have complied with Section 53 of the Companies Act, 1956, if the service of a document has been made through electronic mode, provided the company has obtained e-mail address for sending the notice/documents through e-mail by giving an advance opportunity to the members to register their e-mail address and changes therein from time to time with the Company. The Company had sent a communication dated June 1, 2011, to all the members of the Company seeking their preference for receiving corporate documents.
- j) The Members seeking any information with regard to accounts are requested to write to the Company Secretary at its registered office at an early date to enable the Management to keep the information ready.
- k) Pursuant to Sections 205A, 205C and other applicable provisions, if any, of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date they become due for

payment, is required to be transferred to the “Investor Education and Protection Fund” set up by the Central Government. Accordingly, the amount of unclaimed dividend for the financial year ended March 31, 2004 will be transferred to the “Investor Education and Protection Fund” in due course. Once the amount is so transferred, no claims shall lie against the aforesaid fund or the Company in respect of such dividend amount thereafter. The members are requested to send to the Company their claims, if any, for the dividend for financial year ended March 31, 2004 onwards immediately.

- l) Members may kindly note that due to security reasons, there could be certain restrictions and limitations in terms of movement of people, hand baggage and vehicles at the venue of the meeting. The people and accompanied items would be subject to inspection. We solicit your co-operation.
- m) Members may please note that the Company has made arrangements of to and fro bus service for the members to reach the venue of the Annual General Meeting. The details are given below:

Bus pick up:

From Andheri (East), Opp. Ackruti City Sales Office – corner of Telli Galli to the venue	2.00 p.m.
From Ghatkopar (East) Railway Station (near BMC office) to the venue	2.00 p.m.

Bus drop:

From the venue to Andheri (East), Opp. Ackruti City Sales Office – corner of Telli Galli	On conclusion of the meeting
From the venue to Ghatkopar (East) Railway Station	

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH REGARD TO DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE TWENTY SECOND ANNUAL GENERAL MEETING:

1. Mr. Derek H Williams

Mr. Derek H Williams, born on December 30, 1944, is an Executive Vice President of Oracle Corporation. Mr. Williams was at the helm of Oracle’s Asia Pacific operations from 1991 to 2009, and has led Oracle Japan since 2000.

From June 1, 2011, Mr. Williams became responsible for the Sun Hardware business in Asia Pacific and Japan.

Mr. Williams is a member of Oracle’s Executive Committee and a Director for Oracle Japan.

Mr. Williams does not hold any equity share of the Company as on date.

Mr. Williams holds directorships and committee memberships* in the following companies:

List of other Directorships held	Membership in Committees of other companies	Chairmanship in Committees of other companies
Nihon Oracle Kabushiki Kaisha	–	–

* Only the Audit and Shareholders’ Grievances Committees are considered.

2. Mr. William T Comfort, Jr.

Mr. William T Comfort, Jr., born on August 3, 1937, is the Chairman of Citigroup Venture Capital. He received his B.A. and LL.B. and was honoured with the Doctorate of Humane Letters (D.H.L) at the University of Oklahoma. He received an LL.M. at the New York University Law School. He is a trustee of the New York University Law Center Foundation, the John A. Hartford Foundation, Inc., and was an adjunct professor at the Columbia Business School. He is currently Chairman of Citigroup Venture Capital and Chairman of the Investment Committee of Court Square Capital Partners and CX Partners. He is also a member of the Board of Directors of Deutsche Annington (DAIG - Germany) and Nabors Industries (Bermuda). Mr. Comfort has been associated with the Company as a board member since 1998 and was appointed as Chairman of its Board of Directors on March 24, 2009.

Mr. Comfort does not hold any equity share of the Company as on date.

Mr. Comfort holds directorships and committee memberships* in the following companies:

List of other Directorships held	Membership in Committees of other companies	Chairmanship in Committees of other companies
Citigroup Ventures Capital	–	–
Court Square Capital Partners Limited	–	–
Deutsche Annington (DAIG)	–	–
Nabors Industries	–	–
CX Partners	–	–

* Only the Audit and Shareholders’ Grievances Committees are considered.

