

**SOFTWARE.  
HARDWARE.  
COMPLETE.**



## ANNUAL REPORT

2009 - 2010

Oracle Financial Services Software Limited

**ORACLE®**

**SOFTWARE. HARDWARE. COMPLETE.**

Oracle provides the world's most complete, open, and integrated business software and hardware systems, including a comprehensive footprint of business applications built on open standards. Today, 20 of the world's top 20 banks rely on Oracle to deliver higher levels of business productivity. Oracle FLEXCUBE, Oracle Reveleus, Oracle Mantas and Oracle Financial Services Consulting are key components of this portfolio.





*"Oracle Financial Services Software is providing us with a flexible, best-in-class solution that fits well with our current and future business requirements. Oracle Reveleus is a proven solution and we are impressed by how it has consistently delivered value to tier-1 banks across the world. We expect that we will be able to significantly improve our operational efficiency using Oracle Reveleus."*

**Deepak Katyal**, Vice President, Information Technology, TAIB Bank.

*"Being a large bank in Azerbaijan, our interest is in the welfare of the general public and our esteemed shareholders. In order to serve them in the best possible way, a high-end solution is the answer and for this reason we are using Oracle FLEXCUBE to serve our customers and also obtain a competitive edge. About 700,000 of our customers have already benefited from improved customer service and we are confident this association will continue to be an enduring and beneficial one."*

**Emil Mustafayev**, First Deputy Chairman, International Bank of Azerbaijan.

### **From the Chairman's desk**

Oracle Financial Services Software has completed another remarkable year. In 2009-2010, despite the financial services industry being adversely affected by a global economic crisis we delivered a 36% increase in the operating income.

Our mission of enabling financial institutions to reach their full potential continues to inspire us. We continued to invest in enhancing our portfolio and improving our value proposition to our customers. We gained new customers and momentum with a number of new releases of Oracle Financial Services Analytical Applications that address enterprise risk, fraud and financial crime and enterprise performance management. In the same year, we launched Oracle FLEXCUBE Release 11 to help our customers set new standards of efficiency for both their domestic and global operations.

Our products and services continue to win industry accolades and recognition. In May 2010, leading independent analyst firm, Forrester Research, Inc., recognized Oracle as a "Global Power Seller" for banking platform deals in its Global Banking Platform Deals 2009 report. Our customers have also won numerous awards for their innovation and leadership. Jibun Bank, Japan, won The Asian Banker IT Implementation Awards for "Best Core Banking Project." It was also given an Honorable Mention for "Most Innovative Entry," for the project's innovation in enabling a complete bank on a mobile phone. UBank, a division of National Australia Bank, has won the CANSTAR CANNEX Innovation Excellence Award for its USaver online savings account that showed innovation through its rate reassurance and online application process. USaver was also judged as the Best Online Savings Account 2010 in Money magazine's 'Best of the Best' awards.

After the events of 2008 and 2009, financial institutions are preparing for the "new normal" that has emerged. Regulators now expect banks to conduct regular stress tests for capital and liquidity. During the fiscal year we introduced offerings that address these requirements and have won deals in top tier banks.

We value the contribution of our employees to the Company's success. Their tireless efforts, limitless passion, and commitment to our mission have placed us firmly on the path of excellence.

We look forward to another exciting year ahead at Oracle Financial Services Software.

Regards,

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

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## Announcements 2009–2010

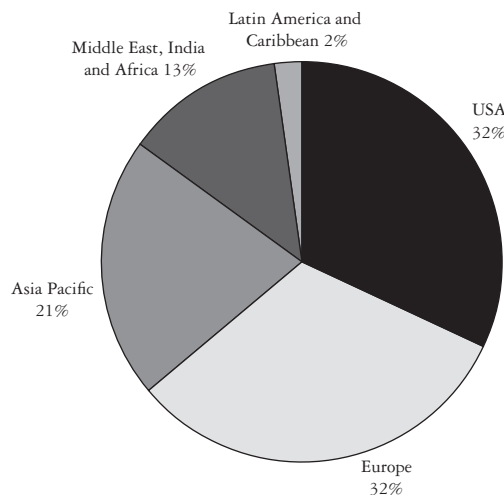
• Oracle Financial Services Software announces Oracle FLEXCUBE Enterprise Limits and Collateral Management	April 14, 2009
• Jibun Bank wins prestigious award for best core banking implementation	May 12, 2009
• Bank of London and The Middle East plc goes live on Oracle FLEXCUBE Private Banking	May 13, 2009
• Leading independent analyst firm names Oracle a 'Global Power Seller' in 2008 Banking Platform Deals	June 4, 2009
• Oracle Financial Services Software leads OpRisk & Compliance Annual Compliance Software Rankings	June 25, 2009
• National Bank of Cambodia selects Oracle FLEXCUBE as banking platform	June 30, 2009
• Cambodia's PRASAC Microfinance Institution selects Oracle FLEXCUBE Universal Banking	June 30, 2009
• International Bank of Azerbaijan goes live on Oracle FLEXCUBE Universal Banking	July 14, 2009
• Oracle Financial Services Software reports Q1 net income of Rs. 186 Crore	July 30, 2009
• Leading analyst firm positions Oracle FLEXCUBE in 'Leaders Quadrant' in International Retail Core Banking Report	August 5, 2009
• Oracle Financial Services Software announces new release of Oracle Mantas Fraud	September 1, 2009
• TAIB Bank uses Oracle Reveleus to accelerate time to Basel II compliance	September 10, 2009
• Oracle announces new Financial Services Analytical Applications for Enterprise Performance Management	September 11, 2009
• Oracle Financial Services Software announces new release of Oracle FLEXCUBE Universal Banking	September 14, 2009
• Oracle Announces Oracle Financial Services Revenue Management and Billing for Banking	September 14, 2009
• Oracle awarded SWIFTReady Labels	September 14, 2009
• Leading analyst firm positions Oracle Financial Services Software in 'Leaders Quadrant' in its 2009 Operational Risk Management Software Report	September 29, 2009
• Caribbean Development Bank goes live on Oracle FLEXCUBE Universal Banking to improve operational efficiency	October 1, 2009
• Oracle Announces new financial services solution for enterprise-wide stress testing	October 13, 2009
• Oracle Financial Services Software reports Q2 net income of Rs. 205 Crore	October 30, 2009
• Oracle Financial Services Software announces Oracle FLEXCUBE Universal Banking Release 11.0	January 7, 2010
• Oracle Financial Services Software reports Q3 net income of Rs. 227 Crore	January 29, 2010
• Oracle Financial Services announces the latest release of Oracle FLEXCUBE Investor Servicing	February 25, 2010

# Financials at a glance

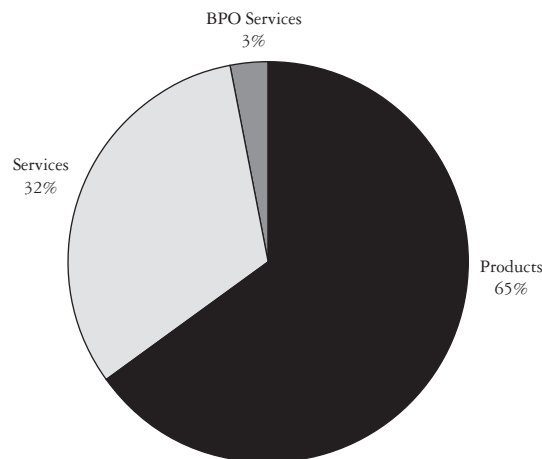
## Key performance indicators 2009-2010

As per Indian GAAP Consolidated results

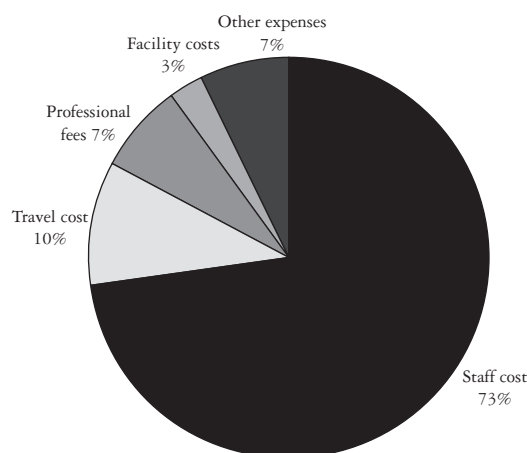
Fiscal year 2009-10 break up in terms of operating revenue by region, operating revenue by portfolio and expense by category



Operating revenue by region



Operating revenue by portfolio



Expense by category

(All figures in Rs. millions except EPS & Book Value)

As per Indian GAAP Consolidated results

## Our 10 years in the industry

	2000-01*	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Operating Revenue	3,038.55	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
Interest and Other Income (expense)	172.66	138.09	97.93	136.58	259.28	290.54	367.28	631.16	1,763.89	(858.03)
Total Revenue	3,211.21	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
Total Expenses	2,016.85	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
EBT	1,194.36	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
Tax	94.15	150.33	252.73	526.75	627.06	560.41	415.95	441.68	835.36	1,197.69
EAT	1,100.21	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
EPS	13.12	13.75	20.38	21.32	27.72	28.34	44.40	49.56	87.84	92.26
Book Value	37.86	56.19	92.16	111.25	136.58	164.53	281.66	331.17	417.97	511.55

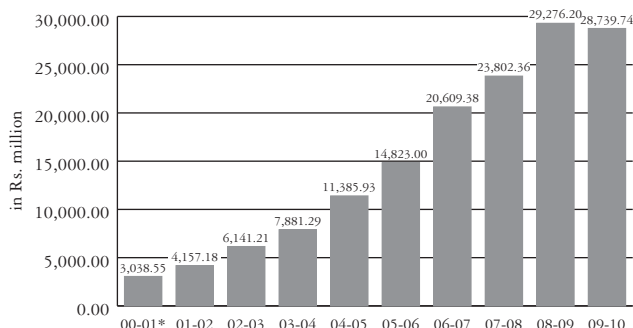
Notes: All EPS and Book Values are computed based on the current equity capital base of 83,854,857 shares as on March 31, 2010

\* As per Indian GAAP Unconsolidated Results

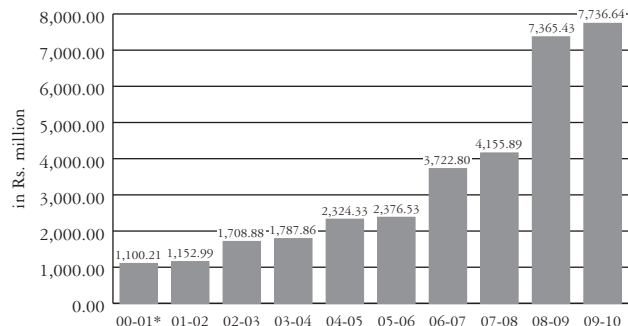


## Key metrics 2000–2010

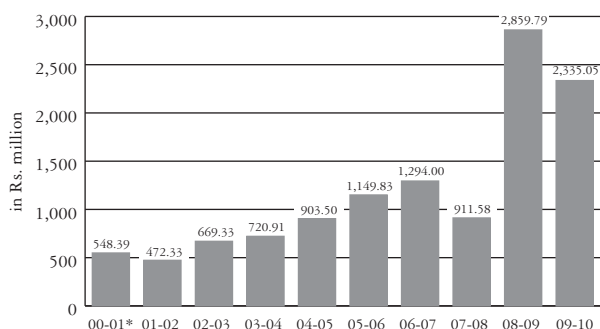
### Operating revenue



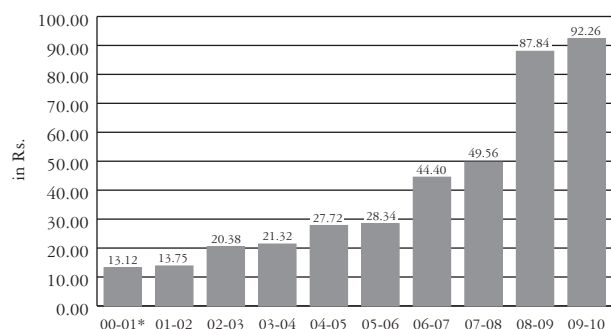
### Net income



### Economic Value Added

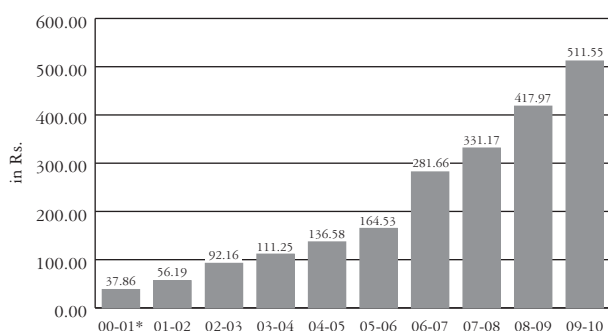


### Earnings Per Share



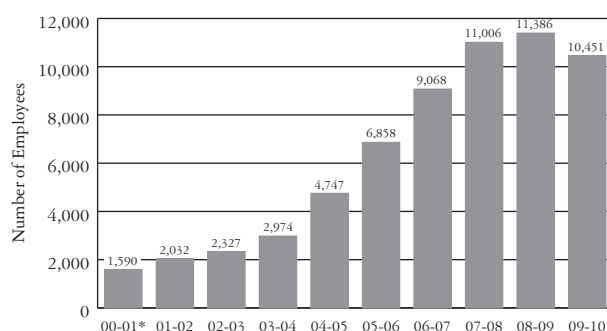
Earnings per share is computed on the equity capital base of 83,854,857 shares as on March 31, 2010

### Book value

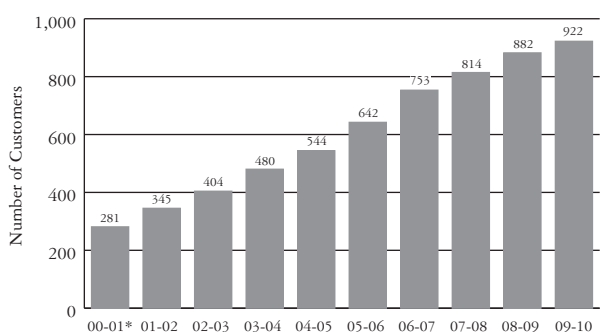


Book Value is computed on the equity capital base of 83,854,857 shares as on March 31, 2010

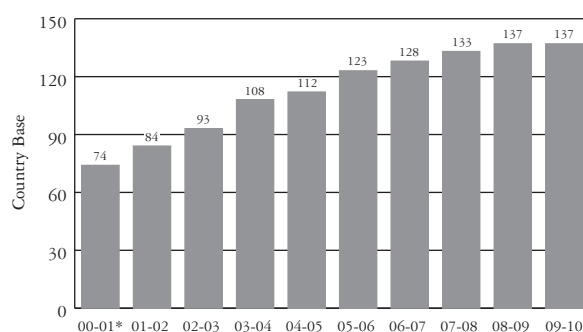
### Number of employees including subsidiaries



### Customers serviced



### Country presence



# Corporate information

## Oracle Financial Services Software

### Board of Directors

Derek H Williams  
Dorian Daley  
Frank Brienzi  
Joseph John (Whole-time Director)  
N R Kothandaraman (N R K Raman)  
(Managing Director and CEO)  
Tarjani Vakil  
William Corey West  
William T Comfort, Jr. (Chairman)  
Y M Kale

### Senior Management

#### Executive Vice Presidents

V Shankar  
Kishore Kapoor

#### Senior Vice Presidents

Atul Gupta  
Vikram Gupta  
Manmath Kulkarni  
S Hariharan  
S Sundararajan  
Sajal Mukherjee  
Vijay Sharma  
Vivek Govilkar  
R Narasimhan  
Kapil Gupta

#### Vice Presidents

A Srinivasan  
Abhik Ray  
Ajay Bhatia  
Anand Pitre  
Ashit Shah  
Bharat B Mehta  
Bhaskar Jayaraman  
Bimal Gupta  
Buddhadeb Das Gupta  
Chandrasekaran Balsubramanian  
Dinakar Kuntadi Kini  
Dinesh Shetty  
Don Ganguly

G Narasimhan  
Ganesh Ramakrishnan  
George Thomas  
Girish Chhatpar  
H S Teji  
Jambu Natarajan  
Junichi Kohara  
K Kochappan Davis  
K Laxminarayan  
K Surya  
Karthick R Prasad  
Kiran Narsu  
K Sanjay Iyer  
Laura Balachandran  
Loganathan Damodaran  
M Ravikumar  
Madhukar Harbanslal Kapoor  
Mahesh Rao  
Rajesh Makhija  
Manoj Narayan Kulkarni  
Meenakshy Iyer  
Mini S Muralidhar  
Mohan Bhatia  
Mustafa Moonim  
Naveen Grover  
Nikos G Goutsoulas  
O'Laughlin Patrick T  
P Prasannavadanan  
P Suresh Kumar  
Peter Martin Hill  
Pradeep Godbole  
R Ramamurthi  
Rajendra Potdar  
Ranjan Roy  
Ravi Mahadevan  
Ravi Pandit  
Ravikumar V  
Salmon Seth P  
Sanjay Bajaj  
Sanjay V Deshpande  
Sanjeet Prakash Rao  
Shahab Alam  
Sivaramakrishnan G  
Sridhar Ramachandran  
Sunder Annamraju

Surendra Shukla  
Tejus Sheth  
Teresa O'Leary  
Thomas Mathew  
Uttam Gadkary  
V Srinivasan  
V Srivatsan  
Varun Rajpal  
Venkata Subramanian  
Vijay Alexander  
Vinayak Hampihallikar

### 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

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

1st floor, 'C' Building  
Shah Industrial Estate  
Saki-Vihar Road, Andheri (East)  
Mumbai 400072 Maharashtra, India

Lohia Jain IT Park  
Paud Road, Kothrud  
Pune 411029 Maharashtra, India

Oracle Park  
Ambrosia  
Pune 411021 Maharashtra, India

Pride Silicon Plaza  
2nd Floor  
Senapati Bapat Road  
Pune 411053 Maharashtra, India

9A, Ambrosia  
Bavdhan Khurd  
Taluka Mulshi  
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

RMZ NXT  
Campus 1, Block B, 3rd Floor  
EPIP Zone, Whitefield  
Bangalore 560066 Karnataka, India

Global Axis  
Plot # 152/1, EPIP Zone  
Whitefield  
Bangalore 560066 Karnataka, India

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

Green 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

## Subsidiary Offices–India

Oracle (OFSS) ASP Private Limited  
(Formerly known as Flexcel International Private Limited)  
Plot No. 24 – 25, Street No. 9  
Behind Hotel Tunga Paradise  
MIDC, Andheri (East)  
Mumbai 400093 Maharashtra, India

Oracle (OFSS) Processing Services Limited  
(Formerly known as i-flex Processing Services Limited)  
399, Subhash Road  
Vile Parle (East)  
Mumbai 400057 Maharashtra, India

SDF-1, Unit 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

## Subsidiary Offices–Asia Pacific

Oracle Financial Services Software (Shanghai) Limited  
11th Floor, China Life Tower  
No. 16 Chao Wai Dajie  
Beijing 100020, China

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

## Offices

Room 806, Central Plaza  
No. 227 HuangPi Road North  
Shanghai 200003, China

1st Floor, Incubator Building 2-A  
No. 2 Beijing Zhongguancun Software Park  
Haidian District Dong Bei Wang  
Beijing, China

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

3/F Samhwa Building  
Samsung-dong  
Kangnam-Gu  
Seoul, South Korea

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

Suite 38.01-04 Level 38 Menara Citibank  
165 Jalan Ampang  
Kuala Lumpur 50450, 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  
Bloomington, MN 55437

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

1250 Hancock Street  
Quincy, Massachusetts 02169

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

Mantas Inc.  
13650 Dulles Technology Drive, Suite 100  
Herndon, VA 20171 USA

Oracle Financial Services Software, Inc.  
145 King Street West  
Suite 500  
Toronto, Ontario M5H 1J8, Canada

### **Subsidiary Office–Mauritius**

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

### **Offices**

i-flex Processing Services Inc.  
17682, Mitchell North, Suite 201  
Irvine  
CA 92614 USA

Oracle (OFSS) BPO Services Limited  
(Formerly known as Equinox Global Services Limited)  
A-16/9, Poorvi Marg  
Vasant Vihar  
New Delhi 110057

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

# Directors' report

## Financial year 2009-2010

Dear Members,

The Directors are delighted to present their report on the business and operations of your Company along with the Annual Report and audited financial statements for the financial year 2009–2010.

### Financial highlights

As per Indian GAAP Unconsolidated financial statements:

	(All amounts in millions of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Revenue	22,434.70	22,126.23
Income from operations before depreciation & amortization	8,530.50	6,537.37
Depreciation & amortization	(374.10)	(428.41)
Interest/other income (expenses)	(682.72)	1,682.86
Exceptional item	–	(468.90)
Income before taxes	7,473.68	7,322.92
Provision for tax	(865.19)	(365.80)
Net income	6,608.49	6,957.12
Balance brought forward	15,075.43	8,118.31
Profit available for appropriation	21,683.92	15,075.43
Appropriations	–	–
Balance carried forward	21,683.92	15,075.43

As per Indian GAAP Consolidated financial statements:

	(All amounts in millions of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Revenue	28,739.74	29,276.19
Income from operations before depreciation & amortization	10,281.02	7,754.79
Depreciation & amortization	(488.65)	(557.94)
Impairment loss	–	(291.05)
Interest/other income (expenses)	(856.17)	1,789.41
Exceptional item	–	(468.90)
Income before taxes	8,936.20	8,226.31
Provision for tax	(1,197.69)	(835.36)
Net income for the year before minority interest, share of profit (loss) of associate	7,738.51	7,390.95
Minority interest	(1.87)	(12.93)
Share of profit (loss) of associate	–	(12.59)
Net income	7,736.64	7,365.43

### Performance

On an unconsolidated basis, your Company's revenue grew to Rs. 22,434 million during the financial year 2009–2010 from Rs. 22,126 million last year. This represents a growth of 1.39%. The Company's net income dropped by 5.02% over the previous financial year and decreased to Rs. 6,608 million.

Revenue, on the basis of consolidated financials, stood at Rs. 28,740 million this year, a drop of 2% from Rs. 29,276 million as compared to the previous financial year. The net income increased to Rs. 7,737 million this year, an increase of 5%.

A detailed analysis of the financials is given in the Management Discussion and Analysis report that forms part of this Annual Report.

### Dividend

Your Company has plans to capitalize on the opportunities emerging from the current market conditions and needs to invest in business growth. Keeping this in view, the Board has decided not to declare a dividend for the financial year 2009-2010. 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 Rs. 21,683.92 million is proposed to be retained in the Profit & Loss Account.

## **Share capital**

During the year, the Company allotted 85,471 equity shares of face value of Rs. 5/- each to its employees/directors, who exercised their options under the Employee Stock Option Plan. As a result, as on March 31, 2010, the paid up equity share capital of the Company increased to Rs. 419,274,285/- divided into 83,854,857 equity shares of face value of Rs. 5/- each.

## **Oracle's holding in the Company**

As of March 31, 2010, Oracle Global (Mauritius) Limited held 67,481,698 equity shares (80.47% of the equity capital) of the Company.

## **Directors**

Mr. Y M Kale 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. Tarjani Vakil is liable to retire by rotation at the ensuing Annual General Meeting and has not offered herself for re-appointment.

Mr. Rajesh Hukku has taken a broader role at Oracle Corporation as Chief Strategy Officer, Financial Services. Mr. R Ravisankar has been promoted to Chief Operating Officer, Oracle Financial Services Global Business Unit. Both of them have resigned from the Board of Directors of the Company with effect from April 29, 2010. Mr. Charles Phillips resigned from the Board of Directors of the Company with effect from July 22, 2010. The Board places on record its appreciation for the contributions made by Mr. Rajesh Hukku, Mr. R Ravisankar and Mr. Charles Phillips as members of the Board.

Pursuant to Section 260 of the Companies Act, 1956, Mr. Frank Brienzi, General Manager, Oracle FSGBU and Mr. Joseph John, Executive Vice President, Banking Products Division of the Company were appointed as Additional Directors of the Company on April 29, 2010. Mr. William Corey West, Senior Vice President, Corporate Controller and Chief Accounting Officer, Oracle Corporation was appointed as an Additional Director of the Company on July 22, 2010. 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. Frank Brienzi, Mr. Joseph John and Mr. William Corey West for the office of a Director.

Pursuant to the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956, Mr. Joseph John was appointed as Whole-time Director of the Company for a period of three years i.e. from April 29, 2010 to April 28, 2013. Mr. Joseph John 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, 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 part of the Annual Report.

The Board recommends to the members the resolutions for re-appointment of Mr. Y M Kale and Mr. William T Comfort, Jr. as Directors of the Company. The Board also recommends the appointment of Mr. Frank Brienzi, Mr. Joseph John and Mr. William Corey West as Directors. It further recommends the appointment and remuneration payable to Mr. Joseph John as Whole-time Director of the Company and revision in remuneration payable to Mr. N R K Raman, Managing Director of the Company.

## **Infrastructure**

During the year, your Company made the following changes to its infrastructure:

### **Bangalore**

We rationalized our facilities in Bangalore and surrendered one floor (2nd Floor) of our RMZ office on August 3, 2009.

Your Company has obtained SEZ approval for the Global Axis office, on March 29, 2010. This office covers an area of about 1 million sq. ft. and is coming up at Bangalore.

### **Pune**

Renovation work is in progress at Ambrosia owned premises. It has an area of 360,000 sq. ft. and a portion of this office is expected to be ready for occupation by the end of July 2010.

### **Chennai**

We have taken new office premises on lease at Chennai – Green Valley Shelters (GVS), w.e.f. February 1, 2010 for a 3 year lease period.

We have de-leased our NGM premises w.e.f. May 31, 2010 and all our staff from Nungambakkam have moved to the GVS office premises.

### **Corporate developments**

To reflect the close strategic and operational alignment within the Company, the names of the following subsidiary companies were changed during the year from:

- 'Equinox Global Services Limited' to "Oracle (OFSS) BPO Services Limited" w.e.f. March 9, 2010
- 'i-flex Processing Services Limited' to "Oracle (OFSS) Processing Services Limited" w.e.f. March 19, 2010
- 'Flexcel International Private Limited' to "Oracle (OFSS) ASP Private Limited" w.e.f. March 22, 2010

### **Global alliances**

Your Company attaches great importance to building and expanding its partner network with organizations, 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 CIS, 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, Oracle Reveleus, Oracle Mantas and Oracle Daybreak. We have also begun the migration of your company's partner network to the Oracle Partner Network (OPN). 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, the 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, Director's Report and the Report of the Auditors (collectively referred to as 'the accounts and reports'), of its subsidiaries for the year ended March 31, 2010. Since the Company presents audited consolidated financial statements under Indian GAAP in its Annual Report, the Company had applied to the Central Government for an exemption from attaching the accounts and reports of its subsidiaries to the Annual Report. The approval of the Central Government in this regard has been received vide letter no. 47/272/2010-CL-III dated April 20, 2010 exempting the Company from attaching the accounts and reports of subsidiary companies under the provisions of Section 212 of the Act. As such, the accounts and reports of the subsidiary companies are not attached to the Annual Report of the Company.

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](http://www.oracle.com/financialservices).