3. Mr. Chaitanya Kamat

Mr. Chaitanya Kamat (Chet), born on September 14, 1961, is the Managing Director and CEO of the Company. He brings more than 25 years of financial services, consulting and business transformation experience to his role at Oracle Financial Services Software Limited.

Prior to joining Oracle, Chet was Managing Director at STG, a leading private equity firm focused on investing in software and enterprise services companies. At STG, Chet was responsible for the transformation and operations of its portfolio companies with a specific focus on their use of global operating models.

Earlier, Chet worked as the CEO of a retail financial services startup and at Accenture. Joining Accenture in 1986, Chet worked across Accenture locations in India, United States, Sweden, Hungary and the Philippines in a range of business consulting and large scale systems integration engagements. In his last role at Accenture, Chet was the Managing Partner of Accenture's India Delivery Centre Network which he was responsible for establishing from scratch and growing to a 13,000 strong unit serving over 200 global clients.

Chet Kamat obtained his Masters in Computer Science from the University of Bombay and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. Chet has served as the Chairman of the Board of Directors at Teleca AB, and as a Director on the Boards of Netik Inc., Symphony Marketing Solutions Inc. and The Capital Markets Company NV.

Mr. Kamat is a member of the ESOP Allotment Committee of the Board. He does not hold any equity share of the Company as on date.

Mr. Kamat does not hold any other directorships.

4. Mr. S Venkatachalam

Mr. S Venkatachalam, born on November 8, 1944, has served Citibank N. A. for nearly 30 years and has held senior positions there. He is currently on the Central Board of State Bank of India and Bharti AXA – Trustee Services Private Limited. He is a Chartered Accountant by profession. He has served as an advisor to Fullerton India Credit Corporation Ltd., a wholly owned subsidiary of Temasek Holdings (Private) Limited, Singapore and has also served as Senior Consultant with A. F. Ferguson & Co., Chartered Accountants, Mumbai (now a part of Deloitte Haskins & Sells). He has rich experience in the field of banking, finance, administration, compliance, taxation and labour laws. He is well regarded in the financial services industry and by regulatory bodies.

Mr. Venkatachalam is also a member of the Audit Committee, ESOP Allotment Committee, Shareholders' Grievances Committee and Transfer Committee of the Board.

Mr. Venkatachalam holds 1,000 equity shares of the Company as on date.

Mr. Venkatachalam holds directorships and committee memberships* in the following companies:

List of other Directorships held	Membership in Committees of other companies	Chairmanship in Committees of other companies
Bharti AXA– Trustee Services Private Limited	–	–
State Bank of India Central Board, Mumbai	–	–

* Only the Audit and Shareholders' Grievances Committees are considered.

5. Mr. Robert K Weiler

Mr. Robert K Weiler, born on February 9, 1951, is an Executive Vice President of Oracle's Global Business Units. Previously he was Chairman and CEO of Phase Forward, a leading provider of integrated data management solutions for clinical trials and drug safety. Mr. Weiler has more than 30 years of technology-industry leadership experience, including his previous tenure as Giga Information Group's Chairman, President and CEO. Earlier in his career, Mr. Weiler served as President and CEO of Eastman Software (formerly Wang Software), as well as Senior Vice President, Worldwide Sales and Marketing, for Lotus Development Corporation, where he was instrumental in expanding the company's Lotus Notes business.

Mr. Weiler recently served on the board of SADD (Students Against Destructive Decisions), and he previously served on the boards of the directors of the Waterville Valley Company, Saint Anselm's College, Corporate Software, Distributed Management Systems, Cullinet Software, Interleaf, DataLogix, and Giga Information Group. Mr. Weiler received a B.A. from Saint Anselm's College, where he additionally received an honorary doctorate in 2000. He received the Ernst & Young Entrepreneur of the Year 2010 Award in the Healthcare IT category in New England. In 2006, he was named to the prestigious PharmaVOICE 100 list, and he was also named '2006 CEO of the Year' by the Massachusetts Technology Leadership Council, an award that honours individuals who best exemplify leadership and excellence in business and technology. Subsequent to this award, Mr. Weiler was invited to become a trustee of the Council.

Mr. Weiler does not hold any equity share of the Company as on date.

Mr. Weiler does not hold any other directorships.

Annexure to notice

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956.

The following Explanatory Statement sets out all the material facts relating to the special business mentioned under item nos. 5 to 13 in the accompanying Notice dated July 15, 2011.

Item no. 5:

The Company has branch offices in India and abroad and may also open new branches in future. It may be necessary to appoint branch auditors for conducting the audit of the books of accounts of the Company at such branches.

The Board of Directors of the Company ("the Board") seeks approval of the members for authorising the Board to appoint Branch Auditors in consultation with the Statutory Auditors of the Company and to fix their remuneration.

No Director is in any way concerned or interested in the resolution at item no. 5 of the Notice.

Your Directors recommend the resolution at item no. 5 of the Notice.

Item no. 6:

Mr. Chaitanya Kamat was appointed as an Additional Director of the Company at the Board Meeting held on October 25, 2010. Pursuant to and in accordance with the provisions of the Section 260 of the Companies Act, 1956, and Article 109 of the Articles of Association of the Company, he holds office up to the date of this Annual General Meeting and is eligible for appointment as a Director of the Company.

The Company has received a notice from a member, along with the requisite deposit under Section 257 of the Companies Act, 1956, proposing his candidature for appointment as a Director of the Company. The details regarding the above proposed appointee as a Director and his detailed resume are given in the Notice.

Mr. Chaitanya Kamat's immense knowledge and experience will add great value to the Company.

Except Mr. Chaitanya Kamat, none of the Directors of the Company is concerned or interested in the resolution at item no. 6 of the Notice.

Your Directors recommend the resolution at item no. 6 of the Notice.

Item no. 7:

Mr. S Venkatachalam was appointed as an Additional Director of the Company at the Board Meeting held on October 25, 2010. Pursuant to and in accordance with the provisions of the Section 260 of the Companies Act, 1956, and Article 109 of the Articles of Association of the Company, he holds office up to the date of this Annual General Meeting and is eligible for appointment as a Director of the Company.

The Company has received a notice from a member, along with the requisite deposit under Section 257 of the Companies Act, 1956, proposing his candidature for appointment as a Director of the Company. The details regarding the above proposed appointee as a Director and his detailed resume are given in the Notice.

Mr. Venkatachalam's immense knowledge and experience will add great value to the Company.

Except Mr. Venkatachalam, none of the Directors of the Company is concerned or interested in the resolution at item no. 7 of the Notice.

Your Directors recommend the resolution at item no. 7 of the Notice.

Item no. 8:

Mr. Robert K Weiler was appointed as an Additional Director of the Company on July 4, 2011. Pursuant to and in accordance with the provisions of the Section 260 of the Companies Act, 1956, and Article 109 of the Articles of Association of the Company, he holds office up to the date of this Annual General Meeting and is eligible for appointment as a Director of the Company.

The Company has received a notice from a member, along with the requisite deposit under Section 257 of the Companies Act, 1956, proposing his candidature for appointment as a Director of the Company. The details regarding the above proposed appointee as a Director and his detailed resume are given in the Notice.

Mr. Weiler's immense knowledge and experience will add great value to the Company.

Except Mr. Weiler, none of the Directors of the Company is concerned or interested in the resolution at item no. 8 of the Notice.

Your Directors recommend the resolution at item no. 8 of the Notice.