### **Fixed deposits**

During the financial year 2009-2010, 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 applicable mandatory provisions of 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.

A certificate from the Managing Director and Chief Financial Officer of the Company confirming internal controls and checks pertaining to financial statements for the year ended March 31, 2010 was placed before the Board of Directors and the Board has noted the same.



A list of the committees of the Board and names of their members as on March 31, 2010 is given below.

The scope of each of these committees and other related information are detailed in the enclosed Corporate Governance Report.

#### **Audit committee**

Mr. Y M Kale (Chairman)  
Mr. William T Comfort, Jr.  
Ms. Tarjani Vakil

#### **Compensation committee**

Mr. William T Comfort, Jr. (Chairman)  
Mr. Y M Kale  
Mr. Charles Phillips

#### **Transfer committee**

Ms. Tarjani Vakil (Chairperson)  
Mr. Makarand Padalkar

#### **ESOP allotment committee**

Ms. Tarjani Vakil (Chairperson)  
Mr. Makarand Padalkar

#### **Shareholders' grievances committee**

Ms. Tarjani Vakil (Chairperson)  
Mr. Makarand Padalkar

#### **Allotment of ESOP shares**

The members of the Company had approved the Employees Stock Option Scheme (ESOP) of the Company in its Annual General Meeting of 2001. According to the said scheme, the Company has granted shares to eligible employees/directors from time to time. The details are given below:

Financial year	Total number of Options granted
2001–02	4,548,920
2002–03	80,000
2003–04	36,000
2004–05	60,000
2005–06	10,000
2006–07	373,000
2007–08	Nil
2008–09	Nil
2009–10	Nil
Total	5,107,920
Pricing formula	At the market price as on the date of grant
Options vested at the end of the financial year 2009–2010	141,382
Options exercised during 2009–2010	85,471
Total number of shares arising as a result of exercise of options during 2009–2010	85,471
	Options lapsed
2002–03	129,520
2003–04	112,500
2004–05	82,200
2005–06	87,600
2006–07	46,600
2007–08	35,900
2008–09	60,455
2009–10	21,000
Total	575,775
Variation of terms of options	None
Money realized by exercise of options during the financial year 2009–2010	Rs. 70,015,083
Total number of options in force	242,382

Employee-wise details of options granted during the financial year ended March 31, 2010 to:

	Number of Options
i. Director	Nil
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	Rs. 78.72



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

	March 31, 2010
Net income as reported	6,608,488
Less: Compensation expense determined using fair value of options	(5,659)
Proforma net income	6,602,829
Basic income per share:	
As reported	78.87
Proforma	78.80
Diluted income per share:	
As reported	78.72
Proforma	78.65

All stock options under the 2002 Employee Stock Option Plan 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 (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is not applicable.

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

	Year ended March 31, 2010	
	Shares arising from options	Weighted average exercise price (Rs.)
Outstanding at beginning of year	348,853	1,075
Exercised	(85,471)	819
Forfeited	(21,000)	1,232
Outstanding at end of the year	242,382	1,152

## 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 of consolidation of our resources. Your Company continued to focus on productivity instead of investing in additional manpower. Our total manpower showed a little dip from the total staff strength from 11,386 by the end of March 2009 to 10,451 by end of March 2010.

## Corporate Social Responsibility

An initiative to support children, originally rolled out as "i-flex for children", is in its eighth 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.

A wide range of activities were supported during fiscal year 2009-2010, including construction of additional facilities at schools and hospitals, scholarships for children with special needs and procuring buses to special need schools. For the past 4 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:

- In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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;
- 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;
- 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 office, if re-appointed.

## Auditors' Report

With regard to the Auditors' comment in the CARO report concerning delays in payment of a few tax payment, 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.
- ii. Based on the opinion of tax experts and learned counsel, the Company has accrued for service tax liability on import of 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. 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 Rs. 2.82 Crore. The Company and the employees ensure tax compliance in such countries as advised by the tax consultants.

## 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 on foreign exchange earnings and outgo are furnished hereunder:

### i. Conservation of energy and technology absorption:

We believe in providing cutting edge technology to our users, to enhance their productivity and performance. Oracle Financial Services Software endeavors to fulfill its responsibility towards a green environment. We are an environmentally responsible company and some of our key technology initiatives to protect the environment are presented below:

**Virtualization:** It is commonly observed that a large number of servers frequently run with underutilization of processing capability. Virtualization, leads to abstraction of resources. It helps in increasing operational efficiency by consolidating several physical servers onto one logical machine. Running multiple machines on one server increases capacity utilization, reduces power usage and related maintenance expenditure. With extensive adoption of Virtualization technology, the Company has made substantial savings in power consumption of up to 50%.

**Printer Control:** As a part of the "Go Green" campaign at Oracle, the Company has adopted practices such as monitoring of printer usage and the automation of various activities to optimize paper usage. We have already reduced printing consumption by almost 40%.

Our Company has also implemented green technologies such as intelligent lighting in datacenter, water and paper recycling, investment on power saving equipments etc. to ensure eco-friendly operations at various levels. The significance of conserving our environment is also conveyed periodically to employees through mailers and posters to elicit their active participation in this cause and to raise their awareness levels.

### ii. Foreign exchange earnings and outgo:

(All amounts in millions of Indian Rupees)	
Foreign Exchange Earnings*	21,653.79
Foreign Exchange Outgo (Including capital goods & other expenditure)	6,014.87

\* Excluding reimbursement of traveling expenses and interest income.

## Prospects

With the change in the economic environment over the last 24 months, banks have reviewed their IT investments to realign them to address new business priorities. We see continued demand for core banking applications as banks expand by buying the assets of other banks, establish presence in new countries and standardize applications across regions. Banks have also sought centralization of banking services such as account opening and origination of credit. They want to do so to improve their service levels and productivity and gain greater control over processes that are coming under increasing regulatory scrutiny.

Banks have worked hard to regain public trust. This declined after the recent downturn and in turn reduced transactions and floating capital making the financial system less efficient. Banks want the right technology to help them enhance security, improve risk and liquidity management, stress testing as well as process measurement and improvement.

Banks are evolving into intelligent investors who make informed decisions based on the business benefits that accrue from technology investments. Some of the more aggressive banks have experimented and successfully delivered new business services in their markets by leveraging technology. Such banks have completely differentiated themselves from competition and delivered a better banking experience to their customers. The next generations of these services are being actively considered by many existing Oracle customers as applications and technologies that are offered pre-integrated rather than implemented at the bank's location.

Your company has continued to invest in Oracle FLEXCUBE to address these emerging needs and help our customers achieve excellence through the effective use of information technology. Oracle FLEXCUBE 11.0 was announced in January 2010 to address important and evolving requirements of banks around the globe.

Evolving regulations around Liquidity Risk, Stress Testing and Credit Risk continue to contribute to increasing traction at Tier 1 banks for our products. Over the past 12 months financial institutions have exhibited renewed interest in finance, risk and performance applications and in aligning these three areas to deliver better and more meaningful results. Risk Adjusted Performance Measurement (RAPM) that makes such alignment possible has received greater attention from regulators and from the boards of many banks.

Capital reform is another area of focus for regulators. A key element of effective capital reform is better and more comprehensive adaptation of capital requirements to risks. The rules surrounding the Internal Capital Adequacy Assessment Process (ICAAP), Pillar 2 of Basel II, mandate financial institutions to develop internal procedures and systems to ensure that they possess adequate capital resources in the long term taking in to consideration all material risks.

Many countries have also revised fraud and financial crime regulations to protect their consumers. The increasing sophistication of fraudulent activity continues to force financial institutions to be on guard when it comes to fighting financial crime. In addition, regulators in Asia, Africa and Latin America have also published guidelines asking financial institutions to comply with Anti Money Laundering regulations over the next 24-36 months.

After an intense review of the financial events of 2008-2009, regulators have asked banks to align their internal processes to safeguard customer interest and avoid past failures in investment transactions. Capital markets around the world are witnessing increased activity post recession and a greater probability of fraud. Changes in the investment-banking environment have contributed to the increased adoption of broker compliance and trading compliance solutions. Financial institutions will also have to comply with energy trading compliance mandates from regulators as these markets have proved to be very volatile in the past.

We have created a complete and fully integrated portfolio of analytical applications covering enterprise risk, regulatory compliance, performance management and customer insight. It is built on a shared analytical infrastructure consisting of a unified financial services data model, shared analytical computations and the industry leading Oracle Business Intelligence platform.

IT services in leading markets are consolidating and are becoming more price sensitive. However, the use of these services has expanded as the pressure has spread to Tier 2 and Tier 3 banks to remain cost effective. Financial institutions continue to look at ways to maximize efficiency and rationalize their IT infrastructure usage. Customers are leveraging our service offerings to gain unmatched competitive advantage for their businesses.

## **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 22, 2010

# Corporate governance report

The detailed report on Corporate Governance of Oracle Financial Services Software Limited for the financial year ended 2009–2010 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 recognized 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, 2010, was as given below.

Name	Designation	Category	Directorships in other Companies	Chairpersonship of Committees <sup>4</sup> of Boards of other Companies	Membership of Committees <sup>4</sup> of Boards of other Companies
Mr. William T Comfort, Jr.	Chairman	Non-Executive, Independent Director	5	Nil	Nil
Ms. Dorian Daley <sup>1</sup>	Director	Non-Executive, Non-Independent Director	22	Nil	Nil
Mr. Rajesh Hukku <sup>2</sup>	Director	Non-Executive, Non-Independent Director	Nil	Nil	Nil
Mr. Y M Kale	Director	Non-Executive, Independent Director	6	Nil	Nil
Mr. Charles Phillips <sup>3</sup>	Director	Non-Executive, Non-Independent Director	2	Nil	1
Mr. N R Kothandaraman (N R K Raman)	Managing Director	Executive, Non-Independent Director	4	Nil	Nil
Mr. R Ravisankar <sup>2</sup>	Vice Chairman	Executive, Non-Independent Director	6	Nil	Nil
Ms. Tarjani Vakil	Director	Non-Executive, Independent Director	8	3	3
Mr. Derek H Williams	Director	Non-Executive, Non-Independent Director	1	1	Nil

<sup>1</sup> Ms. Dorian Daley was appointed as a Director in the Annual General Meeting of August 25, 2009. All her other directorships are in Foreign Companies.

<sup>2</sup> Mr. Rajesh Hukku and Mr. R. Ravisankar ceased to be Directors with effect from April 29, 2010.

<sup>3</sup> Mr. Charles Phillips ceased to be Director with effect from July 22, 2010.

<sup>4</sup> Only the Audit Committee and Shareholders' Grievances Committee are considered.

Mr. Frank Brienzi and Mr. Joseph John were appointed as Additional Directors with effect from April 29, 2010. Mr. Joseph John was appointed as a Whole-time Director with effect from April 29, 2010. Mr. William Corey West was appointed as an Additional Director with effect from July 22, 2010.

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

The Company holds regular Board Meetings. 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 2009–2010, five Board Meetings were held on the following dates:

May 15, 2009, July 30, 2009, August 25, 2009, October 30, 2009, January 29, 2010.

The attendance of the Directors at the Board Meetings and the Annual General Meeting held during the financial year 2009–2010 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/video conference	
Mr. William T Comfort, Jr.	5	4	1	Yes
Ms. Dorian Daley <sup>1</sup>	3	1	2	Yes
Mr. Rajesh Hukku	5	3	2	Yes
Mr. Y M Kale	5	5	—	Yes
Mr. Charles Phillips	4	1	3	Yes
Mr. N R K Raman	5	5	—	Yes
Mr. R Ravisankar	5	3	2	Yes
Ms. Tarjani Vakil	5	5	—	Yes
Mr. Derek H Williams	5	2	3	Yes

<sup>1</sup> Ms. Dorian Daley was appointed as a Director on August 25, 2009.

## 2.3 Details of other directorships

Details of the directorships of the Company's Directors in other companies as on March 31, 2010 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
Ms. Dorian Daley	BEA Crossgain International BEA International BEA Systems Ireland Holding Limited Eontec Limited J.D. Edwards Europe Limited Netsure Telecom Limited OCAPAC Distributor 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 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 Ltd.
Mr. Rajesh Hukku	—
Mr. Y M Kale	Ashok Leyland Limited Gulf Oil Marine Limited Hinduja Foundries Limited Hinduja General Insurance Company Limited Hinduja Life Insurance Company Limited IndusInd Bank Limited
Mr. Charles Phillips	Oracle Corporation Viacom Inc.
Mr. N R K Raman	ISP Internet Mauritius Company Oracle Financial Services Software America Inc. Oracle Financial Services Software Inc. Oracle Financial Services Software SA

Name of the Director	Other directorships
Mr. R Ravisankar	Castek inc. Castek RBG Inc. Castek Software Factory Limited Mantas Inc. Oracle Financial Services Software America Inc. Oracle Financial Services Software Inc.
Ms. Tarjani Vakil	Aditya Birla Nuvo Limited Aditya Birla Trustee Company Private Limited Alkyl Amines Chemicals Limited Asian Paints Limited Birla Sun Life Insurance Company Limited DSP BlackRock Trustee Company Private Limited Idea Cellular Limited Mahindra Intertrade Limited
Mr. Derek H Williams	Nihon Oracle Kabushiki Kaisha

## 2.4 Details of memberships of Board Committees

None of the Directors of the Company hold memberships of more than ten committees nor is any Director a Chairperson of 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 Companies of which they are members as on March 31, 2010 are given below:

Name of the Director	Audit Committee		Shareholders’ Grievances Committee	
	Chairperson	Member	Chairperson	Member
Mr. William T Comfort, Jr.	—	1	—	—
Ms. Dorian Daley <sup>1</sup>	—	—	—	—
Mr. Rajesh Hukku	—	—	—	—
Mr. Y M Kale	1	—	—	—
Mr. Charles Phillips	—	1	—	—
Mr. N R K Raman	—	—	—	—
Mr. R Ravisankar	—	—	—	—
Ms. Tarjani Vakil	3	4	1	—
Mr. Derek H Williams	1	—	—	—

<sup>1</sup> Ms. Dorian Daley was appointed as a Director on August 25, 2009.

## 2.5 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. Y M Kale

Mr. Y M Kale, born on November 4, 1947, was President of the Institute of Chartered Accountants of India (1995 – 1996) and is also a fellow member of the Institute of Chartered Accountants of England and Wales. He has contributed to various governmental and regulatory bodies such as the Securities and Exchange Board of India, the Committee of Offer Documents, the Committee of Takeovers and the Committee on Accounting for Corporates. He has participated as a member of the group for the Introduction of Concurrent Audit of Banks, which was organized by the Reserve Bank of India. He was also a member of the National Drugs and Pharmaceutical Development Council of the Government of India. He was also on the Board of the International Accounting Standards Committee from 1995 to 1998 as India’s representative.

Mr. Kale does not hold any equity shares 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 honored 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. 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 2002 and was appointed as Chairman of its Board of Directors on March 24, 2009.

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

## **2.6 Brief resume of Directors proposed to be appointed at the ensuing Annual General Meeting of the Company**

**Mr. Frank Brienzi**

Mr. Frank Brienzi, born on February 25, 1962, is Senior Vice President and General Manager of Oracle's Financial Services Global Business Unit. He brings more than 25 years of financial services experience and expertise to his role at Oracle.

Mr. Brienzi began his career with EDS in 1984, as part of the financial services strategic business unit responsible for large-scale banking and insurance development, sales and account management. For the past 15 years, he was a managing partner at Accenture, helping to grow their global financial services business and leading Accenture's Application Outsourcing practice in North America, Asia Pacific, Europe, Africa and Latin America.

Mr. Brienzi has written several articles for major magazines including Forbes and InformationWeek. He currently serves on the board of Aidmatrix and is Vice-Chairman for NPower, Texas. He is an active member in United Way programs and Stonebriar Community Church.

Mr. Brienzi holds double majors in mathematics and management information systems from the University of Northern Colorado.

Mr. Brienzi does not hold any equity shares of the Company as on date.

**Mr. Joseph John**

Mr. Joseph John, born on December 15, 1957, is a member of the board of directors and head of the banking products division of Oracle Financial Services Software Limited. He is responsible for the development, implementation and support for the Oracle FLEXCUBE suite of products.

Mr. John joined Oracle Financial Services Software Limited (then a part of Citicorp Overseas Software Limited) in 1988, where he undertook wide-ranging Business Process Reengineering and Software Project Management assignments for customers in North America and Europe. Since 1992, he has been spearheading the product development strategy of the Company. He was product development head for its product MicroBanker, and thereafter headed the Banking Products Division, which is responsible for product development, consulting, and support of its flagship product Oracle FLEXCUBE, which is deployed in over 125 countries.

Prior to his tenure at Oracle, he was part of the software division at International Data Management.

Mr. John holds a bachelors degree in Engineering.

Mr. John holds 36,650 equity shares of the Company as on date.

**Mr. William Corey West**

Mr. William Corey West, born on May 4, 1962, is Senior Vice President, Corporate Controller and Chief Accounting Officer of Oracle Corporation. He brings more than 25 years of finance, accounting and executive management experience and expertise to his role at Oracle.

Mr. West began his career with Arthur Andersen in 1984, as part of the accounting and audit practice. He served clients in a variety of industries for 14 years and left Arthur Andersen in 1998 as a partner. After leaving Arthur Andersen he worked in finance, accounting and executive management positions at RPC, Adecco, Cadence Design Systems, The Gap and Intuit. Mr. West joined Oracle Corporation on April 2, 2007.

Mr. West graduated from the University of Washington in December 1984 with a bachelor's degree in business, accounting and finance concentration.

Mr. William Corey West does not hold any equity shares of the Company as on date.

### **3. Audit committee**

#### **3.1 Primary objectives and powers of the Audit Committee**

The primary objective of the 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 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 function.
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, 2010 was as follows:

Mr. Y M Kale	Chairman, Non-Executive, Independent Director
Mr. William T Comfort, Jr.	Member, Non-Executive, Independent Director
Ms. Tarjani Vakil	Member, Non-Executive, Independent Director

### 3.4 Meetings and attendance

During the Financial Year 2009–2010, six meetings of the Committee were held on April 22, 2009, May 15, 2009, July 28, 2009, August 25, 2009, October 29, 2009, and January 28, 2010.

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

Name	Number of meetings attended	
	In person	On phone
Mr. Y M Kale	6	–
Mr. William T Comfort, Jr.	4	2
Ms. Tarjani Vakil	6	–

The auditors of the Company were invited for the meetings.

### 3.5 Audit committee's recommendations

The Committee reviewed the financial results of the Company prepared in accordance with Indian GAAP (including consolidated results) as at and for the quarters ended June 30, 2009, September 30, 2009 and December 31, 2009 as also for the year ended March 31, 2010 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 2010–2011.

The Committee also recommended the re-appointment of M/s. Axis Risk Consulting Pvt. Ltd. as the internal auditors of the Company to conduct the internal audit for the financial year 2010–2011.

The Committee reviewed Internal Auditors' reports and related reports on actions taken, risk management policies, compliance with the clause 49 of the Listing Agreement, 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 Plan 2002, reviews performance appraisal criteria and sets norms for ESOP allocation.

## 4.2 The Composition of the Committee

The Composition of Compensation Committee as on March 31, 2010 was as follows:

Mr. William T Comfort, Jr.	Chairman, Non-Executive, Independent Director
Mr. Y M Kale	Member, Non-Executive, Independent Director
Mr. Charles Phillips	Member, Non-Executive, Non-Independent Director

## 4.3 Meeting and attendance

During the year, one meeting of the Committee was held on August 25, 2009 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 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 at the members' meetings.

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 2009-2010 are as follows:

Name of Director	ESOPs granted under ESOP Plan during the year	Commission paid (Rs. '000)	Salary (Rs. '000)	Contribution to PF (Rs. '000)	Total Amount paid (Rs. '000)
Mr. William T Comfort Jr.	—	—	—	—	—
Ms. Dorian Daley <sup>1</sup>	—	—	—	—	—
Mr. Rajesh Hukku	—	—	—	—	—
Mr. Y M Kale	—	1,200	—	—	1,200
Mr. Charles Phillips	—	—	—	—	—
Mr. N R K Raman	—	—	21,422	477	21,899
Mr. R Ravisankar	—	—	—	—	—
Ms. Tarjani Vakil	—	900	—	—	900
Mr. Derek H Williams	—	—	—	—	—
Total	—	2,100	21,422	477	23,999

<sup>1</sup> Ms. Dorian Daley was appointed as a Director on August 25, 2009.

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.

During the financial year 2009-2010, Mr. N R K Raman, the Managing Director of the Company was paid remuneration within the limits envisaged in the Companies Act, 1956. Non-executive, Independent Directors of the Company were paid remuneration by way of commission as approved by the Board of Directors/shareholders of the Company subject however to the condition that the commission shall not exceed 1% of the net profits of the Company for all the Non-executive Directors in aggregate in one financial year.

There were no sitting fees and/or perquisites paid to the Directors during the financial year 2009-2010 except as stated above.

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

Name of Director	Scheme	Options outstanding as at March 31, 2010	Options exercised during the year	Grant price (Rs.)	Expiry Date	Equity shares held as at March 31, 2010
Mr. William T Comfort Jr.	N.A.	—	—	N.A.	N.A.	—
Ms. Dorian Daley <sup>1</sup>	N.A.	—	—	N.A.	N.A.	—
Mr. Rajesh Hukku	ESOP 2002	—	—	265.00	N.A.	676,524
Mr. Y M Kale	ESOP 2002	—	—	418.92	N.A.	—
Mr. Charles Phillips	N.A.	—	—	N.A.	N.A.	—
Mr. N R K Raman	ESOP 2002	—	—	265.00	N.A.	80,000
Mr. R Ravisankar	ESOP 2002	—	—	265.00	N.A.	274,272
Ms. Tarjani Vakil	ESOP 2002	—	2,000	559.60	N.A.	9,400
Mr. Derek H Williams	N.A.	—	—	N.A.	N.A.	—

<sup>1</sup> Ms. Dorian Daley was appointed as a Director on August 25, 2009.

The above options were issued at Fair Market Value 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.

## 5. Shareholders' grievances committee

### 5.1 Composition of the Committee

The composition of Shareholders' Grievances Committee as on March 31, 2010 was as follows:

Ms. Tarjani Vakil	Chairperson, 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, dematerialization and rematerialization of shares and other share related activities.

During the year, three meetings of the Committee were held on May 13, 2009, October 29, 2009 and January 20, 2010.

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

Name	Number of meetings attended
	In person
Ms. Tarjani Vakil	3
Mr. Makarand Padalkar	3

## 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 5000
Fax	+ 91-22-2831 5593
e-mail	hoshi.bhagwagar@oracle.com

## 7. Details of shareholders' complaints received, resolved during the financial year 2009–2010

Sr. No.	Nature of Complaints	Opening Balance	Received	Cleared	Pending
1	Non receipt of warrant	—	2	2	—
2	Non receipt of certificate	—	—	—	—
3	Non receipt of demat credit/ rejections	—	2	2	—
4	SEBI/Stock Exchange/Ministry of Corporate Affairs	—	—	—	—
5	Legal	—	—	—	—
6	Others	—	4	4	—
	Total	—	8	8	—

Number of pending share transfers as on March 31, 2010 – Nil

## 8. Transfer Committee

The composition of the Transfer Committee as on March 31, 2010 was as follows:

Ms. Tarjani Vakil	Chairperson, Non-Executive, Independent Director
Mr. Makarand Padalkar	Chief Financial Officer

During the year, six meetings of the Committee were held on May 13, 2009, July 30, 2009, October 29, 2009, December 3, 2009, January 20, 2010 and February 19, 2010.

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

Name	Number of meetings attended
	In person
Ms. Tarjani Vakil	6
Mr. Makarand Padalkar	6

## 9. ESOP Allotment Committee

The composition of the ESOP Allotment Committee as on March 31, 2010 was as follows:

Ms. Tarjani Vakil	Chairperson, Non-Executive, Independent Director
Mr. Makarand Padalkar	Chief Financial Officer

During the year, three meetings of the Committee were held on December 3, 2009, January 20, 2010 and February 26, 2010.

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

Name	Number of meetings attended
	In person
Ms. Tarjani Vakil	3
Mr. Makarand Padalkar	3

## 10. General body meetings

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

Financial Year	Venue	Date	Time
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.
2006–2007	InterContinental The Grand Mumbai Sahar Airport Road, Andheri (East), Mumbai 400059	August 24, 2007	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
2008-09	Tuesday, August 25, 2009 At 3.00 p.m.	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	No special resolution was passed.
2007-08	Friday, August 22, 2008 At 3.00 p.m.	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059	No special resolution was passed.
2006-07	Friday, August 24, 2007 At 3.00 p.m.	InterContinental The Grand Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400059	<ol style="list-style-type: none"> <li>1. Payment of commission to the Directors of the Company (excluding the Managing Director and Whole-time Directors), not exceeding in the aggregate one percent 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.</li> <li>2. Amendment to the '2002 Employees Stock Option Plan' of the Company providing that the eligible employees should bear or reimburse to the Company fringe benefit tax including related surcharge, cess, duty or any other levy, to the extent to which the Company is liable to pay the fringe benefit tax in relation to the value of fringe benefits provided to the eligible employee.</li> </ol>

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

Financial Year	Day, Date & Time	Venue	Gist of Special Resolution Passed
2008-09	Monday, August 11, 2008 At 3.00 p.m.	InterContinental The Grand Mumbai, Sahar Airport Road, Andheri (East), Mumbai 400059	<ol style="list-style-type: none"> <li>1. 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'.</li> </ol>

There were no EGMs held in the Financial Year 2006-07 and 2007-08.

**10.4 There were no matters requiring approval of the members through Postal Ballot in previous year.****10.5 No special resolution is 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 Scrutinizer 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**

- a. 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.
- b. The 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.

- c. With regard to the Initial Public Offer ("IPO") made by the Company in 2002, the office of the Registrar of Companies, Maharashtra at Mumbai ('the ROC') had vide its letters dated July 8, 2009 and July 13, 2009 sought information with regard to the utilization of IPO proceeds. The ROC also issued a show cause notice dated July 7, 2009 to the Company and its Directors and Officer alleging that the Company had utilized the IPO amount for giving loans to the subsidiary companies which was ultra virus against the object of the Prospectus and therefore violated the provisions of Section 62 of the Companies Act, 1956. The Company provided the required information to the ROC vide its letter dated August 17, 2009. The Company also responded to the show cause notice vide letter dated August 17, 2009, stating that it had not used the IPO funds for purposes other than those stated in the Prospectus and had thus not violated the provisions of Section 62 of the Act. The Company has not received any further communication in this regard since then.
- d. The Company has a Whistle Blower Policy which provides an avenue for employees to raise concerns about any violations of the Code of Conduct, incorrect or misrepresentation of any financial statements and reports, unethical behavior, etc. The policy provides adequate safeguards to employees reporting such violations to the Company. No employee has been denied access to the Audit Committee.
- e. The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the listing agreement 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.
- f. During the year, the Ministry of Corporate Affairs, Government of India, 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.