Item no. 9:

The Board of Directors of the Company at its meeting held on October 25, 2010, appointed Mr. Chaitanya Kamat as the Managing Director and Chief Executive Officer of the Company with effect from October 25, 2010, subject to the approval of the members, for a period of three years, on the following terms and conditions:

Remuneration:

1. Gross Salary: In the scale of ₹ 2.00 crore p.a. to ₹ 2.50 crore p.a. inclusive of perquisites and allowances as mentioned below:

Perquisites and allowances:

- a. Housing: Furnished/unfurnished residential accommodation or house rent allowance up to 10% of the salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings, if any, shall be valued as per Income Tax Rules, 1962.
- b. Medical reimbursement/allowance: Reimbursement of actual expenses for self and family and/or allowance as per the rules of the Company.
- c. Leave travel concession/allowance: For self and family once in a year, as per the rules of the Company.
- d. Club Fees: Fees payable subject to a maximum of two clubs.
- e. Provision for driver/driver's salary allowance and car maintenance expense reimbursement: As per the rules of the Company.
- f. Company car and telephone: Use of Company's car and telephone at the residence for residential official purposes, as per the rules of the Company.
- g. Personal accident insurance: As per the rules of the Company.
- h. Other benefits:
 - i. Earned/privilege leave: As per the rules of the Company.
 - ii. Company's contribution to provident fund and superannuation fund: As per the rules of the Company.
 - iii. Gratuity: As per the rules of the Company.
 - iv. Encashment of leave: As per the rules of the Company.

2. Performance linked Bonus: Payable annually or at other intervals, as may be decided by the Compensation Committee or the Board.

Further, if in any financial year closing on and after March 31, 2011, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Chaitanya Kamat the remuneration as mentioned above as the minimum remuneration.

An abstract of the terms and conditions of appointment and remuneration payable to Mr. Chaitanya Kamat was sent to the members in November 2010 as required under Section 302 of the Companies Act, 1956.

The Board granted 60,000 Stock options to Mr. Chaitanya Kamat on October 25, 2010, under the ESOP 2002 Scheme at an exercise price of ₹ 2,333.45 per option.

The remuneration payable to Mr. Chaitanya Kamat as set out in resolution no. 9 of the Notice is within the limits permitted under Schedule XIII and other applicable provisions of the Companies Act, 1956.

The Agreement dated November 3, 2010 entered into between Mr. Chaitanya Kamat and the Company is available for inspection by the members of the Company at its Registered Office between 2.00 p.m. to 4.00 p.m. on any working day of the Company and is also placed before the meeting.

Except Mr. Chaitanya Kamat, no other Director of the Company is concerned or interested in the resolution at item no. 9 of the Notice.

Your Directors recommend the resolution at item no. 9 of the Notice.

Item no. 10:

In terms of the provisions of Section 309 (4) and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") and Article 99 of the Articles of Association of the Company, a director who is neither in whole-time employment of the Company nor a managing director may be paid remuneration by way of commission if the members of the Company pass a special resolution authorising such payment provided that the remuneration paid to all such directors together shall not exceed 1% of net profits of the Company.

The members of the Company had approved the payment of Commission to the Non-Executive Directors for a five year period ending March 31, 2012 in their Annual General Meeting held in August 2007.

The Directors of the Company are continually contributing significantly to Company's progress. It is, therefore, proposed to continue to pay remuneration by way of commission to the Non-Executive Directors of the Company subject to the approval of the members in the Annual General Meeting and such other statutory and government approvals as may be required, if any, for a further period of five years from April 1, 2012 to March 31, 2017. The amount of commission proposed to be paid to the Non-Executive Directors shall not exceed 1% of the net profits of the Company which shall be computed as per the provisions of Section 198, 349 and 350 of the Act.

The resolution at item no. 10 of the Notice seeks approval of the members for authorising the Board of Directors of the Company or the Compensation Committee to decide the quantum and the manner of payment of Commission to the Non-Executive Directors of the Company for a period of five years with effect from April 1, 2012 to March 31, 2017.

All the Non-Executive Directors of the Company may be deemed to be concerned or interested in the resolution at item no. 10 of the Notice to the extent of the remuneration that may be received by them.

Your Directors recommend the resolution at item no. 10 of the Notice.

Item no. 11:

Employee Stock Option Plans (ESOP) have been recognised as an important tool to motivate, retain and reward the employees and directors of a corporation, particularly in the Software Industry. A grant of ESOP amounts to recognition of efforts of the employees and directors. In order to retain the best personnel of the Company and also to attract the talented professionals of the Industry, the issue of ESOP becomes imperative. ESOP serves the purpose of building a strong organisation with the support of committed employees and in turn the employees also get rewarded for their commitment and dedication.

Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 have been issued for this purpose. The Company proposes to formulate one or more Employee Stock Option Schemes/Plans (ESOP) to enable the Board (which term shall also include the Compensation Committee) to issue Options to eligible employees who will be the existing and future employees, including Directors (whole-time or otherwise), of the Company from time to time.

The employees shall be selected based on a criterion laid down by the Board of the Company for grant of ESOP.

The existing Authorised Capital of the Company has adequate provision for allotment of Equity Shares that may be issued pursuant to ESOP.

The information as required under clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, setting out the salient features of the Scheme(s) are as follows:

Total Number of Shares/options to be Granted	Shall not exceed 12.5% of the issued and paid-up share capital of the Company at any given time.
Identification of Classes of Employees entitled to participate in ESOP	All present and future employees and directors (whole-time or otherwise) of the Company, and all present and future employees and directors (whole-time or otherwise) of subsidiaries of the Company. The ESOPs shall not be granted to any promoter or those belonging to the promoter group or to any director, who either by himself or herself or through relatives or body corporates, directly or indirectly hold more than 10% of the issued and paid-up share capital of the Company.
Requirements of Vesting, period of Vesting and Maximum period of Vesting	1 year to 5 years from the date of grant of options, subject to continued employment with the Company and/or its subsidiary companies. There shall be a minimum period of one year between the grant of options and vesting of options.
Exercise Price or Pricing Formula	At market price as defined in SEBI Guidelines or at such price as may be decided upon by the Board or the Compensation Committee, subject to compliance of all applicable guidelines as prescribed by SEBI from time to time.
Exercise Period and Process of Exercise	Exercisable on an application and payment of exercise price after the minimum period of 12 months from the date of grant and within a maximum of 10 years from the date of respective grant of options. The eligible employees shall be required to pay all applicable taxes, surcharge or other levy imposed by the authorities including service tax, fringe benefit tax, perquisite tax, etc.
Appraisal process for determining the eligibility of Employees to ESOP	As determined by the Board or the Compensation Committee from time to time.
Maximum number of options to be issued per employee and in aggregate	Subject to SEBI guidelines, the maximum number of options to be granted per employee during any one financial year shall be less than 1% of the issued and paid-up share capital of the Company at the time of grant of option and the aggregate of all options granted by the Company shall not exceed 12.5% of the issued and paid-up share capital on the date of grants, from time to time.
Accounting policies	The Company will conform to the accounting policies as prescribed under clause 13.1 of the SEBI Guidelines.
Method of Valuation	The Company shall use the applicable methods (intrinsic value or fair value) to value the options as per SEBI guidelines and shall make appropriate disclosures in the directors' report as required.

The Board or the Compensation Committee constituted for this purpose will be authorised to administer or monitor ESOP and to amend ESOP, in line with recommendations/approvals of SEBI or any other authority or otherwise and also to provide financial assistance to the trust/employees/directors on such terms and conditions as it may deem fit. The decisions of the Board or the Compensation Committee on all matters relating to ESOP shall be final and binding.

The overall limit of 12.5% of the issued and paid-up share capital of the Company at any given time, is an all inclusive limit which would include stock options granted/to be granted under any existing ESOP Schemes of the Company.

However, ESOP limit will not be applicable to the equity shares already allotted to i-flex Employee Stock Option Trust ("the trust") and the same shall continue to be offered to the employees/directors as per the existing terms and conditions. Pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956 and as per the SEBI guidelines, consent of members, by way of special resolution is required for granting of options and issue of equity shares to eligible employees/directors on exercise of stock options, who may or may not be existing members.