## **12. Means of communication**

During the Financial Year 2009-2010:

- The quarterly, half yearly and annual results of the Company were published in the widely circulated English and Marathi newspapers, such as The Economic Times and The Sakal.
- Company's quarterly financial results and press releases are posted on the Company's website [www.oracle.com/financialservices](http://www.oracle.com/financialservices)
- Detailed Management Discussion and Analysis Reports covering Indian GAAP un-consolidated and consolidated financials have been included in this Annual Report.
- The Company has also posted 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>. However, 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.
- Since January 2008, pursuant to new provisions contained in the listing agreement executed by the Company with BSE and NSE, 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, a Corporate Governance initiative of the Bombay Stock Exchange Limited.

### 13. General shareholder information

Annual General Meeting	
Day and Date	Wednesday, August 25, 2010
Time	3.00 p.m.
Venue	The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059
Financial Year	April 1, 2009 to March 31, 2010
Date of Book Closure	Saturday, August 21, 2010 to Wednesday, August 25, 2010 (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 2010–2011 have been paid to BSE and NSE.

The Company has paid Custodial fees for the year 2010–2011 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, 2010.

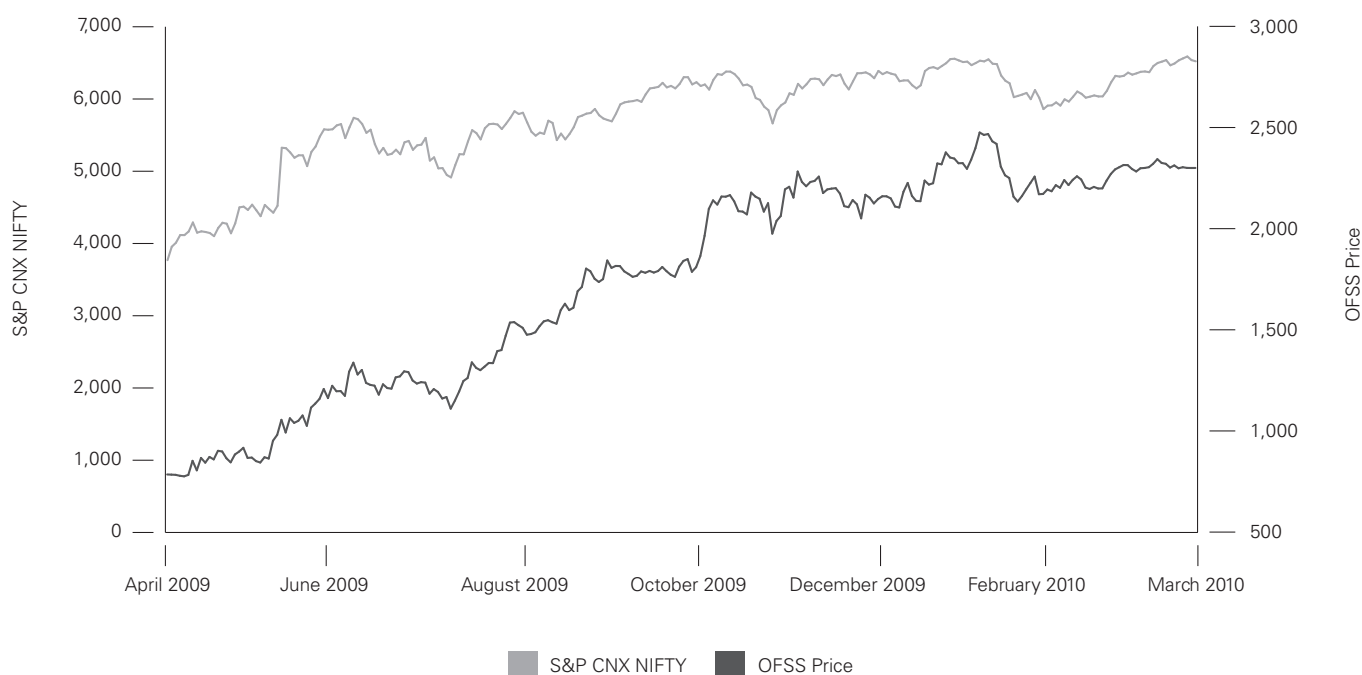
### 14. Market price data

Monthly high, low and volume of the shares of the Company traded on stock exchange from April 1, 2009 to March 31, 2010 are given below:

Month and Year	High (Rs.)	Low (Rs.)	Volume of Shares	High (Rs.)	Low (Rs.)	Volume of Shares
		BSE			NSE	
April 2009	950.00	742.00	1,082,562	950.00	731.00	2,415,676
May 2009	1,220.00	812.00	706,474	1,199.00	835.00	1,811,331
June 2009	1,365.00	1,153.15	402,314	1,375.00	1,152.25	1,452,380
July 2009	1,580.00	1,100.05	349,747	1,558.00	1,102.00	1,022,394
August 2009	1,826.00	1,460.00	489,061	1,823.60	1,460.00	1,566,029
September 2009	1,875.00	1,715.00	369,550	1,875.00	1,717.00	1,483,607
October 2009	2,250.00	1,772.00	947,471	2,250.00	1,772.30	3,294,783
November 2009	2,300.00	1,911.00	601,665	2,300.00	1,912.00	2,237,234
December 2009	2,364.70	2,043.00	550,259	2,357.30	2,042.05	2,497,438
January 2010	2,524.95	2,045.00	788,929	2,550.00	2,048.80	3,047,070
February 2010	2,301.00	2,099.00	382,303	2,299.00	2,075.00	1,798,517
March 2010	2,363.00	2,221.55	345,460	2,364.00	2,205.05	1,415,589

## Relative movement chart

The chart below shows the comparison of your Company's share price movement on NSE vis-à-vis the movement of the S&P CNX NIFTY for the year 2009–2010.



The chart below gives the relative movement of the closing prices of the Company's share and S&P CNX NIFTY relative to the closing prices since listing of our shares 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
Branch	203, Davar House, 197/199 D. N. Road, Fort, Mumbai 400001
Tel	+91-22-2269 4127

## 16. Physical share certificate transfer system

The Registrars and Transfer Agents ("the Registrar"), on receipt of transfer deed with respective share certificate(s), scrutinizes 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. The transfer register is placed before the Transfer Committee Meeting for approval, which meets at regular intervals.

During the last financial year Nil equity shares were transferred in physical mode.

## Secretarial Audit

A qualified practicing Chartered Accountant has carried out secretarial 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 capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## 17. Distribution of Shareholding as on March 31, 2010

Shares of nominal value of (Rs.)	Number of Shareholders	%	Share amount (Rs.)	% to Equity
UPTO 2,500	18,793	91.23	3,995,100	0.95
2,501 – 5,000	424	2.06	1,637,235	0.39
5,001 – 10,000	400	1.94	2,996,770	0.71
10,001 – 20,000	341	1.66	5,134,450	1.22
20,001 – 30,000	149	0.72	3,727,135	0.89
30,001 – 40,000	100	0.49	3,501,520	0.84
40,001 – 50,000	55	0.27	2,537,890	0.61
50,001 – 100,000	176	0.85	12,222,800	2.92
100,001 & ABOVE	160	0.78	383,521,385	91.47
Total	20,598	100.00	419,274,285	100.00

## 18. Shareholding per Category as on March 31, 2010

Category of shareholders	Number of shares	%
Promoters: Oracle Global (Mauritius) Limited	67,481,698	80.47
Mutual Funds/UTI	3,488,154	4.16
Financial Institutions/Banks	27,044	0.03
Insurance Companies	10,335	0.01
Foreign Institutional Investors	1,300,437	1.55
Bodies Corporate	641,085	0.76
Individuals-		
i. Holding nominal share capital upto Rs. 1 lakh	5,317,196	6.34
ii. Holding nominal share capital in excess of Rs. 1 lakh	2,397,565	2.86
Clearing Member	29,831	0.04
Market Maker	2,057	0.00
Foreign Nationals	22,000	0.03
NRI (Repatriate)	349,428	0.42
NRI (Non-Repatriate)	1,506,859	1.80
Overseas Corporate Bodies	800	0.00
Directors	1,040,196	1.24
Trust	219,826	0.27
HUF	20,346	0.02
Total	83,854,857	100.00

During the financial year 2009-2010:

1. The Company issued and allotted 85,471 equity shares to its employees/directors 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. Dematerialization 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, 2010, 98.51% 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, 2010 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, 2010 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, 2010, if any;
  - (ii) Significant changes in accounting policies during the financial year ended March 31, 2010, 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, 2010.

For Oracle Financial Services Software Limited

N R K Raman  
Managing Director and CEO

Makarand Padalkar  
Chief Financial Officer

May 7, 2010

# 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, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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 22, 2010

## Financials

Financial statements for the year ended March 31, 2010 prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) (Unconsolidated).





*"Jibun Bank and Oracle Financial Services Software demonstrated a remarkable degree of collaboration to implement the core banking project where both teams had to truly think out of the box to produce an innovative, highly customized solution that was nonetheless rolled out fairly rapidly. With the implementation of this technology, Jibun Bank managed to acquire 500,000 accounts in just eight months."*

**Ms. Elena Torrijos**, Managing Editor and Project leader, The Asian Banker.  
Jibun Bank and Oracle Financial Services Software bagged The Asian Banker IT Implementation Awards for "Best Core Banking Project."

*"We see technology as a key enabler in the modernization of our financial system and are taking steps to deploy a core banking system that provides a platform for effectively and efficiently managing growth. In Oracle FLEXCUBE, we have found a solution with the comprehensive functionality we require as a central bank. The overall solution offered an integrated technology set that we expect will enable a straightforward implementation and a platform that we can build on for future initiatives. We are also pleased to be able to use local partners, Interflex and Neeka, in combination with our strategic relationship with Oracle Financial Services Software."*

**Mr. Thai Saphear**, Head of the Governor's Office, National Bank of Cambodia

# Management's discussion and analysis

## of financial condition and results of operations

The following discussion is based on our audited standalone financial statements, which have been prepared in conformity with accounting principles generally accepted in India and complying in all material respects with the notified Accounting Standards by Companies (Accounting Standards) Rules, 2006 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 standalone 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 a significantly altered competitive landscape. New business models have emerged together with other opportunities and threats including deregulation. Competitors from within and outside the industry have effectively differentiated themselves and the preferences and power of buyers have changed.

The focus of financial institutions is on the transformation of their business models. They seek to identify revenue enhancing opportunities at the same time as they attempt cost-optimization by strengthening their ability to offer targeted services and improved service levels to their customers. To stay competitive, financial institutions need to offer a variety of integrated and global products in different markets. They also need to ensure that their activities are in sync with market dynamics and changing regulatory mandates. With the emergence of new customer segments banks have chosen "next generation" models and offer new and innovative products and services.

The recent turmoil in global financial markets has important lessons for the risk management of financial institutions. A key lesson is that even if financial institutions are well capitalized their viability could be threatened by a liquidity crunch. The management of liquidity risk is seen as vital for the sound management of financial institutions and the stability of the financial system. Over the last two years central banks and regulatory bodies have actively reviewed the framework for financial regulation and supervision, including that regulating the provision of liquidity.

The increasing operational complexity of financial institutions has been accompanied by innovation in the measurement and monitoring of their risk exposure. One such innovation is Stress Testing. It can be defined as the examination of the impact of exceptional though plausible events on a firm or financial system's well being. Financial institutions are using stress and scenario testing to identify, analyze and manage the risks inherent in their businesses and it is becoming an important part of their planning and risk management process.

Financial institutions have to cope with a stringent regulatory environment as also with the increasing sophistication of fraudulent activity. Fraudsters have mastered the use of techniques to circumvent processes designed to detect and address fraud. Financial institutions are therefore turning towards technology to tackle fraud and meet dynamic compliance mandates.

Banks also 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 such as 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 services institutions the world's most comprehensive and contemporary banking applications and technology footprint that addresses their complex IT and business requirements.

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

These segments are described in detail below:

### Products

#### 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.



## 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 standardize 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 and ensure compliance. The suite is also equipped with SWIFT 2007 enhancements and supports SEPA payment processing.

Oracle FLEXCUBE can help financial institutions address the fast growing market for cross-border remittances and 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. They can also 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 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 centralized collateral management, limits definition, tracking and exposure measurement for effective exposure management and resource utilization.

**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. It provides the added benefit of performance tracking and improved customer relationship management. The application is a comprehensive, customer-centric solution. It 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 Analytics for Financial Services** is a complete and fully integrated portfolio of analytical solutions. Financial institutions need an integrated approach that enables them to address present and future requirements, including regulatory requirements, which encompass enterprise risk, performance management, regulatory compliance and customer insight.

Oracle Analytics for Financial Services fulfills this need. It combines a diverse set of compliance and risk solutions and is built upon a shared analytical infrastructure that consists of a unified financial services data model, shared analytical computations and the industry-leading Oracle Business Intelligence platform. Unlike other hard-coded solutions, it provides 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.

## Support services

Oracle Financial Services Support offers support services for Oracle FLEXCUBE, Oracle Reveleus and Oracle Mantas. These services help our customers accelerate adoption, reduce the time, effort, and cost of operating applications thereby allowing them to achieve a higher return on their investments. These services also enable our customers to manage their applications more effectively and take advantage of the latest technological enhancements.

## Oracle Financial Services Consulting

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

### Consulting Services

We offer an end-to-end consulting partnership. It provides comprehensive business and technology solutions that enable financial services enterprises to improve process efficiency, optimize 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

We provide comprehensive customized IT solutions for banking, securities and insurance that encompasses the complete lifecycle of an IT application asset—from conceptualization to creation and maintenance. These high-quality IT solutions reflect the division's



domain expertise in financial services. This includes the knowledge gleaned while developing solutions for specialized practice lines like payments, business intelligence, CRM, Oracle Technology and Applications and testing.

Customers can take advantage of the division's in-depth expertise across a range of technologies such as Java, Microsoft, Mainframe and Open Source. Its IT processes are certified as CMMI V1.1 Level 5 and it has well-established CoBIT-compliant global infrastructure and development centers. This includes a comprehensive pool of proprietary methodologies, tools and best practices.

### PrimeSourcing Technology Services

We offer expertise in conceptualization, 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).

### Corporate development

Oracle Global (Mauritius) Limited ("Oracle") ownership interest in the Company is 80.47 % as on March 31, 2010.

On November 26, 2009, we formed a wholly owned subsidiary company in Chile by name Oracle Financial Services Software Chile Limitada.

On February 23, 2010, we formed a wholly owned subsidiary company in China by name Oracle Financial Services Software (Shanghai) Limited.

### Business metrics

Our total revenues in fiscal 2010 were Rs. 22,434.7 million, representing an increase of 1% from Rs. 22,126.2 million in fiscal 2009. The net income in fiscal 2010 was Rs. 6,608.5 million, against Rs. 6,957.1 million in fiscal 2009. Our net income margin in fiscal 2010 is at 29% as against 31% in fiscal 2009. We define net income margins for a particular period as the ratio of net income to total revenues during the period. We had 9,083 employees as on March 31, 2010 as against 9,755 at the end of the previous year.

### Products business

	(All amounts in millions of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Product revenues	15,178.5	14,391.6
Cost of product revenues	(6,159.7)	(6,236.4)
Sales and marketing expenses	(359.1)	(876.1)
General and administrative expenses	(839.0)	(851.9)
Depreciation and amortization	(159.1)	(194.9)
Income from operations	7,661.6	6,232.3
Operating margin*	50%	43%

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

### Products revenues

Our products revenues represented 68% of the total revenues for fiscal year ended 2010 and 65% for year ended 2009. Our products revenues were Rs. 15,178.5 million during the fiscal year ended March 31, 2010; an increase of 5% from Rs. 14,391.6 million during the fiscal year ended March 31, 2009.

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

### License fee

Our products are offered as perpetual use licenses which are priced based on number of accounts, or application users or subscribers, or assets under management or processor based or a combination of these depending on the solutions deployed.

### Implementation fee

Along with licensing for our products, customers can also optionally avail services related to the implementation of products at customer sites, integration with other customer systems and enhancement of products to address their specific requirements. The customer is typically charged a service fee either on a fixed-price basis or a time and materials 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 licensed products. These support agreements typically cover a period of 12 months and generates another revenue stream for us.

The revenue 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 enter into the support phase of their lifecycle with us.

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

	Year ended March 31, 2010	Year ended March 31, 2009
License fees	18%	23%
Implementation and customization fees	59%	57%
PCS arrangements	23%	20%
Total	100%	100%

## Cost of products revenues and operating expenses

The cost of product revenue consists of costs attributable to the implementation, enhancement, maintenance and continued development, including research and development effort, of our core product offerings - the Oracle FLEXCUBE suite of products, Oracle Reveleus and other products. These costs primarily consist of compensation expenses for all the 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 and general and administrative expenses. These consist of commissions payable to our partners, product advertising and marketing expenses. These also includes allocated overhead expenses associated with support and monitoring functions such as human resources, facilities and infrastructure expenses, quality assurance and financial control as well as depreciation and amortization.

## Services business

	(All amounts in millions of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Services revenues	7,256.2	7,734.6
Cost of services revenues	(5,174.0)	(5,691.2)
Sales and marketing expenses	(61.8)	(164.2)
General and administrative expenses	(558.6)	(680.4)
Depreciation and amortization	(175.5)	(177.6)
Income from operations	1,286.3	1,021.3
Operating margin*	18%	13%

\* Operating margin is defined as income from operations from the Services Business (excluding corporate expenses) as a percentage of total services revenue.

## Services revenues

Our services revenue represented 32% and 35% of our total revenues for the fiscal year ended March 31, 2010 and 2009 respectively. Our services revenues were Rs. 7,256.2 million in the fiscal year ended March 31, 2010, representing a decrease of 6% from Rs. 7,734.6 million in the fiscal year ended March 31, 2009.

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 2010 and 72% in fiscal 2009, with the remainder of our services revenues attributable to fixed price contracts.

We render services through offshore centers located in India, onsite teams operating at our customers' premises and our development centers located in other parts of the world. Offshore services revenues consists of revenues from work conducted at our development centers in India and for Indian customers at their locations. Onsite revenues consist of work conducted at customer premises outside India and our development centers 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 roll-out would be conducted onsite, while the core software development, maintenance and support activity may be conducted offshore. We received 62% and 59% of our services revenues from onsite work and 38% and 41% from offshore work during the fiscal years 2010 and 2009 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 recognize 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 products and services business by region:

	Year ended March 31, 2010			Year ended March 31, 2009		
	Products Revenues	Services Revenues	Total Revenues	Products Revenues	Services Revenues	Total Revenues
United States of America	14%	52%	27%	10%	49%	24%
Europe	40%	18%	33%	45%	19%	36%
Asia Pacific	22%	24%	22%	16%	25%	20%
Middle East, India and Africa	21%	5%	16%	25%	7%	18%
Latin America and Caribbean	3%	1%	2%	3%	0%	2%
Total	100%	100%	100%	100%	100%	100%

## Customer concentration

Our operations and business depend on our relationships with a number of large customers. Our revenues from our top ten customers for fiscal 2010 were 30% and 29% for fiscal year 2009, as a percentage of our total revenues. The top-ten customers in our services business contributed 43% of the total services revenues and the top ten customers in the products business contributed 34% of the total products revenues during fiscal 2010.

The accompanying table provides the percentage of total revenues that we derived from our largest customer, top five customers and top ten customers during fiscal years 2010 and 2009. 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	
	2010	2009	2010	2009	2010	2009
Largest customer	5%	6%	7%	10%	4%	5%
Largest 5 customers	25%	18%	28%	29%	22%	18%
Largest 10 customers	34%	27%	43%	45%	30%	29%
Citigroup and its affiliates	12%	10%	36%	34%	20%	18%

## Trade receivables

Trade receivables as of fiscal March 31, 2010 and 2009 were Rs. 8,772.35 million and Rs. 11,710.4 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 2010 and 2009 were approximately 143 and 193 respectively. The Company periodically reviews its account receivables outstanding as well as the aging, quality of the account receivable, customer relationship and history of the client. The following table presents the age profile of our sundry debtors:

	Year ended March 31, 2010	Year ended March 31, 2009
Period in days		
0–180	87%	76%
More than 180	13%	24%
Total	100%	100%

## Foreign currency and treasury operations

A substantial portion of our revenues is generated in foreign currency while a majority of our expenses are incurred in Indian Rupees 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 accounts or INR deposits based on the comparative exchange rates, interest rates and currency requirements. The Company books forward cover from time to time in line with its treasury management philosophy.

## Income taxes

Currently, we partially benefit from the tax holidays the Government of India provides to software products and IT services exporters from specially designated software technology parks in India. As a result of these incentives, our operations have been subject to relatively lower tax liabilities in India. These tax incentives currently include a 10-year tax holiday from Indian corporate income-taxes for the operations of seven of our Indian facilities. As a result a substantial portion of our pre-tax income has not been 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. For seven of our facilities, these benefits expire in stages through 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 an ESPS administered through a Trust ("the Trust") to provide equity based incentives to key employees of the Company. The Trust purchases shares of the Company from the market using the proceeds of loans obtained from the Company. Such shares are offered by the Trust to employees at an exercise price, which approximates the fair value on the date of the grant. The employees can purchase the shares in a phased manner over a period of five years based on continued employment, until which time, the Trust holds the shares for the benefit of the employee. The employee will be 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 acceptance of the offer, the selected employee shall undertake to pay within ten years from the date of acceptance of the offer the cost of the shares incurred by the Trust including repayment of the loan relatable thereto. The repayment of the loan by the Trust to the Company would be dependent on employee repaying the amount to the Trust. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favor of the Trust. The Trustees have the right of recourse against the employee for any amounts that may remain unpaid on the shares accepted by the employee. The shares that an employee is eligible to exercise during the initial five-year period merely go to determine the amount and scheduling of the loan to be repaid on exercise by the employee. The Trust shall repay the loan obtained from the Company on receipt of payments from employees against shares exercised or otherwise.

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 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 recognized in the books of account and amortized 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, 2010	Year ended March 31, 2009
	Number of shares	Number of shares
Opening balance of unallocated shares	165,145	158,963
Shares forfeited during the year	5	6,182
Closing balance of unallocated shares	165,150	165,145
Opening balance of allocated shares	134,834	221,101
Shares exercised during the year	(80,281)	(80,085)
Shares forfeited during the year	(5)	(6,182)
Closing balance of allocated shares	54,548	134,834
Shares eligible for exercise	54,548	74,534
Shares not eligible for exercise	—	60,300
Total allocated shares	54,548	134,834

## Employee Stock Option Plan ('ESOP')

Pursuant to the ESOP scheme approved by the shareholders of the Company held on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ('the Scheme') for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme, the Company has granted 4,548,920 options prior to the IPO and 559,000 options at various dates after IPO (including the grants of options which were granted earlier but forfeited subsequently). As per the scheme, 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 director with the Company or its subsidiaries. The options have an 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 is as follows:

	Year ended March 31, 2010		Year ended March 31, 2009	
	Shares arising from options	Weighted average exercise price (Rs.)	Shares arising from options	Weighted average exercise price (Rs.)
Outstanding at beginning of year	348,853	1,075	431,253	1,025
Exercised	(85,471)	819	(21,945)	491
Forfeited	(21,000)	1,232	(60,455)	930
Outstanding at end of the year	242,382	1,152	348,853	1,075

The weighted average share price for the year over which stock options were exercised was Rs. 2,250.

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

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	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
	419–560	32	514	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

The details of options unvested and options vested and exercisable as on March 31, 2009 were as follows:

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (Years)
Options unvested	419–560	2,000	560	5.4
	1,291–1,291	165,300	1,291	7.1
Options vested and exercisable	265–265	40,400	265	2.9
	419–560	39,003	462	3.9
	1,291–1,291	102,150	1,291	7.1
		348,853	1,075	6.3

## Analysis of our financial results

### Comparison of fiscal 2010 with fiscal 2009

#### Revenues

Our total revenues in the fiscal year ended March 31, 2010, were Rs. 22,434.7 million, an increase of 1% over our total revenues of Rs. 22,126.2 million in the fiscal year ended March 31, 2009. The increase in revenues was primarily attributable to an increase in the revenues from our products business.

#### Products revenues

Our products revenues in the fiscal year ended March 31, 2010, stood at Rs. 15,178.5 million, an increase of 5% over our products revenues of Rs. 14,391.6 million in the fiscal year ended March 31, 2009 on the strength of large customer wins in USA and Europe. The revenues from license fees comprised 18% of revenues, implementation fees comprised 59%, and Annual Maintenance Contracts comprised 23% of revenues for the fiscal 2010.

#### Services revenues

Our services revenues represented 32% and 35% of our total revenues in the fiscal year ended March 31, 2010 and 2009. Our services revenues were Rs. 7,256.2 million in the fiscal year ended March 31, 2010; decrease of 6% from Rs. 7,734.6 million in the fiscal year ended March 31, 2009.

Revenues from time and material contracts comprised 64% of the revenues and fixed price contracts comprised 36% for the fiscal 2010.

## Interest and other income (expenses)

Our interest and other income (expenses) in the fiscal year ended March 31, 2010, was Rs. (682.7) million, as against Rs. 1,682.9 million in the fiscal year ended March 31, 2009. The overall decrease of Rs. 2,365.6 million in interest and other income (expenses) is attributable to lower interest income of Rs. 43.5 million and foreign exchange loss of Rs. 2,317.9 million during the year mainly due to sharp appreciation of Rupee against the US Dollar, GBP and Euro as compared to fiscal 2009.

## Cost of revenues and operating expenses

### Cost of revenues

Our cost of revenues in the fiscal year ended March 31, 2010, was Rs. 11,333.6 million, a decrease of 5% over our cost of revenues of Rs. 11,927.6 million in the fiscal year ended March 31, 2009. Our cost of revenues as a percentage of total revenues was 51% in the fiscal year ended March 31, 2010 as compared to 54% in the fiscal year ended March 31, 2009.

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 2009-2010, 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. These included new OFSA Enterprise Performance Management applications as well as new Reveleus products for Capital Management and Stress Testing.

Our cost of products revenues in the fiscal year ended March 31, 2010, was Rs. 6,159.7 million, a decrease of 1% over our cost of products revenues of Rs. 6,236.4 million in the fiscal year ended March 31, 2009. Our cost of products revenues as a percentage of products revenues was 41% in the fiscal year ended March 31, 2010, compared to 43% in the fiscal year ended March 31, 2009.

Our cost of services revenues in the fiscal year ended March 31, 2010 was Rs. 5,174.0 million, a decrease of 9% over our cost of services revenues of Rs. 5,691.2 million in the fiscal year ended March 31, 2009. The cost of services revenues as a percentage of services revenues was 71% in the fiscal year ended March 31, 2010 compared to 74% in the fiscal year ended March 31, 2009.

### Sales and marketing expenses

Our sales and marketing expenses in the fiscal year ended March 31, 2010, were Rs. 421.0 million, a decrease of 60% over our sales and marketing expenses of Rs. 1,040.2 million in the fiscal year ended March 31, 2009. Our sales and marketing expenses as a percentage of total revenues was 2% for the fiscal year ended March 31, 2010 and 5% in the fiscal year ended March 31, 2009.

Our sales and marketing expenses for our Products business in the fiscal year ended March 31, 2010, were Rs. 359.1 million, a decrease of 59% over our sales and marketing expenses for our products business of Rs. 876.1 million in the fiscal year ended March 31, 2009. Sales and marketing expenses for our products business as a percentage of products revenues was 2% for the fiscal year ended March 31, 2010 and 6% in the fiscal year ended March 31, 2009.

Our sales and marketing expenses for our services business in the fiscal year ended March 31, 2010 were Rs. 61.8 million, a decrease of 62% over our sales and marketing expenses for our services business of Rs. 164.2 million in the fiscal year ended March 31, 2009. Sales and marketing expenses for our services business as a percentage of services revenues was 1% for the fiscal year ended March 31, 2010 and 2% in the fiscal year ended March 31, 2009.

### General and administrative expenses

Our general and administrative expenses in the fiscal year ended March 31, 2010 were Rs. 2,149.6 million, a decrease of 18% over our general and administrative expenses of Rs. 2,621.0 million in the fiscal year ended March 31, 2009. Our general and administrative expenses as a percentage of total revenues were at 10% in the fiscal year ended March 31, 2010 compared to 12% in the fiscal year ended March 31, 2009.

General and administrative expenses for our products business in the fiscal year ended March 31, 2010, were Rs. 839.0 million, a decrease of 2% over general and administrative expenses for our products business of Rs. 851.9 million in the fiscal year ended March 31, 2009. Our general and administrative expenses for our products business as percentage of products revenues has remained at 6% in both the fiscal years ended March 31, 2010 and March 31, 2009.

General and administrative expenses for our services business in the fiscal year ended March 31, 2010, were Rs. 558.6 million, a decrease of 18% over our general and administrative expenses for our services business of Rs. 680.4 million in the fiscal year ended March 31, 2009. Our general and administrative expenses for our services business as a percentage of services revenues for the fiscal years ended March 31, 2010, and March 31, 2009 is 8% and 9% respectively.

### Income taxes

Our provision for income tax in the fiscal year ended March 31, 2010, was Rs. 865.2 million (including income tax expense of Rs. 544.5 million for previous years) an increase of 137% over the provision for income tax of Rs. 365.8 million in the fiscal year ended March 31, 2009. Our effective tax rate was 12% for the fiscal year ended March 31, 2010 as against 5% for the fiscal years ended March 31, 2009. The increase in the effective tax rate is primarily due to creation of tax provision for certain contingencies related to certain jurisdictions.



## Exceptional items

The Company has settled a dispute with a party for Rs. 468.9 million for full release of all alleged claims and has disclosed the same as an exceptional item in the financial results for the year ended March 31, 2009.

## Income from operations and net income

As a result of the foregoing factors, income from operations increased by 34% to Rs. 8,156.4 million in fiscal 2010 from Rs. 6,109.0 million in fiscal 2009 and net income decreased by 5% to Rs. 6,608.5 million in fiscal 2010 from Rs. 6,957.1 million in fiscal 2009. Our net income margin is 29% in fiscal 2010 as against 31% in fiscal 2009. 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 requirements 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 2010 and 2009 we generated cash from operations Rs. 6,927.0 million and Rs. 4,322.4 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 672 employees during the fiscal year taking our employee strength to 9,083 employees as on March 31, 2010. The blend of functional knowledge and technical expertise, coupled with Oracle Financial Services Software training and experience make our employees unique.

We enjoy cordial relationships with our employees and endeavor 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 needs, 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; and
- Fluctuations in the value of our investments.

As of March 31, 2010, we had Cash and Bank Balances of Rs. 17,592.3 million, out of which Rs. 14,025.6 million was in interest-bearing bank deposits. Consequently, we face an exposure on account of fluctuation in interest rates. These funds were 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 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
- 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
- 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
- Entry into hitherto untapped markets
- Evolving needs due to regulatory pressures and economic outlook
- 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
- The need for banks to improve performance and efficiency through effective use of information technology solutions

**Threats:**

- Unfavorable conditions in global markets
- Customers negotiating harder as the financial position in many markets have changed
- Restrictions by governments on the movement of people to protect local employment

**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 revenue and profit for financial institutions, is being restructured, thus altering the fundamental dynamics of the banking industry.

Over the last 24 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 off-shoring, 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 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 standardize applications across regions. Banks are exploring how they can centralize 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-emphasized 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 standardization. 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 have been designed to provide reasonable assurance with regard to maintaining proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorized 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 of Indian Rupees)		
	Year ended March 31, 2010	Year ended March 31, 2009
Net income as per Indian GAAP unconsolidated profit and loss account	6,608,488	6,957,116
Add:		
Revenue of subsidiaries, net		
Oracle Financial Services Software B.V.	7,851,792	8,234,392
Oracle Financial Services Software Pte. Ltd.- consolidated	5,536,927	5,209,744
Oracle Financial Services Software America, Inc.- consolidated	7,637,467	8,143,691
ISP Internet Mauritius Company - consolidated	533,061	519,968
Oracle (OFSS) Processing Services Limited	3,052	3,010
Oracle (OFSS) ASP Private Limited	82,403	177,070
Oracle Financial Services Software (Shanghai) Limited	228,440	—
	21,873,142	22,287,875
Other income from subsidiaries, net	(240,245)	180,129
	21,632,897	22,468,004
Oracle Financial Services Software B.V.	(7,186,992)	(7,688,590)
Oracle Financial Services Software Pte. Ltd.- consolidated	(5,304,107)	(5,053,565)
Oracle Financial Services Software America, Inc.- consolidated	(7,470,221)	(8,744,861)
ISP Internet Mauritius Company - consolidated	(359,917)	(387,808)
Oracle (OFSS) Processing Services Limited	90,508	(6,317)
Oracle (OFSS) ASP Private Limited	(81,424)	(165,956)
Oracle Financial Services Software (Shanghai) Limited	(192,594)	—
	1,128,150	420,907
Provision for diminution in value of investment	—	—
Profit after consolidating subsidiaries	7,736,638	7,378,023
Profit/(Loss) on equity investment	—	(12,595)
Net income as per Indian GAAP consolidated profit and loss account	7,736,638	7,365,428

# 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, 2010 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 (Auditors' 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 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, 2010;
    - (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 7, 2010

## Annexure referred to in paragraph 3 of our report of even date

### Re: Oracle Financial Services Software Limited

- (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 as informed, no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) Due to the nature of its business, paragraph 4 (ii) of the Order, relating to physical verification of inventory is not applicable to the Company.
- (iii) (a) As informed, 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, paragraph 4 (iii) (a) to 4 (iii) (d) of the Order is not applicable.
- (b) As informed, 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, paragraph 4 (iii) (e) to 4 (iii) (g) of the Order is not applicable.
- (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 software licenses and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. Due to the nature of its business the Company does not purchase any inventory.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts and arrangements that need to be entered into the register maintained under Section 301 of the Act. Accordingly, paragraph 4 (v) of the Order is not applicable.
- (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, excise 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 and value added 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 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 (Rs.)</i>	<i>Period to which the amount relates</i>	<i>Due Date</i>	<i>Date of Payment</i>
<i>Service Tax Act, 1994</i>	<i>Service tax</i>	<i>20,197,607</i>	<i>April 2006 to September 2009</i>	<i>Various dates</i>	<i>Not yet paid</i>
<i>Foreign Tax</i>	<i>Income Tax</i>	<i>121,077,496</i>	<i>January 2004 to August 2009</i>	<i>Various dates</i>	<i>Not yet paid</i>
	<i>Value added Tax (VAT)</i>	<i>22,930,090</i>	<i>April 2007 to March 2009</i>	<i>Various dates</i>	<i>Not yet paid</i>
	<i>Withholding Tax</i>	<i>28,203,155</i>	<i>September 2007 to September 2009</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>19th August, 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 (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Karnataka Value Added Tax Act, 2003	VAT	19,768,839	April 2004 to March 2007	Joint Commissioner of commercial taxes (Appeal)
The Central Sales Tax Act, 1956	CST	8,626,179	April 2002 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)

- (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 paragraph 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 paragraph 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 management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

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

**Mumbai, India**  
**May 7, 2010**

# Balance sheet

as at March 31

(All amounts in thousands of Indian Rupees)			
	Schedules	2010	2009
Sources of funds			
Shareholders' funds			
Share capital	1	419,274	418,847
Share application money pending allotment		8,068	106
Reserves and surplus	2	41,353,344	34,675,269
		41,780,686	35,094,222
Application of funds			
Fixed assets	3		
Gross block		4,879,784	5,007,785
Less: Accumulated depreciation and amortization		2,814,052	2,641,693
Net book value		2,065,732	2,366,092
Capital work-in-progress and advances		1,304,106	1,013,261
		3,369,838	3,379,353
Investments	4	7,247,296	7,201,374
Deferred tax assets	5	384,071	305,103
Current assets, loans and advances	6		
Sundry debtors		8,772,357	11,710,383
Cash and bank balances		17,592,367	10,842,275
Other current assets		2,038,002	1,481,697
Loans and advances		8,484,297	7,254,297
		36,887,023	31,288,652
Less: Current liabilities and provisions	7		
Current liabilities		5,322,888	6,421,296
Provisions		784,654	658,964
		6,107,542	7,080,260
Net current assets		30,779,481	24,208,392
		41,780,686	35,094,222
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 No. 101049W  
Chartered Accountants

**N R K Raman**  
Managing Director  
& Chief Executive Officer

**Y M Kale**  
Director

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

**Hoshi D Bhagwagar**  
Company Secretary  
& Compliance Officer

**Tarjani Vakil**  
Director

**Mumbai, India**  
May 7, 2010

**Mumbai, India**  
May 7, 2010

## Profit and loss account for the year ended March 31

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

	Schedules	2010	2009
Revenue	8	22,434,696	22,126,231
Cost of revenue	9	(11,333,615)	(11,927,641)
Gross profit		11,101,081	10,198,590
Operating expenses			
Selling and marketing expenses [Refer note 12 of Schedule 15]	10	(420,968)	(1,040,245)
General and administrative expenses	11	(2,149,614)	(2,620,979)
Depreciation and amortization	3	(374,102)	(428,405)
Operating profit		8,156,397	6,108,961
Non-operating income (expenses)			
Interest income	12	680,051	723,511
Foreign exchange (loss) gain, net		(1,363,733)	954,175
Other income, net	13	967	5,178
Profit before exceptional item and provision for taxes		7,473,682	7,791,825
Exceptional item [Refer note 13 of Schedule 15]		—	(468,900)
Profit before provision for taxes		7,473,682	7,322,925
Provision for taxes			
Current tax [Refer note 14 of Schedule 15]		(968,658)	(372,803)
Deferred tax		78,968	83,389
Fringe benefit tax		24,496	(76,395)
Net profit for the year		6,608,488	6,957,116
Profit and loss account, beginning of the year		15,075,430	8,118,314
Surplus carried to Balance Sheet		21,683,918	15,075,430
Earnings per share of Rs. 5/- each (in Rs.)	14		
Basic		78.87	83.06
Diluted		78.72	83.03
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 No. 101049W  
Chartered Accountants

N R K Raman  
Managing Director  
& Chief Executive Officer

Y M Kale  
Director

per Amit Majmudar  
Partner  
Membership No.: 36656

Hoshi D Bhagwagar  
Company Secretary  
& Compliance Officer

Tarjani Vakil  
Director

Mumbai, India  
May 7, 2010

Mumbai, India  
May 7, 2010

## Schedules annexed to and forming part of the accounts

(All amounts in thousands of Indian Rupees, except share data)

	As at March 31, 2010	As at March 31, 2009
--	-------------------------	-------------------------

### Schedule 1: Share capital

Authorized:		
100,000,000 (March 31, 2009–100,000,000) equity shares of Rs. 5/- each	500,000	500,000
Issued, subscribed and fully paid up:		
83,854,857 (March 31, 2009–83,769,386) equity shares of Rs. 5/- each	419,274	418,847
a. Of the above, 67,481,698 (March 31, 2009–67,481,698) equity shares of Rs. 5/- each are held by Oracle Global (Mauritius) Limited, holding company.		
b. Of the above, 62,121,800 (March 31, 2009–62,121,800) equity shares of Rs. 5/- each had been issued as fully paid up bonus shares by capitalizing 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	9,454,648	9,443,984
Received during the year on exercise of stock options	69,587	10,664
Balance, end of the year	9,524,235	9,454,648
General reserve	10,145,191	10,145,191
Profit and loss account	21,683,918	15,075,430
	41,353,344	34,675,269



### Schedule 3: Fixed assets

Particulars	As at April 1, 2009	Gross block Additions	Gross block Sale/deletions	As at March 31, 2010	As at April 1, 2009	Depreciation and amortization For the year	Sale/deletions	As at March 31, 2010	Net book value As at March 31, 2010	As at March 31, 2009
Tangible assets:										
Freehold land	538,312	—	—	538,312	—	—	—	—	538,312	538,312
Improvement to leasehold premises	167,000	—	2,548	164,452	162,649	2,538	2,207	162,980	1,472	4,351
Buildings										
[Refer note below]	1,131,141	2,573	—	1,133,714	120,711	56,651	—	177,362	956,352	1,010,430
Computer equipments	1,412,811	39,918	163,904	1,288,825	1,249,545	119,253	163,810	1,204,988	83,837	163,266
Electrical and office equipments	764,058	15,792	17,117	762,733	404,615	89,235	12,021	481,829	280,904	359,443
Furniture and fixtures	542,899	1,676	16,706	527,869	310,163	66,258	10,885	365,536	162,333	232,736
Vehicles under finance lease	39,415	25,719	13,404	51,730	20,045	10,549	12,820	17,774	33,956	19,370
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	118,359	18,865	—	137,224	1,395	20,260
PeopleSoft ERP	53,767	—	—	53,767	35,843	10,753	—	46,596	7,171	17,924
Total	5,007,785	85,678	213,679	4,879,784	2,641,693	374,102	201,743	2,814,052	2,065,732	2,366,092
As at March 31, 2009	4,030,206	993,646	16,067	5,007,785	2,226,083	428,405	12,795	2,641,693	1,304,106	1,013,261
						Capital work-in-progress and advances			3,369,838	3,379,353

Note: Includes 10 (March 31, 2009 – 10) shares of Rs. 50/- each in Takshila Building No. 9, Co-op Housing Society Limited, Mumbai.

#### Schedule 4: Investments

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

##### i. Trade (unquoted)

EBZ Online Private Limited		
242,240 (March 31, 2009–242,240) equity shares of Rs. 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, 2009–33,000) equity shares of EUR 2/- each, fully paid up	6,593	6,593

##### ii. In wholly owned subsidiaries (unquoted)

Oracle (OFSS) ASP Private Limited (formerly known as Flexcel International Private Limited)		
5,170,000 (March 31, 2009–5,170,000) equity shares of Rs. 10/- each, fully paid up	46,104	46,104
Less: Provision for diminution in value of investment	(20,680)	(20,680)
	25,424	25,424

Oracle Financial Services Software B.V.		
140,000 (March 31, 2009–140,000) equity shares of EUR 100/- each, fully paid up	776,308	776,308

Oracle Financial Services Software Pte. Ltd.		
250,000 (March 31, 2009–250,000) 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, 2009–1) equity share of USD 0.01/- each, fully paid up	3,452,256	3,452,256
100 (March 31, 2009–100) 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	–
March 31, 2010–100% subscription to the registered capital (March 31, 2009–Nil)		

ISP Internet Mauritius Company		
[Refer note 11(b) of schedule 15]		
30,000 (March 31, 2009–30,000) 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 (formerly known as i-flex Processing Services Limited)		
1,300,000 (March 31, 2009–1,300,000) equity shares of Rs. 10/- each, fully paid up	13,000	13,000

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

Non trade (quoted)		
9% Dhanalakshmi Bank Bonds Series VI		
10 (March 31, 2009–10) bonds of Rs. 1,000,000 each, fully paid up	9,982	9,565
	7,247,296	7,201,374

Aggregate amount of quoted investments	9,982	9,565
Aggregate market value of quoted investments	9,982	9,565
Aggregate amount of unquoted investments	7,237,314	7,191,809

#### Schedule 5: Deferred tax asset

Difference between book and tax depreciation	174,216	221,437
Provision for compensated absence	102,100	–
Provision for gratuity	78,317	44,257
Provision for doubtful debts	26,663	39,409
Others	2,775	–
	384,071	305,103

## Schedule 6: Current assets, loans and advances

### a. Sundry debtors (unsecured)

Debts outstanding for a period exceeding six months:

Considered good	1,131,935	2,779,883
Considered doubtful	631,105	699,193
	1,763,040	3,479,076
Other debts-considered good	7,640,422	8,930,500
	9,403,462	12,409,576
Less: Provision for doubtful debts	(631,105)	(699,193)
	8,772,357	11,710,383

Amount due from subsidiaries [Refer Note 9 of schedule 15]	6,836,323	9,076,388
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### b. Cash and bank balances

Cash in hand	469	477
Cheques on hand	494	545
Balances with scheduled banks:		
Current accounts in foreign currency	3,404,787	1,213,886
Other current accounts	117,372	100,839
Deposit accounts	14,025,624	9,479,661
Margin money deposit	6,067	6,067
Unclaimed dividend accounts	982	1,335
Balances with non-scheduled banks:		
Current accounts in foreign currency	36,175	39,021
Deposit account in foreign currency	397	444
	17,592,367	10,842,275

Balances with non-scheduled banks:

Citibank, Dubai current account	1,448	2,204
Citibank, Dubai deposit account	397	444
Citibank, Moscow current accounts	3,066	4,795
Central Bank, Libya current account	31,661	32,022

Maximum balance held during the year:

Citibank, Dubai current account	28,337	17,251
Citibank, Dubai deposit account	438	444
Citibank, Moscow current accounts	8,657	16,994
Central Bank, Libya current account	31,866	33,366

### c. Other current assets

Interest accrued on:

Bank deposits	99,421	64,101
Loan to subsidiaries	111,049	115,554
Unbilled revenue	1,820,552	1,284,813
Net investment in lease	6,980	17,229
	2,038,002	1,481,697

### d. Loans and advances (unsecured, considered good)

Loan to subsidiaries [Refer Note 9 of schedule 15]	993,742	1,057,383
Amount recoverable from subsidiaries [Refer Note 9 of schedule 15]	135,679	110,656
Advances recoverable in cash or in kind or for value to be received:		
Deposits for premises and others	3,230,937	3,098,248
Prepaid expenses	186,258	244,349
Other advances	457,344	394,210
Advance tax, net of provision for taxes	1,580,675	1,486,702
MAT credit entitlement	1,899,662	862,749
	8,484,297	7,254,297

## Schedule 7: Current liabilities and provisions

### a. Current liabilities

Amount due to subsidiaries	1,809,890	2,141,445
Accrued expenses	1,705,342	1,702,606
Deferred revenues	1,396,310	2,080,813
Sundry creditors	20,749	109,216
Advances from customers	2,199	15,819
Investor Education and Protection Fund to be credited by unclaimed dividends*	982	1,335
Forward contract payable, net	—	61,347
Other current liabilities	387,416	308,715
	5,322,888	6,421,296

Amounts due to Micro, Medium and Small Enterprises	1,630	—
(The identification of Micro, Medium and Small Enterprises are 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

Provision for gratuity	255,412	230,204
Provision for compensated absence	364,272	326,925
Provision for fringe benefit tax, net of advance tax	—	12,730
Provision for taxation, net of advance tax	164,970	89,105
	784,654	658,964

	Year ended March 31, 2010	Year ended March 31, 2009
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## Schedule 8: Revenue

Product licenses and related activities	15,178,505	14,391,599
IT solutions and consulting services	7,256,191	7,734,632
	22,434,696	22,126,231

## Schedule 9: Cost of revenue

Employee costs	9,211,173	9,412,323
Travel related expenses (net of recoveries)	1,347,313	1,383,506
Professional fees	582,031	638,513
Application software	193,098	493,299
	11,333,615	11,927,641

## Schedule 10: Selling and marketing expenses

Employee costs	381,333	299,491
Professional fees [Refer note 12 of schedule 15]	(59,151)	205,495
Travelling expenses	74,955	117,506
Advertising expenses	672	6,932
Provision for doubtful debts, net of reversals	(15,672)	348,913
Bad debts	6,849	4,480
Repairs and maintenance	2,536	4,399
Other expenses	29,446	53,029
	420,968	1,040,245

## Schedule 11: General and administrative expenses

Employee costs	893,103	863,237
Rent	391,963	520,963
Professional fees	178,522	427,707
Power	185,737	213,992
Communication expenses	136,087	139,227
Repairs and maintenance	122,317	110,508
Travelling expenses	60,574	48,838
Other expenses	181,311	296,507
	2,149,614	2,620,979

## Schedule 12: Interest income

Interest on:		
Bank deposits	640,186	671,565
(Includes tax deducted at source of Rs. 81,524 (March 31, 2009–Rs. 151,973))		
Bonds	900	1,363
(Includes tax deducted at source of Rs. Nil (March 31, 2009–Rs. Nil))		
Income tax refund	26,601	29,555
Loan to subsidiaries	9,174	16,314
Leased assets	3,088	4,596
Loans to employees	102	118
	680,051	723,511

## Schedule 13: Other (expenses) income

Loss on sale of fixed assets, net	(10,468)	(185)
Miscellaneous income	11,435	5,363
	967	5,178

## 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	83,793,213	83,763,033
Add: Effect of dilutive stock options	158,986	29,743
Weighted average shares outstanding for diluted earnings per share	83,952,199	83,792,776

## 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. Oracle Financial Services Software Limited is a subsidiary of Oracle Global (Mauritius) Limited holding 80.47% ownership interest in the Company as at March 31, 2010.

The Company is principally engaged in the business of providing information technology solutions to the financial services industry worldwide. Oracle Financial Services Software Limited 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 the notified Accounting Standards by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 (the ‘Act’). The accounting policies applied by the Company are consistent with those used in the previous years. 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. Fixed assets, depreciation and amortization

Fixed assets including assets under finance lease arrangements are stated at cost less accumulated depreciation. The Company capitalizes 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 capitalized 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 amortization 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)
<b>Tangible assets</b>	
Improvement of leasehold premises	Lesser of 7 years or lease term
Buildings	20
Computer equipments	3
Electrical and office equipments	2–7
Furniture and fixtures	2–7
Vehicles under finance Lease	Lesser of 3 to 5 years or lease term
<b>Intangible assets</b>	
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 recognized 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 at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### d. Investments

Investments that are readily realizable 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.

#### e. 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 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 recognized as income or expenses in the year in which they arise.

In respect of forward exchange contracts entered into by the Company to hedge the foreign currency risk, the premium or discount arising at the inception of forward exchange contracts is amortized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the year.

#### f. Revenue recognition

Revenue is recognized as follows:

##### Product licenses and related revenue

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

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 recognized, over the period of the maintenance contract.

#### IT solutions and consulting services

Revenue from IT solutions and consulting services are recognized as services are provided, when arrangements are on a time and material basis.

Revenue from fixed price contracts is recognized using the proportionate completion method till contract reach 90% completion. Balance revenue is recognized 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 recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### g. 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.

#### h. 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.

#### i. Leases

##### a. 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 capitalized 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 capitalized.

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 recognized as an expense on a straight-line basis over the lease term.

##### b. Where the Company is the lessor

Assets given under a finance lease are recognized 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 recognized as revenue.

#### j. Income-tax

Tax expense comprises of current, deferred and fringe benefit 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 recognized 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 recognized 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



realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which deferred tax assets can be realized. Deferred tax asset is recognized only on those timing differences, which reverses in post tax free period, as Company enjoys exemption under Section 10A of Indian Income Tax Act.

Minimum Alternative tax ('MAT') credit is recognized 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 recognized 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.

#### **k. 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.

#### **l. Share-based compensation/payments**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Securities and 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 measurement date, which typically is the grant date.

#### **m. Provision and contingencies**

A provision is recognized 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.

#### **n. Cash and cash equivalents**

Cash and cash equivalents in the balance sheet 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**

Contracts remaining to be executed on capital account and not provided for (net of advances) aggregates to Rs. 1,957,451 (includes capital commitment through issuance of letter of intents of Rs. 979,350 (March 31, 2009–Rs. 260,505) as at March 31, 2010 (March 31, 2009–Rs. 1,419,990).

#### **b. Contingent liabilities**

Disputed liability in respect of Income-tax demands as at March 31, 2010 Rs. Nil (March 31, 2009–Rs. 285,638).



#### 4. Leases

##### a. Where Company is lessee

###### Finance lease

The Company takes vehicles under finance lease of upto five years. None of the lease agreements have an escalation clause. Future minimum lease payments under finance lease as at March 31, 2010 and 2009 are as follows:

	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
	As at March 31, 2009		
	Principal	Interest	Total
Not later than one year	7,245	1,716	8,961
Later than one year but not later than five years	13,407	2,096	15,503
Total minimum payments	20,652	3,812	24,464

###### 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, 2010 aggregated to Rs. 399,300 (March 31, 2009 – Rs. 524,021). The minimum rental payments to be made in future in respect of these leases are as follows:

	March 31, 2010	March 31, 2009
Not later than one year	475,195	445,876
Later than one year but not later than five years	855,253	741,176
Later than five years	2,150,147	1,395,955
	3,480,595	2,583,007

##### b. Where Company is lessor

The Company has given IT equipments under finance lease for a period of five years. Present value of minimum lease payments receivable under this finance lease as at March 31, 2010 and 2009 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
	As at March 31, 2009		
	Principal	Interest	Total
Not later than one year	5,875	4,764	10,639
Later than one year but not later than five years	4,539	2,051	6,590
Total minimum payments	10,414	6,815	17,229

## 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, 2010, the Company has not entered in to any forward contract or option contracts. As at March 31, 2010 and 2009 the Company has following outstanding derivative instruments:

Particulars	(Amounts in thousands, foreign currency)	
	March 31, 2010	March 31, 2009
Forward contracts – Sell		
In \$ (US)	–	9,000

As of the balance sheet date, the Company's net foreign currency exposure that is not hedged is Rs. 21,552,027 (March 31, 2009 –Rs. 19,094,976).

## 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. The Trust purchases shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are offered by the Trust to employees at an exercise price, which approximates the fair value on the date of the grant. The employees can purchase the shares in a phased manner over a period of five years based on continued employment, until which, the Trust holds the shares for the benefit of the employee. The employee will be 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 shall undertake to pay within ten years from the date of acceptance of the offer the cost of the shares incurred by the Trust including repayment of the loan relatable thereto. The repayment of the loan by the Trust to the Company would be dependent on employee repaying the amount to the Trust. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favor of the Trust. The Trustees have the right of recourse against the employee for any amounts that may remain unpaid on the shares accepted by the employee. The shares that an employee is eligible to exercise during the initial five-year period merely go to determine the amount and scheduling of the loan to be repaid on exercise by the employee. The Trust shall repay the loan obtained from the Company on receipt of payments from employees against shares exercised or otherwise.