The Directors who would be eligible/qualified to join ESOP may be deemed to be interested in the resolution at item no. 11 of the Notice to the extent of equity shares which may be issued to them and the benefit which may accrue to them.

Your Directors recommend the resolution at item no. 11 of the Notice.

Item no. 12:

The Board feels that employees and directors of subsidiary companies also contribute to the success of the Company and hence should also be benefited by ESOP of the Company. The SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 require approval of the Company's members for allotment of stock options to employees and Directors (whole-time or otherwise) of the subsidiary companies by way of a separate resolution. The Board shall have an absolute discretion to grant options to the employees and directors of subsidiary companies within the overall limit of 12.5% of the issued and paid-up share capital of the Company at any given time. The overall limit of 12.5% of the issued and paid-up share capital of the Company at any given time, is an all inclusive limit which would include stock options granted/to be granted under any existing ESOP Schemes of the Company.

However, ESOP limit will not be applicable to the equity shares already allotted to the trust and the same shall continue to be offered to the employees/directors as per the existing terms and conditions. Pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956 and as per the SEBI guidelines, consent of members, by way of special resolution is required for granting of options and issue of equity shares to eligible employees/directors on exercise of stock options, who may or may not be existing members.

The information required pursuant to clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and other related information is furnished above in the explanatory statement for item no. 11, which also is applicable for resolution no. 12.

The Directors who would be eligible/qualified to join ESOP may be deemed to be interested in the resolution at item no. 12 of the Notice to the extent of equity shares which may be issued to them and the benefit which may accrue to them.

Your Directors recommend the resolution at item no. 12 of the Notice.

Item no. 13:

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Ms. Dorian Daley retires by rotation at this Annual General Meeting and is eligible for re-appointment. She has expressed her desire not to be re-appointed. The Company does not propose to fill the vacancy at this meeting or at any adjourned meeting thereof. Hence, as required under Section 256 of the Companies Act, 1956, a resolution is proposed accordingly.

Except Ms. Dorian Daley, no other Directors of the Company is concerned or interested in the above resolution at item no. 13 of the Notice.

Your Directors recommend the resolution at item no. 13 of the Notice.

By Order of the Board

Hoshi D Bhagwagar
Company Secretary and Compliance Officer

Registered Office:
Oracle Park
Off Western Express Highway
Goregaon (East)
Mumbai 400063

July 15, 2011

ATTENDANCE SLIP

Oracle Financial Services Software Limited
Registered Office: Oracle Park, Off Western Express Highway
Goregaon (East), Mumbai 400063

I hereby record my presence at the Twenty Second Annual General Meeting of the Company held on Thursday, August 18, 2011 at 3.00 p.m. at The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059.

Full name of the Shareholder
(in block letters)

Ledger Folio No. DP ID Client ID

Number of Shares held

Signature of Shareholder or Proxy attending

Full name of Proxy
(in block letters)

Please provide full name of the 1st Joint Holder.
.....

Note: Please fill in the attendance slip and hand it over at the ENTRANCE OF THE HALL.



PROXY FORM

Oracle Financial Services Software Limited
Registered Office: Oracle Park, Off Western Express Highway
Goregaon (East), Mumbai 400063

I/We of in the district of being a member/members of the above named Company, hereby appoint of in the district of or failing him/her of in the district of as my/our proxy to attend and vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on Thursday, August 18, 2011 at 3.00 p.m. at The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059, and at any adjournment thereof.

Signed this day of 2011.

Ledger Folio No. DP ID Client ID

No. of Shares held

Please affix
₹ 1/-
revenue
stamp and
sign across

- Notes:
1. The proxy need not be a member.
 2. The proxy form duly signed across ₹ 1/- revenue stamp should reach the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.



ORACLE®

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India

Investor Enquiries
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