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 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 recognized in the books of account and amortized 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, 2010	Year ended March 31, 2009
	Number of shares	Number of shares
Opening balance of unallocated shares	165,145	158,963
Shares forfeited during the year	5	6,182
Closing balance of unallocated shares	165,150	165,145
Opening balance of allocated shares	134,834	221,101
Shares exercised during the year	(80,281)	(80,085)
Shares forfeited during the year	(5)	(6,182)
Closing balance of allocated shares	54,548	134,834
Shares eligible for exercise	54,548	74,534
Shares not eligible for exercise	–	60,300
Total allocated shares	54,548	134,834

## b. Employee Stock Option Plan ('ESOP')

Pursuant to ESOP scheme approved by the shareholders of the Company held on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ('the Scheme') for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme, the Company has granted 4,548,920 options prior to the IPO and 559,000 options at various dates after IPO. As per the scheme, 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 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 is as follows:

	Year ended March 31, 2010		Year ended March 31, 2009	
	Shares arising from options	Weighted average exercise price (Rs.)	Shares arising from options	Weighted average exercise price (Rs.)
Outstanding at beginning of year	348,853	1,075	431,253	1,025
Exercised	(85,471)	819	(21,945)	491
Forfeited	(21,000)	1,232	(60,455)	930
Outstanding at end of the year	242,382	1,152	348,853	1,075

The weighted average share price for the year over which stock options were exercised was Rs. 2,250.

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

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	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
	419-560	32	514	3.3
	1,291-1,291	108,550	1,291	6.1
		242,382	1,152	5.5

The details of options unvested and options vested and exercisable as on March 31, 2009 were as follows:

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (Years)
Options unvested	419-560	2,000	560	5.4
	1,291-1,291	165,300	1,291	7.1
Options vested and exercisable	265-265	40,400	265	2.9
	419-560	39,003	462	3.9
	1,291-1,291	102,150	1,291	7.1
		348,853	1,075	6.3

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, 2010	Year ended March 31, 2009
Net profit as reported	6,608,488	6,957,116
Add: Compensation expense included in reported profit	—	—
Less: Compensation expense determined using fair value of options	(5,659)	(11,135)
Proforma net profit	6,602,829	6,945,981
Basic earnings per share		
As reported	78.87	83.06
Proforma	78.80	82.92
Diluted earnings per share		
As reported	78.72	83.03
Proforma	78.65	82.89

## 7. Employee benefit obligation

### Defined contribution plans

During year ended March 31, 2010 and 2009, the Company contributed following amounts to defined contributions plans:

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Provident fund	172,165	180,152
Superannuation fund	55,094	56,118
	227,259	236,270

### Defined benefit plan—gratuity

The amounts recognized in the profit and loss account for the year ended March 31, 2010 and 2009 are as follows:

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Current service cost	46,321	37,626
Interest cost	18,178	15,224
Expected return on plan assets	(2,515)	(99)
Recognized net actuarial (gain) loss	(21,955)	20,671
Total included in 'employee benefit expense'	40,029	73,422
Actual return on plan assets	331	356

The amounts recognized in the balance sheet are as follows:

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Present value of funded obligations	257,770	231,672
Fair value of plan assets	(2,358)	(1,468)
Net liability	255,412	230,204

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

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Defined benefit obligation at beginning of the year	231,672	173,999
Current service cost	46,321	37,627
Interest cost	18,178	15,224
Benefits paid	(14,262)	(16,106)
Actuarial (gain) loss	(24,139)	20,928
Defined benefit obligation at end of the year	257,770	231,672

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

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Fair value of plan assets at beginning of the year	1,468	228
Expected return on plan assets	2,515	99
Actuarial (gain) loss	(2,184)	257
Contribution by employer	14,821	16,990
Benefits paid	(14,262)	(16,106)
Fair value of plan assets at end of the year	2,358	1,468

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, 2010		March 31, 2009	
Discount rate		7.60%		6.99%
Expected return on plan assets		7.50%		7.50%
Withdrawal rates	Age (Years)	Rates	Age (Years)	Rates
	21–30	21%	21–30	20%
	31–34	19%	31–34	20%
	35–44	13%	35–44	15%
	45–59	9%	45–59	8%

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, 2011 is expected to be Rs. 25,000.

The expected benefit payments from the fund as of March 31, 2010 are below:

Year ending March 31	Amount
2011	40,646
2012	48,221
2013	57,408
2014	59,290
2015	60,309
2016–2020	253,774

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 three years are as follows:

	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	(257,770)	(231,672)	(173,999)	(131,397)
Fair value of plan assets	2,358	1,468	228	4,697
Deficit	(255,412)	(230,204)	(173,771)	(126,700)
Experience adjustments				
On plan liabilities	(13,345)	(719)	20,047	6,632
On plan assets	(2,184)	257	(469)	9

The Company has adopted AS 15 (Revised) from April 1, 2006 and thereby has not given disclosures of the above for the year ended March 31, 2006.

## 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 organized by business segment and geographically. For management purposes the Company is primarily organized 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.

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

Year ended March 31, 2010				
Particulars	Products	Services	Corporate	Total
Revenue	15,178,505	7,256,191	—	22,434,696
Cost of revenue	(6,159,690)	(5,173,925)	—	(11,333,615)
Gross profit	9,018,815	2,082,266	—	11,101,081
Selling and marketing expenses				
[Refer note 12 of schedule 15]	(359,124)	(61,844)	—	(420,968)
General and administrative expenses	(838,986)	(558,591)	(752,037)	(2,149,614)
Depreciation and amortization	(159,053)	(175,534)	(39,515)	(374,102)
Operating profit	7,661,652	1,286,297	(791,552)	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				(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	(12,516)	(3,156)	—	(15,672)
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
Shareholders' funds	—	—	41,780,686	41,780,686
Year ended March 31, 2009				
Particulars	Products	Services	Corporate	Total
Revenue	14,391,599	7,734,632	—	22,126,231
Cost of revenue	(6,236,441)	(5,691,200)	—	(11,927,641)
Gross profit	8,155,158	2,043,432	—	10,198,590
Selling and marketing expenses	(876,050)	(164,195)	—	(1,040,245)
General and administrative expenses	(851,908)	(680,361)	(1,088,710)	(2,620,979)
Depreciation and amortization	(194,881)	(177,585)	(55,939)	(428,405)
Operating profit	6,232,319	1,021,291	(1,144,649)	6,108,961
Interest income				723,511
Foreign exchange gain, net				954,175
Other income, net				5,178
Profit before exceptional item and provision for taxes				7,791,825
Exceptional item				
(Refer note 13 of schedule 15)				(468,900)
Profit before provision for taxes				7,322,925
Provision for taxes				(365,809)
Net profit				6,957,116
Other information				
Capital expenditure by segment	66,844	608,308	318,494	993,646
Other non cash expenses	288,419	60,494	—	348,913
Segment assets	8,745,212	7,105,693	26,323,577	42,174,482
Segment liabilities	4,588,915	1,914,164	577,181	7,080,260
Shareholders' funds	—	—	35,094,222	35,094,222

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, 2010		Year ended March 31, 2009	
	Amount	%	Amount	%
United States of America	5,937,716	27%	5,262,766	24%
Europe	7,431,197	33%	7,884,872	36%
Asia Pacific	5,022,548	22%	4,444,099	20%
Middle East, India and Africa	3,571,101	16%	4,127,499	18%
Latin America and Caribbean	472,134	2%	406,995	2%
	22,434,696	100%	22,126,231	100%

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

Regions	Year ended March 31, 2010		Year ended March 31, 2009	
	Amount	%	Amount	%
United States of America	10,706,194	22%	11,239,232	27%
Europe	3,149,850	7%	4,466,519	10%
Asia Pacific	4,038,337	8%	3,388,629	8%
Middle East, India and Africa	29,925,492	62%	22,713,435	54%
Latin America and Caribbean	68,355	1%	366,667	1%
	47,888,228	100%	42,174,482	100%

## 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	<p>Oracle USA, Inc.  Oracle Egypt Limited  Oracle Netherlands B.V.  Oracle Systems Limited  Oracle India Private Limited  Oracle Corporation (Pty) Limited  Oracle Corporation Australia Pty Ltd.  Oracle Corporation South Africa (PTY) Ltd.  Oracle Corporation (Thailand) Co. Ltd  Oracle Research &amp; Development Centre (shenzhen) Co., Ltd</p>
Direct Subsidiaries	<p>Oracle Financial Services Software B.V.  Oracle Financial Services Software Pte. Ltd.  Oracle Financial Services Software Chile Limitada (from November 26, 2009)  Oracle Financial Services Software (Shanghai) Limited (from February 23, 2010)  Oracle Financial Services Software America, Inc.  ISP Internet Mauritius Company  Oracle (OFSS) Processing Services Limited  Oracle (OFSS) ASP Private Limited</p>
Subsidiaries of Subsidiaries	<p>Subsidiary of Oracle Financial Services Software B.V.  Oracle Financial Services Software SA</p> <p>Subsidiary of Oracle Financial Services Software Pte. Ltd.  Oracle Financial Services Consulting Pte. Ltd</p> <p>Subsidiaries of Oracle Financial Services Software America, Inc.  Oracle Financial Services Software Inc.  i-flex solutions Inc. (Canada)  Subsidiaries of i-flex solutions Inc. (Canada)  Castek Software Factory Ltd.  Castek RBG Inc.  Castek Inc.  Mantas Inc.  Subsidiaries of Mantas Inc.  Mantas Singapore Pte. Ltd.  Mantas India Private Limited.  Mantas Limited  Sotas Inc.</p> <p>Subsidiaries of ISP Internet Mauritius Company  i-flex Processing Services Inc.  Oracle (OFSS) BPO Services Limited (formerly known as Equinox Global Services Limited.)</p>
Associates	Login SA
Key Managerial Personnel ('KMP')	<p>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 &amp; 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</p>



Transactions and balances outstanding with these parties are described below:

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2010	Year ended March 31, 2009	As at March 31, 2010	As at March 31, 2009
Revenue				
<i>Fellow Subsidiaries</i>				
Oracle USA, Inc.	447,898	88,116	402,107	78,690
Oracle Corporation Australia Pty Ltd	3,459	—	—	7,479
Oracle Corporation (Pty) Limited	—	6,676	—	—
Oracle India Private Limited	1,430	—	1,577	63
Oracle Egypt Limited	20,258	—	9,428	—
Oracle Corporation (Thailand) Co., Ltd	—	—	163	—
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	5,304,900	5,656,209	1,111,942	2,125,494
Oracle Financial Services Software, Inc.	4,852,638	4,785,091	2,917,804	4,040,840
Oracle Financial Services Software Pte. Ltd.	4,324,903	3,900,002	2,558,002	2,466,268
Oracle Financial Services Consulting Pte. Ltd.	—	—	8,944	15,692
Oracle Financial Services Software (Shanghai) Limited	182,752	—	—	—
i-flex Processing Services Inc.	—	—	19,971	22,545
Oracle (OFSS) BPO Services Limited	—	—	1,428	1,428
Mantas Inc.	—	—	4,996	—
i-flex solutions Inc. (Canada)	—	(7,669)	19,972	22,546
Oracle Financial Services Software SA	888,802	942,819	191,664	350,462
Oracle (OFSS) ASP Private Limited	13,910	39,420	1,600	31,113
Unbilled revenue				
<i>Fellow Subsidiaries</i>				
Oracle USA, Inc	—	—	13,805	12,629
Oracle Egypt Limited	—	—	440	—
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	—	—	427,074	342,823
Oracle Financial Services Software Inc.	—	—	496,140	260,963
Oracle Financial Services Software Pte. Ltd.	—	—	332,143	285,764
Oracle Financial Services Software (Shanghai) Limited	—	—	182,752	—
Oracle Financial Services Software SA	—	—	11,725	65,482
Oracle (OFSS) ASP Private Limited	—	—	—	9,336
Deferred revenue				
<i>Fellow Subsidiaries</i>				
Oracle USA, Inc	—	—	(334)	(87)
Oracle Corporation (Pty) Limited	—	—	—	(3,459)
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	—	—	(380,664)	(493,867)
Oracle Financial Services Software, Inc.	—	—	(161,025)	(280,310)
Oracle Financial Services Software Pte. Ltd.	—	—	(233,572)	(351,134)
Oracle Financial Services Software SA	—	—	(106,592)	(111,140)
Oracle (OFSS) ASP Private Limited	—	—	(1,556)	(4,703)
Advance received from Customers				
<i>Fellow Subsidiaries</i>				
Oracle Corporation (Pty) Limited	—	25,353	—	(38,077)
Oracle Egypt Limited	2,638	—	(2,638)	—
Oracle USA, Inc.	343,188	—	(343,188)	—
Provision for doubtful debts				
<i>Fellow Subsidiaries</i>				
Oracle India Private Limited	(13)	(13)	—	(13)
Oracle USA, Inc.	2,019	—	(2,019)	—
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	(32,320)	76,023	(70,636)	(102,956)
Oracle Financial Services Software, Inc.	(15,084)	108,365	(166,503)	(181,587)
Oracle Financial Services Software Pte. Ltd.	15,253	47,748	(95,900)	(80,647)
i-flex solutions Inc. (Canada)	(2,574)	22,546	(19,972)	(22,546)
Oracle Financial Services Software SA	295	—	(295)	—
Mantas Inc.	25	—	(25)	—

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2010	Year ended March 31, 2009	As at March 31, 2010	As at March 31, 2009
Professional fees				
<i>Fellow Subsidiaries</i>				
Oracle India Private Limited	—	8,042	—	—
Oracle Research & Development Center (shezhen) Co., Ltd	59,764	—	(53,788)	—
<i>Subsidiaries</i>				
Mantas Inc.	—	—	—	—
Oracle Financial Services Software Inc.	18,146	—	—	—
Oracle (OFSS) ASP Private Limited	86,125	72,499	(20,323)	(34,927)
<i>Associate</i>				
Login SA	—	11,379	—	—
Lease rent				
Key managerial personnel	1,429	1,722	—	—
Application software				
<i>Fellow Subsidiaries</i>				
Oracle India Private Limited	102,531	157,469	(15,108)	—
Oracle Systems Limited	2,348	—	—	—
<i>Subsidiaries</i>				
Oracle Financial Services Software Inc.	18,146	18,650	—	(18,216)
Reimbursement of expenses				
<i>Subsidiaries</i>				
Oracle Financial Services Software B.V.	1,199,291	1,262,608	(192,753)	(249,001)
Oracle Financial Services Software Inc.	1,934,624	2,773,057	(1,107,834)	(1,410,685)
Oracle Financial Services Software Pte. Ltd.	1,359,622	1,543,807	(488,980)	(428,616)
Oracle (OFSS) Processing Services Limited	181	(47,646)	50,547	50,366
Oracle (OFSS) ASP Private Limited	(25,505)	(24,012)	85,132	60,290
Remuneration				
Key managerial personnel [Refer note 1 below]	89,252	110,723	—	—
Rent paid				
<i>Fellow subsidiaries</i>				
Oracle Netherlands B.V	3,414	—	—	—
Oracle Corporation South Africa (PTY) Ltd.	372	—	372	—
Key managerial personnel	96	84	—	—
Rental deposit				
Key managerial personnel	—	—	100	100
Advance rent				
Key managerial personnel	—	70	—	42

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2010	Year ended March 31, 2009	As at March 31, 2010	As at March 31, 2009
Loan outstanding				
<i>Subsidiaries</i>				
Oracle Financial Services Software America, Inc. [Refer note 2 below]	(58,120)	110,230	450,910	509,030
ISP Internet Mauritius Company. [Refer note 2 below]	(5,521)	10,471	42,832	48,353
Oracle (OFSS) BPO Services Limited. [Refer note 3 below]	—	—	500,000	500,000
Interest on loan given				
<i>Subsidiaries</i>				
Oracle Financial Services Software America, Inc.	7,583	14,745	103,062	108,237
ISP Internet Mauritius Company	1,591	1,569	7,987	7,316
Provision for diminution in investment				
<i>Subsidiaries</i>				
ISP Internet Mauritius Company	—	—	(120,000)	(120,000)
Oracle (OFSS) ASP Private Limited	—	—	(20,680)	(20,680)
Investments during the year				
<i>Subsidiaries</i>				
Oracle Financial Services Software (Shanghai) Limited	45,505	—	—	—

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.
2. Loan given to subsidiaries represents loan to Oracle Financial Services Software America, Inc. amounting to Rs. 450,910 (interest LIBOR + 50 basis points) as at March 31, 2010 (March 31, 2009—509,030) and ISP Internet Mauritius Company amounting to Rs. 42,832 (interest LIBOR + 50 basis points) as at March 31, 2010 (March 31, 2009—48,353). No additional loans have been given during the year. The amount shown above is towards the revaluation impact of the outstanding loans.
3. Loan given to Oracle (OFSS) BPO Services Limited had a conversion option into their equity shares which can be exercised by the Company till May 31, 2010. In case of such a conversion, interest on the loan at the rate of 8% p.a. would not be payable by Oracle (OFSS) BPO Services Limited and hence no interest has been accrued on the loan. The conversion option can be further extended on mutually agreed terms.

Maximum balance outstanding during the year were as follows:

	March 2010	March 2009
Oracle Financial Services Software America, Inc.	501,670	509,030
ISP Internet Mauritius Company	47,653	48,353
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	10,000,741	9,987,101
Staff welfare expenses	217,320	277,618
Contribution to provident and other funds	267,548	310,332
Travel related expenses (net of recoveries)	1,482,842	1,549,850
Professional fees [Refer note 12 of schedule 15]	701,402	1,271,715
Application software	186,054	552,860
Communication expenses	142,567	149,557
Rent	407,798	534,783
Advertising expenses	3,485	9,949
Power	189,348	217,985
Insurance	20,640	20,204
Repairs and maintenance:		
Buildings and leasehold premises	28,941	37,211
Computer equipments	49,606	37,065
Others	46,306	40,631
Rates and taxes	114,841	25,848
Finance charge on leased assets	2,326	2,948
Provision for doubtful debts, net	(15,672)	348,913
Bad debts	6,849	4,480
Other expenses	51,255	209,815
	13,904,197	15,588,865

### b. Managerial remuneration (on accrual basis)

Salary and incentives	21,422	9,666
Contribution to provident and other funds	477	445
Commission to non whole-time directors	2,100	2,415
	23,999	12,526

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.

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	6,608,488	6,957,116
Add:		
Managerial remuneration	21,899	10,111
Commission to non-whole-time Directors	2,100	2,415
Depreciation and amortization as per books of accounts	374,102	428,405
Donation	5,361	10,815
Provision for doubtful debts	(15,672)	348,913
Provision for income taxes	865,194	365,809
	7,861,472	8,123,584
Less:		
Profit on sale of fixed assets, net	—	—
Depreciation and amortization as per Section 350 of the Act [Refer note below]	374,102	428,405
Net profit on which commission is payable	7,487,370	7,695,179
Commission payable to non-whole-time Director:		
Maximum allowed as per Companies Act, 1956 (1 percent)	74,874	76,952
Maximum approved by the shareholders (1 percent)	74,874	76,952
Commission approved by the Board of Directors	2,100	2,415

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)	5,515	5,515
Tax audit	662	662
Special reports	—	1,765
Certifications	579	441
Out-of-pocket expenses	507	811
	7,263	9,194

In other manner:

Special reports	1,324	—
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	Year ended March 31, 2010	Year ended March 31, 2009
<b>d. Earnings in foreign currency (on accrual basis)</b>		
Product licenses and related revenue	14,434,978	13,575,678
IT solutions and consulting services	7,187,175	7,658,483
Interest income	31,637	16,314
	21,653,790	21,250,475
<b>e. Expenditure in foreign currency (on accrual basis)</b>		
Salaries and bonus	4,194,554	4,627,356
Travelling, net of recovery	1,053,991	1,196,716
Professional fees	481,769	989,617
Exceptional item [Refer note 13 of schedule 15]	—	468,900
Application software	45,069	97,042
Foreign taxes	104,169	108,705
Others	47,116	38,957
	5,926,668	7,527,293
<b>f. Value of imports on CIF basis - capital goods</b>	88,205	61,974

#### 11. Investments in wholly owned subsidiaries

- a. As at March 31, 2010, the Company has total investment of Rs. 6,291,743 in Oracle Financial Services Software America, Inc. ('OAI'). Further, the Company has loan outstanding of Rs. 450,910 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 Rs. 1,434,248 as at March 31, 2010. The OAI Group has posted a profit of Rs. 222,562 for the year ended March 31, 2010. 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, 2010.
- b. As at March 31, 2010, the Company has total investment of Rs. 192,115 in ISP Internet Mauritius Company ('ISP') which is the holding company of i-flex Processing Services Inc, US and Oracle (OFSS) BPO Services Limited, India, entities operating in business of Business Process Outsourcing (BPO). The Company has further granted a loan of Rs. 42,832 to ISP and Rs. 500,000 to Oracle (OFSS) BPO Services Limited. On a consolidated basis, ISP and its subsidiaries ('ISP Group') have accumulated losses amounting to Rs. 30,230 as at March 31, 2010. However ISP Group has posted a profit of Rs. 134,077 for the year ended March 31, 2010. Accordingly, the Company believes that Rs. 120,000 recorded as diminution in value of investment in previous year is appropriate and no further diminution in value is considered necessary as at the balance sheet date.

12. Selling and marketing expenses of product segment for the current year include reversal of referral fee provisions amounting to Rs. 184,476 based on a settlement agreement entered with a distributor.

13. The Company has settled a dispute with a party for Rs. 468,900 for full release of all alleged claims and has disclosed the same as an exceptional item in the financial results for the year ended March 31, 2009.

#### 14. Provision for taxes

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

Current Tax	2,005,571	872,947
Less: MAT credit entitlement	(1,036,913)	(500,144)
Net Current Tax liability	968,658	372,803

- b. During the year ended March 31, 2010, the Company has recorded income tax expenses of Rs. 544,542 (March 31, 2009 – Rs. 69,640) related to previous years.

15. 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 No. 101049W  
Chartered Accountants

N R K Raman  
Managing Director  
& Chief Executive Officer

Y M Kale  
Director

per Amit Majmudar  
Partner  
Membership No.: 36656

Hoshi D Bhagwagar  
Company Secretary  
& Compliance Officer

Tarjani Vakil  
Director

Mumbai, India  
May 7, 2010

Mumbai, India  
May 7, 2010

# Statement of cash flow

## for the year ended March 31

	(All amounts in thousands of Indian Rupees)	
	2010	2009
Cash flows from operating activities		
Profit before provision for taxes	7,473,682	7,322,925
Adjustments to reconcile profit before provision for taxes to cash (used in) provided by operating activities:		
Depreciation and amortization	374,102	428,405
Loss on sale of fixed assets, net	10,468	185
Marked to market of current investment	(417)	(479)
Interest income	(680,051)	(723,511)
Effect of exchange rate changes in cash and cash equivalent	336,480	(93,371)
Unrealized exchange loss (gain)	765,452	(304,081)
Finance charge on leased assets	2,326	2,948
Deferred rent	(34,029)	22,770
Provision for doubtful debts, net	(15,672)	348,913
Bad debts	6,849	4,480
Operating Profit before Working Capital changes	8,239,190	7,009,184
Changes in assets and liabilities		
Decrease (increase) in sundry debtors and unbilled revenue	1,680,825	(3,092,239)
(Increase) in loans and advances	(53,419)	(62,856)
(Decrease) increase in current liabilities and provisions	(839,903)	1,880,043
Cash from operating activities	9,026,693	5,734,132
Payment of domestic and foreign taxes	(2,099,647)	(1,411,692)
Net cash provided by operating activities	6,927,046	4,322,440
Cash flows from investing activities		
Additions to fixed assets including capital work-in-progress	(357,851)	(686,366)
Net investment in lease	13,336	9,420
Investment in subsidiary company	(45,505)	—
Deposit for office premises	(132,689)	(10,991)
Proceeds from sale of fixed assets	884	569
Bank fixed deposits having maturity of more than three months matured	22,465,711	10,817,366
Bank fixed deposits having maturity of more than three months booked	(26,920,639)	(14,670,052)
Proceeds from maturity of investments	—	33,254
Interest received	646,149	682,121
Net cash (used) in investing activities	(4,330,604)	(3,824,679)
Cash flows from financing activities		
Issue of shares against Employee Stock Option scheme	69,098	10,509
Advance against equity shares to be issued under ESOP scheme	8,068	106
Payment of lease obligations	(12,147)	(12,038)
Net cash provided by (used) in financing activities	65,829	(1,423)
Net increase in cash and cash equivalents	2,662,271	496,338
Cash and cash equivalents at beginning of the period	1,557,167	967,458
Effect of exchange rate changes	(336,480)	93,371
Cash and cash equivalents at end of the year (Note 1)	3,882,958	1,557,167

## Statement of cash flow (continued)

for the year ended March 31

	(All amounts in thousands of Indian Rupees)	
	2010	2009
Note 1: Component of cash and cash equivalent		
Cash and bank balances [Refer schedule 6 (b)]*	17,592,367	10,842,275
Less:		
Bank deposits having maturity of more than three months	(13,703,342)	(9,279,041)
Margin money deposit	(6,067)	(6,067)
Cash and cash equivalents at the end of the year	3,882,958	1,557,167

\* Includes amount kept in unclaimed dividend accounts of Rs. 982 (March 31, 2009–Rs. 1,335) not available for use by the Company.

As per our report of even date

**For S. R. Batliboi & Associates**  
**Firm Registration No. 101049W**  
Chartered Accountants

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

**Mumbai, India**  
**May 7, 2010**

For and on behalf of the Board of Directors

**N R K Raman**  
Managing Director  
& Chief Executive Officer

**Y M Kale**  
Director

**Hoshi D Bhagwagar**  
Company Secretary  
& Compliance Officer

**Tarjani Vakil**  
Director

**Mumbai, India**  
**May 7, 2010**



## Balance sheet abstract and company's general business profile

### I. Registration details

CIN

L 7 2 2 0 0 M H 1 9 8 9 P L C 0 5 3 6 6 6

Registration number

5 3 6 6 6

State Code

1 1

Balance Sheet date

3 1 0 3 2 0 1 0

Date Month Year

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

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

Issue of Shares under Employee Stock Option Plan Scheme

4 2 7

### III. Position of mobilization and deployment of funds (amount in Rs. thousands)

Total liabilities

4 1 7 8 0 6 8 6

Total assets

4 1 7 8 0 6 8 6

Sources of funds

Share application money

pending allotment

8 0 6 8

Paid up capital

4 1 9 2 7 4

Reserves and surplus

4 1 3 5 3 3 4 4

Secured loans

N I L

Application of funds

Net fixed assets

3 3 6 9 8 3 8

Unsecured loans

N I L

Investments

7 2 4 7 2 9 6

Net current assets

3 0 7 7 9 4 8 1

Deferred tax assets

3 8 4 0 7 1

Miscellaneous

expenditure

N I L

Accumulated losses

N I L

### IV. Performance of company (amount in Rs. thousands)

Revenue

2 2 4 3 4 6 9 6

Other Income

- 6 8 2 7 1 5

Total income

2 1 7 5 1 9 8 1

Total expenditure

1 4 2 7 8 2 9 9

+/-

Profit/loss before tax

+ -

7 4 7 3 6 8 2

+/-

Profit/loss after tax

+ -

6 6 0 8 4 8 8

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

Earning per share in

Rs. Basic

7 8 . 8 7

Dividend rate %

N I L

Earning per share in

Rs. Diluted

7 8 . 7 2

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

(as per monetary terms)

Item Code number

(ITC code)

N . A .

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 of Indian Rupees)				
The Financial Year of the Subsidiary Company ended on	Oracle Financial Services Software B.V. March 31, 2010	Oracle Financial Services SA March 31, 2010	Oracle Financial Services Software Pte. Ltd. March 31, 2010	Oracle Financial Services Consulting Pte. Ltd. March 31, 2010
Holding Company	Oracle Financial Services Software Limited	Oracle Financial Services Software B.V.	Oracle Financial Services Software Limited	Oracle Financial Services Software Limited
Holding Company's interest Shares held by the Holding Company in the Subsidiary	100% 140,000 equity shares of 100 € (Euro) each, fully paid up	100% 60,000 shares of 1 € (Euro) each, fully paid up	100% 250,000 shares of Singapore \$ 1 each fully paid up	100% 16,185,170 shares of Singapore \$ 1 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, 2010	387,492	58,754	276,209	(6,532)
b. for the previous financial years of the subsidiary since it became a subsidiary	1,345,903	158,766	1,155,473	(155,406)
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, 2010	—	—	—	—
b. for the previous financial years of the subsidiary since it became a subsidiary	—	—	—	—
				(297,022)

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

		(All amounts in thousands of Indian Rupees)			
The Financial Year of the Subsidiary Company ended on	Oracle Financial Services Software, Inc. March 31, 2010	i-flex solutions Inc. (Canada) March 31, 2010	Castek Inc. March 31, 2010	Castek Software Factory Ltd March 31, 2010	Castek RBG Inc March 31, 2010
Holding Company	Oracle Financial Services Software America, Inc. 100%	Oracle Financial Services Software America, Inc. 100%	i-flex solutions Inc. (Canada) 100%	i-flex solutions Inc. (Canada) 100%	i-flex solutions Inc. (Canada) 100%
Holding Company's interest	Nil	528,138,676 common shares of CAD \$ 0.0032583 per share	2,000 common shares at average price of US \$ 682.19 per share	2,000 common shares at average price of US \$ 682.19 per share	950 common shares at average price of US \$ 245.37 per share
Shares held by the Holding Company in the Subsidiary					
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, 2010	173,560	(277,335)	2,586	1,169	280,775
b. for the previous financial years of the subsidiary since it became a subsidiary	(410,379)	(531,421)	(1,070)	(1,728)	(261,929)
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, 2010	—	—	—	—	—
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 of Indian Rupees)			
The Financial Year of the Subsidiary Company ended on	Mantas Inc. March 31, 2010	Mantas Ltd March 31, 2010	Sotas Inc March 31, 2010	Mantas Singapore Pte. Ltd. March 31, 2010	Mantas (India) Pvt. Ltd March 31, 2010
Holding Company		Mantas Inc.	Mantas Inc.	Mantas Inc.	Mantas Inc.
Holding Company's interest	Oracle Financial Services Software America, Inc.	100%	100%	100%	100%
Shares held by the Holding Company in the Subsidiary	1 share of US \$ 0.01 par value common stock at US \$ 1.00	Nil	Nil	Nil	Nil
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, 2010	(21,927)	(42)	87	32	(1,260)
b. for the previous financial years of the subsidiary since it became a subsidiary	(18,893)	(1,221)	(501)	(610)	6,040
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, 2010	—	—	—	—	—
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)

The Financial Year of the Subsidiary Company ended on	(All amounts in thousands of Indian Rupees)			
	ISP Internet Mauritius Company March 31, 2010	i-flex Processing Services Inc March 31, 2010	Oracle (OFSS) BPO Services Ltd. <sup>1</sup> March 31, 2010	Oracle (OFSS) Processing Services Ltd. <sup>2</sup> March 31, 2010
Holding Company	ISP Internet Mauritius Company			
Holding Company's interest	ISP Internet Mauritius Company			
Shares held by the Holding Company in the Subsidiary	25,200 Series A ordinary shares of No Par value 48,000 Series B ordinary shares of No Par value	20,000 common stock of US \$ 0.01 each	5,819,360 equity shares of Rs. 10 each fully paid up	1,300,000 Equity shares of Rs. 10/- each fully paid up
	100%	100%	100%	100%
	Oracle Financial Services Software Limited	ISP Internet Mauritius Company	ISP Internet Mauritius Company	Oracle Financial Services Software Limited
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, 2010	(1,912)	31,862	102,962	83,684
b. for the previous financial years of the subsidiary since it became a subsidiary	(31,557)	(366,643)	(74,949)	15,416
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, 2010	—	—	—	—
b. for the previous financial years of the subsidiary since it became a subsidiary	—	—	—	—

### Notes:

- Formerly known as Equinox Global Services Ltd.
- Formerly known as i-flex Processing Services Ltd.
- Formerly known as Flexcel International Private Ltd.
- Exchange Rates taken into consideration for conversion are as of March 31, 2010

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

Name of the subsidiary company	Reporting Currency	Exchange Rate <sup>3</sup>	Share Capital	Reserves	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
(All amounts in thousands of Indian Rupees)													
Oracle Financial Services Software B. V.	EURO	60.45	776,308	1,733,396	10,416,046	7,906,342	–	6,752,227	483,185	(95,692)	387,492	–	The Netherlands
Oracle Financial Services SA	EURO	60.45	723,642	226,958	2,169,839	1,219,239	–	1,172,890	124,031	(65,277)	58,754	–	Greece
Oracle Financial Services Software Pte. Ltd.	USD	45.09	6,626	1,431,682	9,280,335	7,842,027	–	5,537,161	413,995	(137,786)	276,209	–	Singapore
Oracle Financial Services Consulting Pte. Ltd.	SGD	32.18	46,366	(161,937)	52,310	167,881	–	11,635	(6,532)	–	(6,532)	–	Singapore
Oracle Financial Services Software America, Inc.	USD	45.09	5,810,566	307,666	6,943,864	825,632	–	–	67,920	(3,002)	64,918	–	USA
Oracle Financial Services Software, Inc.	USD	45.09	–	308,400	9,427,634	9,119,234	–	7,875,860	178,920	(5,360)	173,560	–	USA
i-flex solutions Inc. (Canada)	CAD	44.27	296,544	(615,542)	106,852	425,850	–	140	(277,335)	–	(277,335)	–	Canada
Castrek Inc	USD	45.09	54,388	(10,310)	63,793	19,715	–	–	2,586	–	2,586	–	USA
Castrek Software Factory Ltd	USD	45.09	54,388	(63,061)	4,464	13,138	–	–	1,169	–	1,169	–	USA
Castrek RBG Inc	USD	45.09	38	(232,027)	–	231,989	–	–	280,775	–	280,775	–	USA
Mantas Inc.	USD	45.09	5,650,170	(784,342)	4,866,268	440	–	–	(21,903)	(24)	(21,927)	–	USA
Mantas Ltd	GBP	67.95	–	(106)	5,941	7,047	–	–	(42)	–	(42)	–	UK
Sotas Inc	USD	45.09	–	(444)	–	444	–	–	87	–	87	–	USA
Mantas Singapore Pre. Ltd.	USD	45.09	–	(586)	57	643	–	–	32	–	32	–	Singapore
Mantas (India) Pvr. Ltd	INR	1.00	–	4,780	4,913	133	–	–	(1,260)	–	(1,260)	–	India
ISP Internet Mauritius Company	USD	45.09	139,982	(28,715)	166,363	55,096	–	–	(1,912)	–	(1,912)	–	Republic of Mauritius

## 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 <sup>5</sup>	Share Capital	Reserves	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	(All amounts in thousands of Indian Rupees)		
											Profit after Taxation	Proposed Dividend	Country of Incorporation
i-flex Processing Services Inc	USD	45.09		(360,032)	203,173	563,205	–	533,076	35,293	(3,431)	31,862	–	USA
Oracle (OFSS) BPO Services Ltd. <sup>1</sup>	INR	1.00	58,194	28,014	652,418	566,211	–	436,595	106,162	(3,200)	102,962	–	India
Oracle (OFSS) Processing Services Ltd. <sup>2</sup>	INR	1.00	13,000	99,100	206,735	94,635	–	220,083	84,524	(840)	83,684	–	India
Oracle (OFSS) ASP Private Ltd. <sup>3</sup>	INR	1.00	51,700	16,710	184,410	116,000	–	192,997	(1,325)	(4,857)	(6,182)	–	India

### Notes:

- <sup>1</sup> Formerly known as Equinox Global Services Ltd.
- <sup>2</sup> Formerly known as i-flex Processing Services Ltd.
- <sup>3</sup> Formerly known as Flexcel International Private Ltd.
- <sup>4</sup> Accounting policy adopted for foreign currency transactions are similar to those adopted in consolidated financials.
- <sup>5</sup> Exchange rate as of March 31, 2010

For and on behalf of the Board of Directors

**N R K Raman**  
Managing Director  
& Chief Executive Officer

**Y M Kale**  
Director

**Hoshi D Bhagwagar**  
Company Secretary  
& Compliance Officer

**Tarjani Vakil**  
Director

**Mumbai, India**  
May 7, 2010

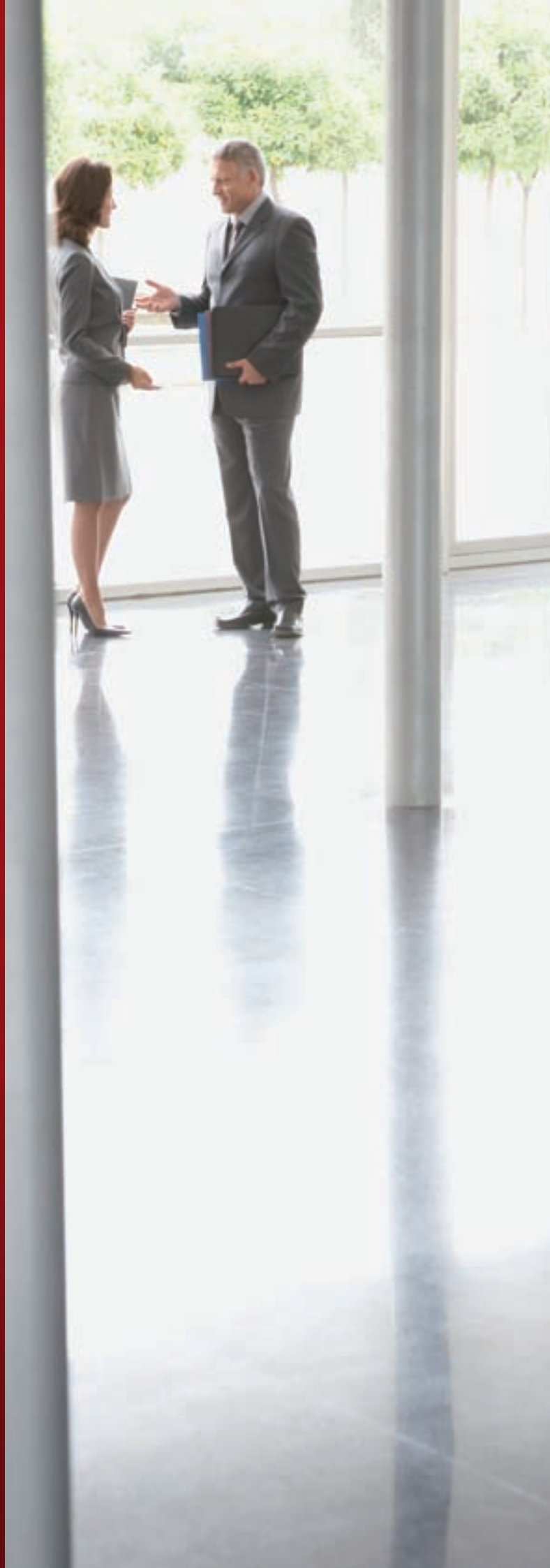
Since the Company presents audited consolidated financial statements under Indian GAAP in its Annual Report, the Company had applied to the Central Government for an exemption from attaching the accounts and reports of its subsidiaries in the Annual Report. The approval of the Central Government in this regard has been received vide letter no. 47/272/2010-CL-III dated April 20, 2010 exempting the Company from attaching the accounts and reports of subsidiary companies under the provisions of Section 212 of the Companies Act, 1956. As such, the accounts and reports of the subsidiary companies are not attached to the Annual Report of the Company.

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](http://www.oracle.com/financialservices).



## Financials

Financial statements for the year ended March 31, 2010 prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) (Consolidated).





*"Oracle Financial Services Software is providing us with a best-in-class product footprint that will significantly improve our operational efficiency. With Oracle FLEXCUBE and Reveleus' capability, we will be able to differentiate ourselves from our competitors by offering a superior customer experience. We also have the benefit of a comprehensive, ongoing, product investments from Oracle, something our previous legacy system providers were unable to offer,"*

**Mr. Omar Essa**, AGM, Head of Core Banking and Technology, Union Bank, Jordan.

*"Oracle is the stand-out vendor across numerous categories this year. It has benefited from the rebranding of its several units – namely Oracle, Mantas and Reveleus – into a single entity, as well as building on its outstanding reputation as a premier player in the risk and compliance sector. Such a solid performance in so many areas demonstrates Oracle's truly enterprise reach."*

**OpRisk & Compliance magazine**. Oracle Financial Services Software led the OpRisk & Compliance Annual Compliance Software Rankings in 2009.

# 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 notified Accounting Standards by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

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, 2010. 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 a significantly altered competitive landscape. New business models have emerged together with other opportunities and threats including deregulation. Competitors from within and outside the industry have effectively differentiated themselves and the preferences and power of buyers have changed.

The focus of financial institutions is on the transformation of their business models. They seek to identify revenue enhancing opportunities at the same time as they attempt cost-optimization by strengthening their ability to offer targeted services and improved service levels to their customers. To stay competitive, financial institutions need to offer a variety of integrated and global products in different markets. They also need to ensure that their activities are in sync with market dynamics and changing regulatory mandates. With the emergence of new customer segments banks have chosen "next generation" models and offer new and innovative products and services.

The recent turmoil in global financial markets has important lessons for risk management of financial institutions. A key lesson is that even if financial institutions are well capitalized their viability could be threatened by a liquidity crunch. The management of liquidity risk is seen as vital for the sound management of financial institutions and the stability of the financial system. Over the last two years central banks and regulatory bodies have actively reviewed the framework for financial regulation and supervision, including that regulating the provision of liquidity.

The increasing operational complexity of financial institutions has been accompanied by innovation in the measurement and monitoring of their risk exposure. One such innovation is Stress Testing. It can be defined as the examination of the impact of exceptional though plausible events on a firm or financial system's well being. Financial institutions are using stress and scenario testing to identify, analyze and manage the risks inherent in their businesses and it is becoming an important part of their planning and risk management process.

Financial institutions have to cope with a stringent regulatory environment as also with the increasing sophistication of fraudulent activity. Fraudsters have mastered the use of techniques to circumvent processes designed to detect and address fraud. Financial institutions are therefore turning towards technology to tackle fraud and meet dynamic compliance mandates.

Banks also 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 organized by region and business segment. We have two major business segments - the products business (comprising product licensing, customization, implementation, support and ASP services) and consulting services (comprising IT application and technology services and BPO services).

## Products

### 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.

### 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 standardize 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 and ensure compliance. The suite is also equipped with SWIFT 2007 enhancements and supports SEPA payment processing.

Oracle FLEXCUBE can help financial institutions address the fast growing market for cross-border remittances and 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. They can also 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 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 centralized collateral management, limits definition, tracking and exposure measurement for effective exposure management and resource utilization.

**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. It provides the added benefit of performance tracking and improved customer relationship management. The application is a comprehensive, customer-centric solution. It 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 Analytics for Financial Services** is a complete and fully integrated portfolio of analytical solutions. Financial institutions need an integrated approach that enables them to address present and future requirements, including regulatory requirements that encompass enterprise risk, performance management, regulatory compliance and customer insight.

Oracle Analytics for Financial Services fulfills this need. It combines a diverse set of compliance and risk solutions and is built upon a shared analytical infrastructure that consists of a unified financial services data model, shared analytical computations and the industry-leading Oracle Business Intelligence platform. Unlike other hard-coded solutions, it provides 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.

### ASP services

Oracle Financial Services offers Oracle FLEXCUBE on-demand using a hosted model. An on-demand model helps banks reduce their immediate costs for accessing world-class core banking applications backed by high-end technology support. This approach provides banks tremendous flexibility as it helps them deploy applications quicker, have complete support for their operations and avoid the obsolescence of their application and technology platforms.

### Support services

Oracle Financial Services Support offers support services for Oracle FLEXCUBE, Oracle Reveleus and Oracle Mantas. These services help our customers accelerate adoption, reduce the time, effort, and cost of operating applications thereby allowing them to achieve a higher return on their investments. These services also enable our customers to manage their applications more effectively and take advantage of the latest technological enhancements.

### Oracle Financial Services Consulting

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

## Consulting Services

We offer an end-to-end consulting partnership. It provides comprehensive business and technology solutions that enable financial services enterprises to improve process efficiency, optimize 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

We provide comprehensive customized IT solutions for banking, securities and insurance that encompasses the complete lifecycle of an IT application asset--from conceptualization to creation and maintenance. These high-quality IT solutions reflect the division's domain expertise in financial services. This includes the knowledge gleaned while developing solutions for specialized practice lines like payments, business intelligence, CRM, Oracle Technology and Applications and testing.

Customers can take advantage of the division's in-depth expertise across a range of technologies such as Java, Microsoft, Mainframe and Open Source. Its IT processes are certified as CMMI V1.1 Level 5 and it has well-established CoBIT-compliant global infrastructure and development centers. This includes a comprehensive pool of proprietary methodologies, tools and best practices.

## PrimeSourcing Technology Services

We offer expertise in conceptualization, 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

Our 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, 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.

The International Association of Outsourcing Professionals (IAOP) selected our BPO offering to be 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.

## Corporate development

Oracle Global (Mauritius) Limited ("Oracle") ownership interest in the Company is 80.47% as at March 31, 2010.

On May 26, 2009, Oracle Financial Services Software S.A. became a wholly owned subsidiary of Oracle Financial Services Software B. V. with the acquisition from other shareholders of the remaining 10% shares of Oracle Financial Services Software S.A.

On November 26, 2009, we formed a wholly owned subsidiary company in Chile by name Oracle Financial Services Software Chile Limitada.

On February 23, 2010, we formed a wholly owned subsidiary company in China by name Oracle Financial Services Software (Shanghai) Limited.

To reflect the close strategic and operational alignment within the group, names of the following subsidiary companies were changed during the year from:

- 'Equinox Global Services Limited' to "Oracle (OFSS) BPO Services Limited" w.e.f. March 9, 2010
- 'i-flex Processing Services Limited' to "Oracle (OFSS) Processing Services Limited" w.e.f. March 19, 2010
- 'Flexcel International Private Limited' to "Oracle (OFSS) ASP Private Limited" w.e.f. March 22, 2010

## Business metrics

Our total revenues in fiscal 2010 were Rs. 28,739.7 million, representing a decrease of 2% from Rs. 29,276.2 million in fiscal 2009. The net income in fiscal 2010 was Rs. 7,736.6 million, as against Rs. 7,365.4 million in fiscal 2009. Our net income margins are 27% and 25% for the fiscal years 2010 and 2009 respectively. We define net income margins for a particular period as the ratio of net income to total revenues during the period. We had 10,451 employees as on March 31, 2010 against 11,386 at the end of the previous year.

## Products business

	(All amounts in millions of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Product revenues	18,704.7	18,131.1
Cost of product revenues	(7,008.6)	(7,445.2)
Sales and marketing expenses	(1,928.0)	(2,640.0)
General and administrative expenses	(1,192.5)	(1,243.5)
Depreciation and amortization	(219.9)	(254.6)
Income from operations	8,355.7	6,547.8
Operating margin*	45%	36%

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

### Products revenues

Our product revenues were Rs. 18,704.7 million during the fiscal year ended March 31, 2010, an increase of 3% from Rs. 18,131.1 million during the fiscal year ended March 31, 2009. Products revenue represented 65% and 62% of total revenues for fiscal years ended 2010 and 2009, respectively.

Our product revenues comprise license fees, professional fees for implementation and enhancement services and annual maintenance contract (post contract support – ‘PCS’) fees for products.

### License fee

Our products are offered as perpetual use licenses which are priced based on number of accounts, or application users or subscribers, or assets under management or processor based or a combination of these depending on the solutions deployed.

### 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 licensed products. These support agreements typically cover a period of 12 months and generate another revenue stream for us.

The revenue 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 enter into the support phase of their lifecycle with us.

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

	Year ended March 31, 2010	Year ended March 31, 2009
License fees	18%	22%
Implementation and customization fees	59%	58%
PCS arrangements	23%	20%
Total	100%	100%

### Cost of products revenues and operating expenses

The cost of product revenue consists of costs attributable to the implementation, enhancement, maintenance and continued development, including research and development effort, of our core product offerings - the Oracle FLEXCUBE suite of products, Oracle Reveleus 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 and general and administrative expenses. These consist of commissions payable to our partners, product advertising and marketing expenses. These also includes allocated overhead expenses associated with



support and monitoring functions such as human resources, facilities and infrastructure expenses, quality assurance and financial control as well as depreciation and amortization.

## Services business

	(All amounts in millions of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Services revenues	9,400.41	10,625.43
Cost of services revenues	(5,828.4)	(6,750.5)
Sales and marketing expenses	(333.8)	(661.2)
General and administrative expenses	(620.3)	(846.0)
Depreciation and amortization	(186.0)	(205.1)
Inter-segment expense	(211.2)	(199.3)
Income from operations	2,220.7	1,963.3
Operating margin*	24%	18%

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

## Services revenue

Our services revenue represented 32% and 36% of our total revenues for the fiscal year ended March 31, 2010 and 2009 respectively. Our services revenue were Rs. 9,400.4 million in the fiscal year ended March 31, 2010, a decrease of 12% from Rs. 10,625.4 million in the fiscal year ended March 31, 2009.

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 66% in fiscal 2010 and 77% in fiscal 2009, with the remainder of our services revenues attributable to fixed price contracts.

We render services through offshore centers located in India, onsite teams operating at our customers' premises and our development centers located in other parts of the world. Offshore services revenues consists of revenue from work conducted at our development centers in India and for Indian customers at their locations. Onsite revenues consist of work conducted at customer premises outside India and our development centers outside India. The composition of our onsite and offshore revenue 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 50% and 63% of our services revenue from on-site work and 50% and 37% from off-shore work during the fiscal years 2010 and 2009 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 recognize 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 of Indian Rupees)	
	Year ended March 31, 2010	Year ended March 31, 2009
Services revenues	845.8	719.1
Cost of services revenues	(249.8)	(296.0)
Sales and marketing expenses	(91.8)	(125.2)
General and administrative expenses	(164.1)	(124.9)
Depreciation and amortization	(24.1)	(18.8)
Income from operation	316.0	154.2
Operating margin*	37%	21%

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

## Business Process Outsourcing (BPO) Services Revenue

Our BPO services revenues represented 3% and 2% of our total revenues for the fiscal year ended March 31, 2010 and 2009. Our BPO services revenues were Rs. 845.8 million in the fiscal year ended March 31, 2010, an increase of 18% from Rs. 719.1 million in the fiscal year ended March 31, 2009.



## 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 recognize 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, 2010			Year ended March 31, 2009		
	Products Revenues	Services Revenues	Total Revenues	Products Revenues	Services Revenues	Total Revenues
United States of America	18%	57%	32%	14%	54%	29%
Europe	40%	16%	32%	45%	17%	34%
Asia Pacific	21%	23%	21%	18%	23%	20%
Middle East, India and Africa	18%	4%	13%	20%	6%	15%
Latin America and Caribbean	3%	0%	2%	3%	0%	2%
Total	100%	100%	100%	100%	100%	100%

## Customer concentration

Our operations and business depend on our relationships with a number of large customers. Our revenues from our top ten customers for fiscal 2009 and 2010 were 26% of our total revenue. The top ten customers in our services business contributed 41% of the total services revenues, and the top ten customers in our products business, contributed 29% and 28% of the total products revenues during fiscal 2010 and fiscal 2009 respectively.

The accompanying table provides the percentage of total revenues that we derived from our largest customer, top five customers and top ten customers during fiscal years 2010 and 2009. 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	
	2010	2009	2010	2009	2010	2009
Top customer	5%	6%	6%	8%	4%	5%
Top 5 customers	20%	18%	27%	26%	16%	18%
Top 10 customers	29%	28%	41%	41%	26%	26%
Citigroup and its affiliates	11%	9%	37%	36%	20%	20%

## Trade receivables

Trade receivables as of fiscal March 31, 2010 and 2009 were Rs. 6,782.4 and Rs. 8,402.3 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 2010 and 2009 were approximately 86 and 105 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 presents the age profile of our sundry debtors:

	Year ended March 31, 2010	Year ended March 31, 2009
Period in days		
0–180	93%	88%
More than 180	7%	12%
Total	100%	100%

## Foreign currency and treasury operations

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

Our philosophy for treasury operations is conservative and we invest funds predominately 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 in USD bank accounts or in INR deposits based on the comparative exchange rates, interest rates and currency requirements.

## Income taxes

Currently, we partially benefit 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 have been subject to relatively lower tax liabilities in India. These tax incentives currently include 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 has not been 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. For seven of our facilities, these benefits expire in stages through 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 an ESPS administered through a Trust ("the Trust") to provide equity based incentives to key employees of the Company. The Trust purchases shares of the Company from the market using the proceeds of loans obtained from the Company. Such shares are offered by the Trust to employees at an exercise price, which approximates the fair value on the date of the grant. The employees can purchase the shares in a phased manner over a period of five years based on continued employment until which time the Trust holds the shares for the benefit of the employee. The employee will be 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 shall undertake to pay within ten years from the date of acceptance of the offer the cost of the shares incurred by the Trust including repayment of the loan relatable thereto. The repayment of the loan by the Trust to the Company would be dependent on employee repaying the amount to the Trust. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favor of the Trust. The Trustees have the right of recourse against the employee for any amounts that may remain unpaid on the shares accepted by the employee. The shares that an employee is eligible to exercise during the initial five-year period merely go to determine the amount and scheduling of the loan to be repaid on exercise by the employee. The Trust shall repay the loan obtained from the Company on receipt of payments from employees against shares exercised or otherwise.

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 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 recognized in the books of account and amortized 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, 2010	Year ended March 31, 2009
	Number of shares	Number of shares
Opening balance of unallocated shares	165,145	158,963
Shares forfeited during the year	5	6,182
Closing balance of unallocated shares	165,150	165,145
Opening balance of allocated shares	134,834	221,101
Shares exercised during the year	(80,281)	(80,085)
Shares forfeited during the year	(5)	(6,182)
Closing balance of allocated shares	54,548	134,834
Shares eligible for exercise	54,548	74,534
Shares not eligible for exercise	—	60,300
Total allocated shares	54,548	134,834

## Employee Stock Option Plan ('ESOP')

Pursuant to the ESOP scheme approved by the shareholders of the Company held on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ('the Scheme') for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme, the Company has granted 4,548,920 options prior to the IPO and 559,000 options at various dates after IPO (including the grants of options which were granted earlier but forfeited subsequently). As per the scheme, 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 director with the Company or its subsidiaries. The options have an 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 is as follows:

	Year ended March 31, 2010		Year ended March 31, 2009	
	Shares arising from options	Weighted average exercise price (Rs.)	Shares arising from options	Weighted average exercise price (Rs.)
Outstanding at beginning of year	348,853	1,075	431,253	1,025
Exercised	(85,471)	819	(21,945)	491
Forfeited	(21,000)	1,232	(60,455)	930
Outstanding at end of the year	242,382	1,152	348,853	1,075

The weighted average share price for the year over which stock options was exercised was Rs. 2,250.

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

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	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
	419–560	32	514	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

The details of options unvested and options vested and exercisable as on March 31, 2009 were as follows:

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (Years)
Options unvested	419–560	2,000	560	5.4
	1,291–1,291	165,300	1,291	7.1
Options vested and exercisable	265–265	40,400	265	2.9
	419–560	39,003	462	3.9
	1,291–1,291	102,150	1,291	7.1
		348,853	1,075	6.3

## Analysis of our financial results

### Comparison of fiscal 2010 with fiscal 2009

#### Revenues

Our total revenues in the fiscal year ended March 31, 2010 were Rs. 28,739.7 million, a decrease of 2% over our total revenues of Rs. 29,276.2 million in the fiscal year ended March 31, 2009. The increase in revenues was attributable to a 3% increase in the revenues from our products business and 12% decrease in the revenues from our services business.

#### Products revenues

Our products revenues in the fiscal year ended March 31, 2010 were Rs. 18,704.7 million, an increase of 3% over our products revenues of Rs. 18,131.1 million in the fiscal year ended March 31, 2009 on the strength of large customer wins in Europe and ASPAC. The revenues from license fees comprised 18% of revenues, implementation fees comprised 59% and Annual Maintenance Contracts comprised 23% of revenues for the fiscal 2010.

#### Services revenues

Our services revenues represented 32% and 36% of our total revenues for the fiscal year ended March 31, 2010 and 2009. Our services revenues were Rs. 9,400.4 million in the fiscal year ended March 31, 2010, a decrease of 12% from Rs. 10,625.4 million in the fiscal year ended March 31, 2009.

Revenues from time and material contracts comprised 66% of the revenues and fixed price contracts comprised 34% for the fiscal 2010.

## **Business Process Outsourcing (BPO) Revenue**

Our revenues from BPO services in the fiscal year ended March 31, 2010 were Rs. 845.8 million, an increase of 18% over our revenues from BPO services of Rs. 719.10 million in the fiscal year ended March 31, 2009.

## **Interest and other income (expense)**

Our interest and other income in the fiscal year ended March 31, 2010 was an expense of Rs. 856.2 million, as compared to income of Rs. 1,789.4 million in the fiscal year ended March 31, 2009. The decrease in interest income amounted to Rs. 70.94 million resulting from sharp decrease in Interest rate over fiscal 2009. Additionally in fiscal 2010 there was foreign exchange loss amounting to Rs. 1,568.7 million as compared to a gain of Rs. 1,044.1 million in fiscal 2009, mainly due to sharp appreciation of rupee against the US Dollar and Euro in the current year.

## **Cost of revenues and operating expenses**

### **Cost of revenues**

Our cost of revenues in the fiscal year ended March 31, 2010 was Rs. 13,086.9 million, a decrease of 10% over our cost of revenues of Rs. 14,491.6 million in the fiscal year ended March 31, 2009. Cost of revenue as a percentage of total revenue was 46% in the fiscal year ended March 31, 2010, compared to 49% in the fiscal year ended March 31, 2009.

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 2009-2010, 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. These included new OFSA Enterprise Performance Management applications as well as new Reveleus products for Capital Management and Stress Testing.

Our cost of products revenues in the fiscal year ended March 31, 2010 was Rs. 7,008.6 million, a decrease of 6% over our cost of products revenues of Rs. 7,445.2 million in the fiscal year ended March 31, 2009. Our cost of products revenues as a percentage of products revenues was 37% in the fiscal year ended March 31, 2010, compared to 41% in the fiscal year ended March 31, 2009.

Our cost of services revenues in the fiscal year ended March 31, 2010 was Rs. 5,828.4 million, a decrease of 14% over our cost of services revenues of Rs. 6,750.4 million in the fiscal year ended March 31, 2009. The cost of services revenues as a percentage of services revenues was 62% in the fiscal year ended March 31, 2010, compared to 64% in the fiscal year ended March 31, 2009.

Our cost of BPO revenues in the fiscal year ended March 31, 2010 was Rs. 249.8 million, a decrease of 16% over our cost of BPO revenues of Rs. 296 million in the fiscal year ended March 31, 2009. The cost of BPO revenues as a percentage of BPO revenues was 30% in the fiscal year ended March 31, 2010 compared to 41% in the fiscal year ended March 31, 2009.

### **Sales and marketing expenses**

Our sales and marketing expenses in the fiscal year ended March 31, 2010 were Rs. 2,353.7 million, a decrease of 31% over our sales and marketing expenses of Rs. 3,426.3 million in the fiscal year ended March 31, 2009. Our sales and marketing expenses as a percentage of total revenues stood at 8% for the fiscal year ended March 31, 2010 compared to 12% for the fiscal year ended March 31, 2009.

Our sales and marketing expenses for our products business in the fiscal year ended March 31, 2010 were Rs. 1,928 million, a decrease of 27% over our sales and marketing expenses for our products business of Rs. 2,639.9 million in the fiscal year ended March 31, 2009. Sales and marketing expenses for our products business as a percentage of products revenues was 10% in the fiscal year ended March 31, 2010, compared to 15% in the fiscal year ended March 31, 2009.

Our sales and marketing expenses for our services business in the fiscal year ended March 31, 2010 were Rs. 333.8 million, a decrease of 50% over our sales and marketing expenses for our services business of Rs. 661.1 million in the fiscal year ended March 31, 2009. Sales and marketing expenses for our services business as a percentage of services revenues was 4% in the fiscal year ended March 31, 2010, compared to 6% in the fiscal year ended March 31, 2009.

Our sales and marketing expenses for our BPO business in the fiscal year ended March 31, 2010 were Rs. 91.8 million, a decrease of 27% over our sales and marketing expenses for our BPO business of Rs. 125.2 million in the fiscal year ended March 31, 2009. Sales and marketing expenses for our BPO business as a percentage of BPO revenues was 11% in the fiscal year ended March 31, 2010 compared to 17% in the fiscal year ended March 31, 2009.

### **General and administrative expenses**

Our general and administrative expenses in the fiscal year ended March 31, 2010 stood at Rs. 3,018.2 million, a decrease of 16% over our general and administrative expenses of Rs. 3,603.4 million in the fiscal year ended March 31, 2009. Our general and administrative expenses as a percentage of total revenues was 11% in the fiscal year ended March 31, 2010, compared to 12% in the fiscal year ended March 31, 2009.

General and administrative expenses for our products business in the fiscal year ended March 31, 2010 were Rs. 1,192.5 million, a decrease of 4% over our general and administrative expenses for our products business of Rs. 1,243.5 million in the fiscal year ended March 31, 2009. Our general and administrative expenses for our products business as a percentage of products revenues was 6% for the fiscal year ended March 31, 2010 compared to 7% for the fiscal year ended March 31, 2009.

General and administrative expenses for our services business in the fiscal year ended March 31, 2010 were Rs. 620.3 million, an decrease of 27% over our general and administrative expenses for our services business of Rs. 845.9 million in the fiscal year ended March 31, 2009. Our general and administrative expenses for our services business as a percentage of services revenues was 7% for the fiscal year ended March 31, 2010 compared to 8% for the fiscal years ended March 31, 2009.

General and administrative expenses for our BPO business in the fiscal year ended March 31, 2010 were Rs. 164 million, an increase of 31% over our general and administrative expenses for our BPO business of Rs. 124.9 million in the fiscal year ended March 31, 2009. Our general and administrative expenses for our BPO business as a percentage of BPO revenues was 19% for the fiscal year ended March 31, 2010 compared to 17% for the fiscal years ended March 31, 2009.

### **Income taxes**

Our provision for income taxes in the fiscal year ended March 31, 2010 was Rs. 1,197.7 million (including income tax expense of Rs. 544.5 Million for previous years), an increase of 43% over our provision for income taxes of Rs. 835.3 million in the fiscal year ended March 31, 2009. Our effective tax rate was 13.4% in the fiscal year ended March 31, 2010 compared to 10.2% in the fiscal year ended March 31, 2009.

### **Exceptional items**

The Company has settled a dispute with a party for Rs. 468.9 million for full release of all alleged claims and has disclosed the same as an exceptional item in the financial results for the financial year ended March 31, 2009.

### **Impairment of Goodwill**

During the financial year ended March 31, 2009, the Group has recorded impairment loss amounting to Rs. 291 million in respect of goodwill created for i-flex Solutions Inc. Canada (formerly known as Castek Software Inc.).

### **Income from operations and net income**

As a result of the foregoing factors, income from operations increased by 36% to Rs. 9,792.3 million in fiscal 2010 from Rs. 7,196.8 million in fiscal 2009, and net income increased by 5% to Rs. 7,736.6 million in fiscal 2010 from Rs. 7,365.4 million in fiscal 2009. Our net margins increased to 27% in fiscal 2010 from 25% in fiscal 2009. 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 2010 and 2009, we generated cash from operations of Rs. 7,138.4 million and Rs. 6,213.5 million respectively.

Oracle Financial Services Software Ltd. 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 935 employees during the fiscal year taking our employee strength to 10,451 employees as on March 31, 2010. The blend of functional knowledge and technical expertise, coupled with in-house training and on real-life, experiences in working with financial institutions make our employees unique.

We enjoy cordial relationships with our employees and endeavor 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; and
- Fluctuations in the value of our investments.

As of March 31, 2010, we had Cash and Bank Balances of Rs. 22,045.8 million out of which Rs. 16,932.9 million was in interest-bearing bank deposits. Consequently, we face an exposure on account of fluctuation in interest rates. These funds were 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.

### **Integration of mergers and acquisitions**

On May 26, 2009, Oracle Financial Services Software S.A. became a wholly owned subsidiary of Oracle Financial Services Software B.V. with the acquisition of the balance 10% shares from minority shareholders for total consideration of Rs. 66,341. The Group has recorded goodwill of Rs. 45,276 after adjusting minority liability till the date of acquisition.

### **SWOT analysis**

#### **Strengths:**

- Deep domain expertise
- 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
- Entry into hitherto untapped markets
- Evolving needs due to regulatory pressures and economic outlook
- 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
- The need for banks to improve performance and efficiency through effective use of information technology solutions

#### **Threats:**

- Unfavorable conditions in global markets
- Customers negotiating harder as the financial position in many markets have changed
- Restrictions by governments on the movement of people to protect local employment



## **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 revenue and profit for financial institutions, is being restructured, thus altering the fundamental dynamics of the banking industry.

Over the last 24 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 off-shoring, 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 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 standardize applications across regions. Banks are exploring how they can centralize 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-emphasized 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 standardization. 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 unauthorized 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 (together referred to as the 'Group' as described in Note 1 of Schedule 15 to the consolidated financial statements) as at March 31, 2010 and also the consolidated profit and loss account and the 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 about 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 presentation. 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, 2010;
  - (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year then ended; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year then ended.

For S. R. Batliboi & Associates

Firm registration number:101049W

Chartered Accountants

per Amit Majmudar

Partner

Membership No.: 36656

Mumbai, India

May 7, 2010

# Consolidated balance sheet

as at March 31

(All amounts in thousands of Indian Rupees)			
	Schedules	2010	2009
Sources of funds			
Shareholders' funds			
Share capital	1	419,274	418,847
Share application money pending allotment		8,068	106
Reserves and surplus	2	42,476,622	34,629,799
Minority interest		—	19,198
Deferred tax liability	3	32,911	20,707
		42,936,875	35,088,657
Application of funds			
Fixed assets	4		
Gross block		12,000,159	12,052,804
Less: Accumulated depreciation and amortization/impairment		3,636,871	3,360,379
Net book value		8,363,288	8,692,425
Capital work-in-progress and advances		1,304,106	1,013,260
		9,667,394	9,705,685
Investments	5	9,982	9,565
Deferred tax assets	3	399,726	325,944
Current assets, loans and advances	6		
Sundry debtors		6,782,391	8,402,313
Cash and bank balances		22,045,843	15,489,517
Other current assets		2,327,793	1,746,868
Loans and advances		7,724,538	6,442,319
		38,880,565	32,081,017
Less: Current liabilities and provisions	7		
Current liabilities		4,990,369	6,094,991
Provisions		1,030,423	938,563
		6,020,792	7,033,554
Net current assets		32,859,773	25,047,463
		42,936,875	35,088,657
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 No. 101049W  
Chartered Accountants

**N R K Raman**  
Managing Director  
& Chief Executive Officer

**Y M Kale**  
Director

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

**Hoshi D Bhagwagar**  
Company Secretary  
& Compliance Officer

**Tarjani Vakil**  
Director

**Mumbai, India**  
**May 7, 2010**

**Mumbai, India**  
**May 7, 2010**

# Consolidated profit and loss

## for the year ended March 31

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

	Schedules	2010	2009
Revenue	8	28,739,742	29,276,195
Cost of revenue	9	(13,086,860)	(14,491,636)
Gross profit		15,652,882	14,784,559
Operating expenses			
Selling and marketing expenses	10	(2,353,687)	(3,426,342)
General and administrative expenses	11	(3,018,177)	(3,603,425)
Depreciation and amortization	4	(488,653)	(557,943)
Operating profit		9,792,365	7,196,849
Impairment loss		—	(291,050)
Non-operating income (expense)			
Interest income	12	699,616	770,563
Foreign exchange (loss) gain, net		(1,568,714)	1,044,059
Other income (expenses), net	13	12,933	(25,210)
Profit before exceptional item and provision for taxes		8,936,200	8,695,211
Exceptional item [Refer note 13 of schedule 15]		—	(468,900)
Profit before provision for taxes		8,936,200	8,226,311
Provision for taxes			
Current tax [Refer note 15 of schedule 15]		(1,283,686)	(836,417)
Deferred tax		61,495	79,646
Fringe benefit tax		24,496	(78,592)
Net profit for the year before share of loss of associate company and minority interest		7,738,505	7,390,948
Share of loss of associate company		—	(12,595)
Share of minority interest [Refer note 8 of schedule 15]		(1,867)	(12,925)
Net profit for the year		7,736,638	7,365,428
Profit and loss account, beginning of the year		15,873,649	8,508,221
Surplus carried to Balance Sheet		23,610,287	15,873,649
Earnings per share of Rs. 5/- each (in Rs.)	14		
Basic		92.33	87.93
Diluted		92.16	87.90
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 No. 101049W  
Chartered Accountants

N R K Raman  
Managing Director  
& Chief Executive Officer

Y M Kale  
Director

per Amit Majmudar  
Partner  
Membership No.: 36656

Hoshi D Bhagwagar  
Company Secretary  
& Compliance Officer

Tarjani Vakil  
Director

Mumbai, India  
May 7, 2010

Mumbai, India  
May 7, 2010

## Schedules annexed to and forming part of the accounts

(All amounts in thousands of Indian Rupees, except share data)

As at  
March 31, 2010

As at  
March 31, 2009

### Schedule 1: Share capital

Authorized:		
100,000,000 (March 31, 2009–100,000,000) equity shares of Rs. 5/- each	500,000	500,000
Issued, subscribed and fully paid up:		
83,854,857 (March 31, 2009–83,769,386) equity shares of Rs. 5/- each	419,274	418,847
a. Of the above, 67,481,698 (March 31, 2009–67,481,698) equity shares of Rs. 5/- each are held by Oracle Global (Mauritius) Limited, holding company.		
b. Of the above, 62,121,800 (March 31, 2009–62,121,800) equity shares of Rs. 5/- each had been issued as fully paid up bonus shares by capitalizing 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	9,454,959	9,444,295
Received during the year on exercise of stock options	69,587	10,664
Balance, end of the year	9,524,546	9,454,959
General reserve	10,145,191	10,145,191
Foreign currency translation reserve		
Balance, beginning of year	(844,907)	(747,043)
Addition during the year on net investment in Non integral operations	40,598	(97,864)
Balance, end of the year	(804,309)	(844,907)
Gain on dilution of equity investment in joint venture	907	907
Profit and loss account	23,610,287	15,873,649
	42,476,622	34,629,799

### Schedule 3: Deferred tax asset (liability)

Deferred tax asset		
Difference between book and tax depreciation	179,180	226,398
Provision for compensated absence	102,100	–
Provision for gratuity	78,317	44,257
Provision for doubtful debts	26,663	39,409
Others	13,466	15,879
	399,726	325,944
Deferred tax liability		
Difference between book and tax depreciation	(2,978)	(2,943)
Deferred revenue	(29,933)	(17,764)
	(32,911)	(20,707)
	366,815	305,237

#### Schedule 4: Fixed assets

Particulars	As at April 01, 2009	As at Additions	Gross block Sale/ deletions	Translation gain (loss)	As at March 31, 2010	As at April 01, 2009	Depreciation, amortization and impairment losses For the year	Impairment loss	Sale/ deletions	Translation gain (loss)	As at March 31, 2010	Net book value As at March 31, 2010	As at March 31, 2009
Tangible assets:													
Freehold Land	538,312	-	-	-	538,312	-	-	-	-	-	-	538,312	538,312
Improvement to leasehold premises	348,254	12,601	2,888	-	357,967	236,585	22,929	-	2,546	-	256,968	100,999	111,669
Buildings (Note 1)	1,131,141	2,573	-	-	1,133,714	120,711	56,651	-	-	-	177,362	956,352	1,010,430
Computer equipments													
Owned	1,730,023	65,761	168,082	(1,216)	1,626,486	1,486,489	190,522	-	167,953	(1,134)	1,507,924	118,562	243,534
Under finance lease	7,232	-	-	-	7,232	7,232	-	-	-	-	7,232	-	-
Electrical and office equipments	808,883	16,597	18,620	(257)	806,603	421,017	95,542	-	12,610	(224)	503,725	302,878	387,866
Furniture and fixtures													
Owned	650,883	4,915	21,620	-	634,178	349,173	82,842	-	14,874	-	417,141	217,037	301,710
Under finance lease	2,982	-	-	-	2,982	2,982	-	-	-	-	2,982	-	-
Vehicles under finance lease	39,415	25,719	13,404	-	51,730	20,045	10,549	-	12,820	-	17,774	33,956	19,370
Intangible assets:													
Goodwill on consolidation													
[Note 2 below]													
Goodwill on acquisition	6,383,530	45,276	-	-	6,428,806	342,180	-	-	-	-	342,180	6,086,626	6,041,350
Customer contracts	197,473	-	-	-	197,473	197,473	-	-	-	-	197,473	-	-
Product IPR	22,290	-	-	-	22,290	22,290	-	-	-	-	22,290	-	-
PeopleSoft ERP	138,619	-	-	-	138,619	118,359	18,865	-	-	-	137,224	1,395	20,260
	53,767	-	-	-	53,767	35,843	10,753	-	-	-	46,596	7,171	17,924
Total	12,052,804	173,442	224,614	(1,473)	12,000,159	3,360,379	488,653	-	210,803	(1,358)	3,636,871	8,363,288	8,692,425
As at March 31, 2009	11,088,250	1,072,928	113,033	4,659	12,052,804	2,575,047	557,943	291,050	67,993	4,332	3,360,379	1,304,106	1,013,260
									Capital work-in-progress and advances			9,667,394	9,705,685

Note:

- Includes 10 (March 31, 2009- 10) shares of Rs. 50/- each in Takshila Building No. 9, Co-op Housing Society Ltd., Mumbai.
- Accumulated depreciation, amortization and impairment losses as at April 1, 2009 consists of impairment of goodwill of SuperSolutions Corporation [merged with Oracle Financial Services Software, Inc. effective January 2, 2008] amounting to Rs. 51,130 and impairment of goodwill of i-flex solutions Inc. (Canada) amounting to Rs. 291,050.

## Schedule 5: Investments

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

#### i. Trade (unquoted)

EBZ Online Private Limited		
242,240 (March 31, 2009–242,240) equity shares of Rs. 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, 2009–33,000) equity shares of EUR 2/- each, fully paid up	–	12,595
Less: Share of loss of associate company	–	(12,595)

### b. Current Investment (cost or fair value, whichever is lower)

9% Dhanalakshmi Bank Bond Series VI		
10 (March 31, 2009–10) Bonds of Rs. 1,000,000 each, fully paid up	9,982	9,565
	9,982	9,565
Aggregate amount of quoted investment	9,982	9,565
Aggregate market value of quoted investment	9,982	9,565
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	453,145	988,033
Considered doubtful	758,878	1,028,730
	1,212,023	2,016,763
Other debts-considered good	6,329,246	7,414,280
	7,541,269	9,431,043
Less: Provision for doubtful debts	(758,878)	(1,028,730)
	6,782,391	8,402,313

### b. Cash and bank balances

Cash in hand	1,787	1,947
Cheques on hand	494	545
Balances with scheduled banks:		
Current accounts in foreign currency	3,404,787	1,213,886
Other current accounts	128,243	140,764
Deposit accounts	14,263,523	9,623,593
Margin money deposit	6,570	10,793
Unclaimed dividend accounts	982	1,335
Balances with non-scheduled banks:		
Current accounts in foreign currency	1,570,067	1,960,759
Deposit account in foreign currency	2,669,390	2,535,895
	22,045,843	15,489,517

### c. Other current assets

Interest accrued on Bank deposits	102,235	67,868
Unbilled revenue	2,218,578	1,661,771
Net investment in lease	6,980	17,229
	2,327,793	1,746,868

### 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	3,305,759	3,179,260
Prepaid expenses	253,863	301,749
Other advances	499,348	425,705
Advance tax, net of provision for taxes	1,727,792	1,663,551
MAT credit entitlement	1,937,776	872,054
	7,724,538	6,442,319

## Schedule 7: Current liabilities and provisions

### a. Current liabilities

Accrued expenses	2,212,247	2,389,336
Deferred revenues	1,884,263	2,628,814
Sundry creditors	107,743	240,948
Advances from customers	45,201	29,029
Investor Education and Protection Fund to be credited by unclaimed dividends*	982	1,335
Forward contract payable, net	—	61,347
Other current liabilities	739,933	744,182
	4,990,369	6,094,991

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

### b. Provisions

Provision for gratuity	271,453	238,269
Provision for compensated absence	438,830	442,352
Provision for fringe benefit tax, net of advance tax	—	12,782
Provision for taxation, net of advance tax	320,140	245,160
	1,030,423	938,563

	Year ended March 31, 2010	Year ended March 31, 2009
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## Schedule 8: Revenue

Product licenses and related activities	18,704,705	18,131,084
IT solutions and consulting services	9,189,218	10,426,034
Business Processing Services	845,819	719,077
	28,739,742	29,276,195

## Schedule 9: Cost of revenue

Employee costs	10,398,175	10,814,255
Travel related expenses (net of recoveries)	1,409,839	1,474,660
Professional fees	1,064,101	1,702,483
Application software	214,745	500,238
	13,086,860	14,491,636

## Schedule 10: Selling and marketing expenses

Employee costs	1,787,821	1,771,780
Professional fees [Refer note 12 of schedule 15]	(3,323)	334,908
Travelling expenses	261,289	347,364
Advertising expenses	58,250	43,719
Rent	99,618	103,635
Communication expenses	50,521	101,173
Provision for doubtful debts, net of reversals	(198,603)	574,151
Bad Debts	214,858	4,480
Repairs and maintenance	8,585	20,048
Other expenses	74,671	125,084
	2,353,687	3,426,342

## Schedule 11: General and administrative expenses

Employee costs	1,175,581	1,235,755
Professional fees	256,346	520,225
Rent	609,887	739,193
Communication expenses	256,338	274,094
Power	228,877	241,784
Repairs and maintenance	155,588	151,332
Travelling expenses	76,874	65,084
Other expenses	258,686	375,958
	3,018,177	3,603,425

	Year ended March 31, 2010	Year ended March 31, 2009
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#### Schedule 12: Interest income

Interest on:		
Bank deposits	667,345	726,958
(Includes tax deducted at source of Rs. 83,535 (March 31, 2009–Rs. 152,586))		
Bonds	900	1,363
(Includes tax deducted at source of Rs. Nil (March 31, 2009–Rs. Nil))		
Income tax refund	28,156	37,525
Lease assets	3,088	4,596
Loans to employees	127	121
	699,616	770,563

#### Schedule 13: Other income (expense), net

Loss on sale/write off of fixed assets, net	(12,190)	(41,697)
Miscellaneous income	25,123	16,487
	12,933	(25,210)

#### 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	83,793,213	83,763,033
Add: Effect of dilutive stock options	158,986	29,743
Weighted average shares outstanding for diluted earnings per share	83,952,199	83,792,776



## 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. Oracle Financial Services Software Limited is a subsidiary of Oracle Global (Mauritius) Limited (“Oracle”) with Oracle holding 80.47% ownership interest in the Company as at March 31, 2010.

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. Oracle Financial Services Software Limited 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 (formerly known as i-flex Processing Services Limited)	India	100%	Subsidiary
Oracle (OFSS) ASP Private Limited (formerly known as Flexcel International Private Limited)	India	100%	Subsidiary
Oracle Financial Services Software Chile Limitada (incorporated on November 26, 2009)	Chile	100%	Subsidiary
Oracle Financial Services Software (Shanghai) Limited (incorporated on February 23, 2010)	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)	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
Mantas India Private Limited	India	100%	Subsidiary
Subsidiaries of i-flex solutions Inc. (Canada)			
Castek Inc.	United States of America	100%	Subsidiary
Castek Software Factory Ltd.	United States of America	100%	Subsidiary
Castek RBG Inc.	United States of America	100%	Subsidiary
Subsidiary of Oracle Financial Services Software B.V.			
Oracle Financial Services Software SA [Refer Note 8]	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			
i-flex Processing Services Inc.	United States of America	100%	Subsidiary
Oracle (OFSS) BPO Services Limited (formerly known as Equinox Global 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 Oracle Financial Services Software Limited, 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 notified Accounting Standards by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 (the ‘Act’). 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 year. The financial statements are presented in the general format specified in Schedule VI to 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 unrealized profits or unrealized 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 recognized 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 in following paragraphs.

#### **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. Fixed assets, depreciation and amortization**

Fixed assets including assets under finance lease arrangements are stated at cost less accumulated depreciation. The Group capitalizes 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 capitalized 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 amortization 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 are as follows:

Asset description	Asset life (in years)
<b>Tangible assets</b>	
Improvement of leasehold premises	Lesser of 7 years or lease term
Buildings	20
Computer equipments	3
Electrical and office equipments	2–7
Furniture and fixtures	2–7
Vehicles under finance lease	Lesser of 3 to 5 years or lease term
<b>Intangible assets</b>	
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 recognized 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 at the weighted average cost of capital. After impairment, depreciation is provided on a revised carrying amount of assets over its remaining useful life.

#### d. Investments

Investments that are readily realizable 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 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.

#### e. 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 recognized as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

In respect of forward exchange contracts entered into by the Group to hedge the foreign currency risk, the premium or discount arising at the inception of forward exchange contracts is amortized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

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 recognized as income or a expenses in the same period in which the gain or loss on disposal is recognized. 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.

#### f. Revenue recognition

Revenue is recognized as follows:

Product licenses and related revenue:

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

IT solutions and consulting services:

Revenue from IT solutions and consulting services are recognized as services are provided, when arrangements are on a time and material basis.

Revenue from fixed price contracts is recognized using the proportionate completion method till contracts reach 90% completion. Balance revenue is recognized 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 recognized 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 recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### **g. 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.

#### **h. 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 defined benefit obligation and recorded based on actuarial valuation done 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 increases in compensation levels. All actuarial gains/losses 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.

#### **i. 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 capitalized 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 capitalized.

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 recognized as an expense on a straight-line basis over the lease term.

Where the Company is the lessor

Assets given under a finance lease are recognized 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 recognized as revenue.

#### **j. Income-tax**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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 recognized 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 recognized 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 recognized 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 realized. In situations where there are carry forward losses, deferred tax asset is recognized only if there is virtual certainty supported by convincing evidence that future taxable income will be available against which deferred tax asset can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized 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 realized. In case of Indian operations, deferred tax asset is recognized 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.

Minimum Alternative Tax (MAT) credit is recognized 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 recognized 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.

#### **k. 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.

#### **l. Share-based compensation/payments**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Securities and 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 measurement date, which typically is the grant date.

#### **m. Provision and contingencies**

A provision is recognized 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.

#### n. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short terms investments with an original maturity of three months or less.

### 3. Commitments and contingent liabilities

#### a. Capital commitments

Contracts remaining to be executed on capital account and not provided for (net of advances) aggregates to Rs. 1,957,451 (includes capital commitment through issuance of letter of intents of Rs. 979,350 (March 31, 2009–Rs. 260,505) as at March 31, 2010 (March 31, 2009–Rs. 1,419,990).

#### b. Contingent Liabilities

Disputed liability in respect of Income-tax demands as at March 31, 2010 Rs. Nil (March 31, 2009–Rs. 285,638).

### 4. Leases

#### a. Where Company is lessee

##### Finance lease

The Group takes vehicles, furniture and fixture and computer equipments under finance lease of upto five years. None of the lease agreements have an escalation clause. Future minimum lease payments under finance lease as at March 31, 2010 and 2009 are as follows:

	Principal	Interest	As at March 31, 2010 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
			As at March 31, 2009
Not later than one year	7,245	1,716	8,961
Later than one year but not later than five years	13,407	2,096	15,503
Total minimum payments	20,652	3,812	24,464

##### 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, 2010 aggregated to Rs. 691,450 (March 31, 2009–Rs. 827,699). The minimum rental payments to be made in future in respect of these leases are as follows:

	March 31, 2010	March 31, 2009
Not later than one year	719,881	745,999
Later than one year but not later than five years	1,442,977	1,389,824
Later than five years	2,531,391	1,800,373
	4,694,249	3,936,196

## b. Where Company is lessor

The Company has given IT equipments under finance lease for a period of five years. Present value of minimum lease payments receivable under this finance lease as at March 31, 2010 and 2009 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

			As at March 31, 2009
	Principal	Interest	Total
Not later than one year	5,875	4,764	10,639
Later than one year but not later than five years	4,539	2,051	6,590
Total minimum payments	10,414	6,815	17,229

## 5. Derivatives

The Group enters into forward foreign exchange contracts and option contracts where the counter party is a bank. The Group purchases forward foreign exchange contracts and option contracts to mitigate the risks of change in foreign exchange rate on receivable and payables denominated in certain foreign currencies. The Group considers the risk of non-performance by the counter party as immaterial. During the year ended March 31, 2010 Oracle Financial Services Software Limited has not entered in to any forward contract or option contracts. As at March 31, 2010 and 2009 the Group has following outstanding derivative instruments:

	(Amounts in thousands, foreign currency)	
	March 31, 2010	March 31, 2009
Particulars		
Forward contracts – Sell in USD	—	9,000

As of balance sheet date, the Group's net foreign currency exposure that is not hedged is Rs. 21,871,139 (March 31, 2009 – Rs. 17,863,649).

## 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. The Trust purchases shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are offered by the Trust to employees at an exercise price, which approximates the fair value on the date of the grant. The employees can purchase the shares in a phased manner over a period of five years based on continued employment, until which, the Trust holds the shares for the benefit of the employee. The employee will be 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 shall undertake to pay within ten years from the date of acceptance of the offer the cost of the shares incurred by the Trust including repayment of the loan relatable thereto. The repayment of the loan by the Trust to the Company would be dependent on employee repaying the amount to the Trust. In case the employee resigns from employment, the rights relating to shares, which are eligible for exercise, may be purchased by payment of the exercise price whereas, the balance shares shall be forfeited in favor of the Trust. The Trustees have the right of recourse against the employee for any amounts that may



remain unpaid on the shares accepted by the employee. The shares that an employee is eligible to exercise during the initial five-year period merely go to determine the amount and scheduling of the loan to be repaid on exercise by the employee. The Trust shall repay the loan obtained from the Company on receipt of payments from employees against shares exercised or otherwise.

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 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 recognized in the books of account and amortized 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, 2010	Year ended March 31, 2009
	Number of shares	Number of shares
Opening balance of unallocated shares	165,145	158,963
Shares forfeited during the year	5	6,182
Closing balance of unallocated shares	165,150	165,145
Opening balance of allocated shares	134,834	221,101
Shares exercised during the year	(80,281)	(80,085)
Shares forfeited during the year	(5)	(6,182)
Closing balance of allocated shares	54,548	134,834
Shares eligible for exercise	54,548	74,534
Shares not eligible for exercise	—	60,300
Total allocated shares	54,548	134,834

#### b. Employee Stock Option Plan ('ESOP')

Pursuant to ESOP scheme approved by the shareholders of the Company held on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme ('the Scheme') for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme, the Company has granted 4,548,920 options prior to the IPO and 559,000 options at various dates after IPO. As per the scheme, 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 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 is as follows:

	Year ended March 31, 2010		Year ended March 31, 2009	
	Shares arising from options	Weighted average exercise price (Rs.)	Shares arising from options	Weighted average exercise price (Rs.)
Outstanding at beginning of year	348,853	1,075	431,253	1,025
Exercised	(85,471)	819	(21,945)	491
Forfeited	(21,000)	1,232	(60,455)	930
Outstanding at end of the year	242,382	1,152	348,853	1,075

The weighted average share price for the year over which stock options was exercised was Rs. 2,250.



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

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	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
	419–560	32	514	3.3
	1,291–1,291	108,550	1,291	6.1
		242,382	1,152	5.5

The details of options unvested and options vested and exercisable as on March 31, 2009 were as follows:

	Range of exercise prices (Rs.)	Shares	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (Years)
Options unvested	419–560	2,000	560	5.4
	1,291–1,291	165,300	1,291	7.1
Options vested and exercisable	265–265	40,400	265	2.9
	419–560	39,003	462	3.9
	1,291–1,291	102,150	1,291	7.1
		348,853	1,075	6.3

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

	Year ended March 31, 2010	Year ended March 31, 2009
Net profit as reported	7,736,638	7,365,428
Add: Compensation expense included in reported profit	–	–
Less: Compensation expense determined using fair value of options	(5,659)	(11,135)
Proforma net profit	7,730,979	7,354,293
Basic earnings per share		
As reported	92.33	87.93
Proforma	92.26	87.80
Diluted earnings per share		
As reported	92.16	87.90
Proforma	92.09	87.77

## 7. Employee Benefits Obligation

### Defined contribution plans

During the year ended March 31, 2010 and 2009, the Group contributed following amounts to defined contributions plans:

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Provident fund	181,090	184,570
Superannuation fund	55,094	56,118
	236,184	240,688

## Defined benefit plan-gratuity

The amounts recognized in the profit and loss account are as follows:

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Current service cost	51,050	38,457
Interest cost	18,601	15,464
Expected return on plan assets	(2,515)	(99)
Recognized net actuarial loss	(19,034)	25,055
Net employee benefit expense	48,102	78,877
Actual return on plan assets	331	356

The amounts recognized in the balance sheet are as follows:

	March 31, 2010	March 31, 2009
Particulars		
Present value of funded obligations	257,770	231,672
Present value of unfunded obligations	16,041	8,065
Total defined benefit obligations	273,811	239,737
Fair value of plan assets	(2,358)	(1,468)
Net liability	271,453	238,269

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

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Defined benefit obligation at beginning of the year	239,737	176,734
Current service cost	51,050	38,457
Interest cost	18,601	15,464
Benefits paid	(14,359)	(16,231)
Actuarial (gain) loss	(21,218)	25,313
Defined benefit obligation at end of the year	273,811	239,737

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

	Year ended March 31, 2010	Year ended March 31, 2009
Particulars		
Fair value of plan assets at beginning of the year	1,468	228
Expected return on plan assets	2,515	99
Actuarial (loss) gain	(2,184)	257
Contributions by employer	14,918	17,115
Benefits paid	(14,359)	(16,231)
Fair value of plan assets at end of the year	2,358	1,468

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, 2010	March 31, 2009
Discount rate	4.3%–7.9%	5.15%–6.99%
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, 2011 is expected to be Rs. 31,333.

The expected benefit payments as of March 31, 2010 are below:

Year ending March 31	Amount
2011	46,979
2012	53,139
2013	60,779
2014	61,725
2015	62,082
2016–2020	256,708

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 three years are as follows:

	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	(257,770)	(231,672)	(173,999)	(131,397)
Present value of unfunded obligations	(16,041)	(8,065)	(2,735)	(2,787)
Fair value of plan assets	2,358	1,468	228	4,697
Deficit	(271,453)	(238,269)	(176,506)	(129,487)
Experience adjustments on plan liabilities	(10,677)	3,204	18,051	6,702
Experience adjustments on plan assets	(2,184)	257	(469)	9

The Group has adopted AS 15 (Revised) from April 1, 2006 and thereby has not given disclosures of the above for the year ended March 31, 2006.

## 8. Acquisition of 10% of shares of Oracle Financial Services Software S.A.

On May 26, 2009, Oracle Financial Services Software S.A. became a wholly owned subsidiary of Oracle Financial Services Software B.V. with the acquisition of the balance 10% shares from minority shareholders for total consideration of Rs. 66,341. The Group has recorded goodwill of Rs. 45,276 after adjusting minority liability till the date of acquisition.

## 9. 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 organized by business segment and geographically. For management purposes the Group is primarily organized 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, optimize 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, 2010						
Particulars	Products	Services	BPO-Services	Corporate	Eliminations	Total
Revenue						
External revenue	18,704,705	9,400,418	634,619	—	—	28,739,742
Inter-segment revenue	—	—	211,200	—	(211,200)	—
Total revenue	18,704,705	9,400,418	845,819	—	(211,200)	28,739,742
Cost of revenue	(7,008,634)	(5,828,397)	(249,829)	—	—	(13,086,860)
Gross profit	11,696,071	3,572,021	595,990	—	(211,200)	15,652,882
Selling and marketing expenses [Refer note 12 of schedule 15]	(1,928,047)	(333,843)	(91,797)	—	—	(2,353,687)
General and administrative expenses	(1,192,475)	(620,289)	(164,054)	(1,041,359)	—	(3,018,177)
Depreciation and amortization	(219,891)	(185,991)	(24,139)	(58,632)	—	(488,653)
Inter segment expense	—	(211,200)	—	—	211,200	—
Operating profit	8,355,658	2,220,698	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						(1,197,695)
Net profit for the year before share minority interest						7,738,505
Share of loss of associate company						—
Share of minority interest [Refer note 8 of Schedule 15]						(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	(9,347)	(191,463)	2,207	—	—	(198,603)
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

Year ended March 31, 2009						
Particulars	Products	Services	BPO-Services	Corporate	Eliminations	Total
Revenue						
External revenue	18,131,084	10,625,431	519,680	—	—	29,276,195
Inter-segment revenue	—	—	199,397	—	(199,397)	—
Total revenue	18,131,084	10,625,431	719,077	—	(199,397)	29,276,195
Cost of revenue	(7,445,151)	(6,750,449)	(296,036)	—	—	(14,491,636)
Gross profit	10,685,933	3,874,982	423,041	—	(199,397)	14,784,559
Selling and marketing expenses	(2,639,957)	(661,198)	(125,187)	—	—	(3,426,342)
General and administrative expenses	(1,243,528)	(845,990)	(124,887)	(1,389,020)	—	(3,603,425)
Depreciation and amortization	(254,601)	(205,076)	(18,760)	(79,506)	—	(557,943)
Inter segment expense	—	(199,397)	—	—	199,397	—
Operating profit	6,547,847	1,963,321	154,207	(1,468,526)	—	7,196,849
Impairment loss [Refer note 14 of schedule 15]						(291,050)
Interest income						770,563
Foreign exchange gain, net						1,044,059
Other income, net						(25,210)
Exceptional item [Refer note 13 of schedule 15]						(468,900)
Profit before provision for taxes						8,226,311
Provision for taxes						(835,363)
Net profit for the year before share of associate company and minority interest						7,390,948
Share of loss of associate company						(12,595)
Share of minority interest						(12,925)
Net profit						7,365,428
Other information						
Capital expenditure by segment	69,706	608,308	—	394,914	—	1,072,928
Other non cash expenses	307,848	250,680	15,623	—	—	574,151
Segment assets	12,225,484	5,464,490	262,599	24,169,638	—	42,122,211
Segment liabilities	4,088,486	939,364	134,344	1,911,265	—	7,073,459
Shareholders' funds	—	—	—	35,048,752	—	35,048,752

## 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 includes deferred revenues, finance lease obligation, advance from customer, Accrued employee cost and other current liabilities. While most such assets and liabilities can be directly attributed to individual segments, the carrying amount of certain assets and liabilities used jointly by two or more segments is allocated to segments on a reasonable basis. Assets and liabilities that cannot be allocated between the segments are shown as part of corporate assets and liabilities.

## Geographical segments

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

Regions	Year ended March 31, 2010		Year ended March 31, 2009	
	Amount	%	Amount	%
United States of America	9,054,624	32%	8,522,375	29%
Europe	9,061,042	32%	10,002,873	34%
Asia Pacific	6,349,813	21%	5,820,040	20%
Middle East, India and Africa	3,646,644	13%	4,320,720	15%
Latin America and Caribbean	627,619	2%	610,187	2%
	28,739,742	100%	29,276,195	100%

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

Regions	March 31, 2010		March 31, 2009	
	Amount	%	Amount	%
United States of America	8,211,621	17%	8,150,527	19%
Europe	5,416,942	11%	6,401,239	15%
Asia Pacific	5,460,098	11%	4,879,641	12%
Middle East, India and Africa	29,672,558	60%	22,479,879	53%
Latin America and Caribbean	196,448	1%	210,925	1%
	48,957,667	100%	42,122,211	100%

## 10. 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	<p>Oracle USA, Inc.  Oracle India Private Limited  Oracle Corporation Australia Pty Ltd  Oracle Consulting Services USA  Oracle Corporation Singapore Pte Ltd.  Oracle Corporation Ireland  Oracle (China) Software Systems Company Limited  Oracle Hungary Kft.  Oracle Portugal – Sistemas de Informacao Lda.  Oracle Software Systems Israel Ltd  PT Oracle Indonesia  Oracle Iberica, S.R.L.  Oracle Nederland B.V.  Oracle East Central Europe Limited  Oracle Hellas, S.A.  Oracle Information Systems (Japan) K.K.  Oracle (Philippines) Corporation  Oracle Systems Hong Kong limited  Oracle Korea, Ltd.  Oracle do Brasil Sistemas Limitada  Oracle Corporation South Africa (PTY) Ltd.  Oracle Caribbean, Inc.  Oracle Corporation (Pty) Limited  Oracle Corporation (Thailand) Co., Ltd  Oracle Corporation Malaysia Sdn. Bhd.  Oracle Egypt Limited  Oracle Research &amp; Development Center (shenzhen) Co., Ltd  Oracle Systems Limited  Oracle Taiwan LLC</p>
Key Managerial Personnel ('KMP')	<p>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  Kishore Kapoor – CEO – Oracle Financial Services Software Pte. Ltd.  Sajal Mukherjee – CEO – Oracle Financial Services Software, Inc.  Mahesh Rao – CEO – Oracle (OFSS) Processing Services Limited (formerly known as i-flex Processing Services Limited)  S. Ramakrishnan – CEO – Reveleus  Joseph John – Executive Vice President, Universal Banking Products  V Shankar – Executive Vice President and Global Head, PrimeSourcing &amp; 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</p>

Transactions and balances outstanding with these parties are described below:

	Transactions		Amount receivable (payable)	
	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009
Revenue				
<i>Fellow subsidiaries</i>				
Oracle USA, Inc.	588,065	387,720	541,368	100,115
Oracle Corporation Australia Pty Ltd	1,180,414	322,140	684,971	278,837
Oracle Portugal - Sistemas de Informacao Lda.	15,121	43,650	1,931	2,218
Oracle Software Systems Israel Ltd	2,096	23,650	—	15,286
Oracle Corporation Singapore Pte Ltd.	570	10,733	—	13,675
Oracle Corporation (Pty) Limited	—	6,676	—	7,479
Oracle Consulting Services USA	—	4,743	32	4,731
Oracle Corporation Ireland	—	—	—	6,377
PT Oracle Indonesia	—	—	83	94
Oracle India Private Limited	1,430	—	1,577	63
Oracle Hungary Kft.	—	795	—	—
Oracle do Brasil Sistemas Limitada	—	—	1,804	—
Oracle Systems Hong Kong limited	4,685	—	—	—
Oracle Corporation Malaysia Sdn. Bhd.	23,196	—	—	—
Oracle Corporation (Thailand) Co., Ltd	2,966	—	3,179	—
Oracle Egypt Limited	21,325	—	15,534	—
Oracle Nederland B.V.	69,542	—	73,940	—
Unbilled revenue				
<i>Fellow subsidiaries</i>				
Oracle Corporation Australia Pty Ltd	—	—	159,368	25,928
Oracle USA, Inc.	—	—	13,805	21,878
Oracle Portugal - Sistemas de Informacao Lda.	—	—	—	20,180
Oracle Nederland B.V.	—	—	671	—
Oracle Egypt Limited	—	—	440	—
Oracle Systems Hong Kong limited	—	—	4,685	—
Oracle Corporation Malaysia Sdn. Bhd.	—	—	23,196	—
Oracle Software Systems Israel Ltd	—	—	—	9,751
Provision for doubtful debts				
<i>Fellow subsidiaries</i>				
Oracle USA, Inc.	3,759	9,497	12,172	9,497
Oracle Corporation Ireland	(1,976)	2,118	—	2,118
Oracle Portugal - Sistemas de Informacao Lda.	1,062	429	1,449	429
Oracle Corporation Australia Pty Ltd	(496)	422	—	422
PT Oracle Indonesia	46	19	62	19
Oracle India Private Limited	(13)	13	—	13
Oracle Consulting Services USA	6	—	6	—
Application software				
<i>Fellow subsidiaries</i>				
Oracle India Private Limited	102,531	157,469	(15,108)	—
Oracle USA, Inc.	381	1,224	—	—
Oracle Systems Limited	2,348	—	—	—
Oracle Iberica, S.R.L.	—	2,735	—	—
Oracle Nederland B.V.	—	2,082	—	2,082
Oracle Caribbean, Inc.	4,897	—	—	—
Oracle Software Systems Israel Ltd	2,303	—	—	—
Professional fees				
<i>Fellow subsidiaries</i>				
Oracle Nederland B.V.	—	17,771	—	—
Oracle India Private Limited	—	8,042	—	—
Oracle Research & Development Center (shenzhen) Co., Ltd	59,764	—	(53,788)	—
Oracle East Central Europe Limited	—	5,960	—	—



	Transactions		Amount receivable (payable)	
	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009
Other expenses				
<i>Fellow subsidiaries</i>				
Oracle USA, Inc.	495	19,852	495	4,036
Oracle India Private Limited	1,061	—	—	—
Oracle Corporation Singapore Pte Ltd.	1,977	—	—	—
Oracle Hellas, S.A.	1,034	2,161	—	—
Deferred Revenue				
<i>Fellow subsidiaries</i>				
Oracle USA, Inc.	—	—	(10,726)	(7,706)
Oracle do Brasil Sistemas Limitada	—	—	(1,821)	—
Oracle Corporation Australia Pty Ltd	—	—	(57,353)	(3,622)
Oracle Corporation (Pty) Limited	—	—	—	(3,459)
Oracle Portugal - Sistemas de Informacao Lda.	—	—	(138)	(6,735)
Oracle Corporation Singapore Pte Ltd.	—	—	—	(1,842)
Oracle Egypt Limited	—	—	(5,801)	—
Oracle Nederland B.V.	—	—	(1,091)	—
Security Deposit				
Oracle India Private Limited	—	892	892	892
Rent				
<i>Fellow subsidiaries</i>				
Oracle Information Systems (Japan) K.K.	20,125	7,490	—	—
Oracle India Private Limited	6,242	1,642	—	—
Oracle Korea, Ltd.	287	607	—	—
Oracle (China) Software Systems Company Limited	863	595	—	—
Oracle Corporation Australia Pty Ltd	—	480	—	—
Oracle (Philippines) Corporation	176	168	—	—
Oracle Corporation Malaysia Sdn. Bhd.	—	139	—	—
Oracle USA, Inc.	1,145	—	225	—
Oracle Systems Hong Kong limited	735	113	—	—
Oracle Nederland B.V.	3,414	—	—	—
Oracle Corporation South Africa (PTY) Ltd.	372	—	—	—
Oracle Taiwan LLC	614	—	—	—
Advance received from Customers				
<i>Fellow subsidiaries</i>				
Oracle Corporation Australia Pty Ltd	12,840	—	(12,840)	—
Oracle Corporation (Pty) Limited	—	25,353	—	(38,077)
Oracle Egypt Limited	2,638	—	(2,638)	—
Oracle USA, Inc.	343,188	—	(343,188)	—
Key Managerial personnel				
Remuneration [Refer note 1 below]	155,209	194,507	—	—
Lease rent	1,429	1,722	—	—
Rent	96	84	—	—
Rental deposit	—	—	100	100
Advance rent	—	70	—	42

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.

## 11. Aggregate expenses

	Year ended March 31, 2010	Year ended March 31, 2009
Salaries and bonus	12,707,914	13,084,468
Staff welfare expenses	323,495	373,332
Contribution to provident and other funds	330,168	363,990
Travel related expenses (net of recoveries)	1,748,002	1,887,108
Professional fees [Refer note 12 of schedule 15]	1,317,124	2,557,616
Application software	210,260	563,500
Communication expenses	306,859	375,267
Rent	709,505	842,828
Advertising expenses	61,063	45,086
Power	240,542	253,889
Insurance	20,956	22,134
Repairs and maintenance:		
Buildings and leasehold premises	35,631	47,275
Computer equipments	74,723	72,855
Others	53,819	51,250
Rates and taxes	133,126	41,200
Finance charge on leased assets	2,492	4,188
Provision for doubtful debts, net	(198,603)	574,151
Bad debts	214,858	4,480
Other expenses	166,790	356,786
	18,458,724	21,521,403

12. Selling and marketing expenses of product segment for the current year include reversal of referral fee provisions amounting to Rs. 184,476 based on a settlement agreement entered with a distributor.

13. The Company has settled a dispute with a party for Rs. 468,900 for full release of all alleged claims and has disclosed the same as an exceptional item in the financial results for the year ended March 31, 2009.

14. The Group has recognized an impairment loss of Rs. 291,050 on goodwill arising out of acquisition of i-flex solutions Inc. (Canada) during the year ended March 31, 2009.

## 15. Provision for taxes

a. Breakup of current tax is as follows:

	Year ended March 31, 2010	Year ended March 31, 2009
Current tax	2,349,408	1,345,866
Less: MAT credit entitlement	(1,065,722)	(509,449)
Net Current tax	1,283,686	836,417

b. During the year ended March 31, 2010, the Group has recorded income tax expense of Rs. 544,542 (March 31, 2009 – Rs. 146,322) related to previous years.

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 No. 101049W  
Chartered Accountants

N R K Raman  
Managing Director  
& Chief Executive Officer

Y M Kale  
Director

per Amit Majmudar  
Partner  
Membership No.: 36656

Hoshi D Bhagwagar  
Company Secretary  
& Compliance Officer

Tarjani Vakil  
Director

Mumbai, India  
May 7, 2010

Mumbai, India  
May 7, 2010

# Consolidated statement of cash flow

## for the year ended March 31

	(All amounts in thousands of Indian Rupees)	
	2010	2009
Cash flows from operating activities		
Profit before provision for taxes	8,936,200	8,226,311
Adjustments to reconcile profit before provision for taxes to cash used in operating activities:		
Depreciation and amortization	488,653	557,943
Impairment loss	—	291,050
Loss on sale/write off of fixed assets, net	12,190	41,697
Provision for doubtful debts, net	(198,603)	574,151
Bad debts	214,858	4,480
Interest income	(699,616)	(770,563)
Effect of exchange rate changes in cash and cash equivalent	639,970	(274,536)
Unrealized exchange (gain) loss	596,972	(404,581)
Deferred rent	(20,756)	28,415
Marked to market of current investment	(417)	(479)
Finance charge on leased assets	2,492	4,188
Operating Profit before Working Capital changes	9,971,943	8,278,076
Changes in assets and liabilities, net of effect of acquisition		
Decrease (increase) in sundry debtors and unbilled revenue	268,643	(370,354)
Decrease (increase) in loans and advances	(44,026)	16,850
(Increase) decrease in current liabilities and provisions	(634,601)	110,867
Cash from operating activities	9,561,958	8,035,439
Payment of domestic and foreign taxes	(2,423,520)	(1,821,921)
Net cash provided by operating activities	7,138,438	6,213,518
Cash flows from investing activities		
Additions to fixed assets including capital work in progress	(400,341)	(762,360)
Net investment in lease	13,336	9,420
Deposits for office premises	(134,312)	6,688
Acquisition of company, net of cash acquired	(66,341)	—
Proceeds from sale of fixed assets	1,037	825
Bank fixed deposits having maturity of more than three months matured	24,973,721	11,032,846
Bank fixed deposits having maturity of more than three months booked	(29,675,453)	(15,874,971)
Proceeds from maturity of investments	—	33,254
Proceeds from maturity of margin money	4,280	—
Interest received	662,040	770,555
Net cash used in investing activities	(4,622,033)	(4,783,743)
Cash flows from financing activities		
Issue of shares against ESOP scheme	69,908	10,509
Advance against equity shares to be issued under ESOP Scheme	8,068	106
Payment of lease obligations	(12,313)	(20,041)
Net cash provided by (used in) financing activities	65,663	(9,426)
Net increase (decrease) in cash and cash equivalents	2,582,069	1,420,349
Cash and cash equivalents at beginning of the year	4,912,371	3,217,486
Effect of exchange rate changes in cash and cash equivalent	(639,970)	274,536
Cash and cash equivalents at end of the year (Note 1)	6,854,470	4,912,371

# Consolidated statement of cash flow (continued)

for the year ended March 31

(All amounts in thousands of Indian Rupees)

	2010	2009
Note 1: Component of cash and cash equivalent		
Cash and bank balances [Refer Schedule 6(b)]*	22,045,843	15,489,517
Less:		
Bank deposits having maturity of more than three months	(15,184,803)	(10,566,353)
Margin money deposit	(6,570)	(10,793)
Cash and cash equivalents at end of the year	6,854,470	4,912,371

\* Includes amount kept in unclaimed dividend accounts of Rs. 982 (March 31, 2009 – Rs. 1,335) not available for the use by company.

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

**N R K Raman**  
Managing Director  
& Chief Executive Officer

**Y M Kale**  
Director

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

**Hoshi D Bhagwagar**  
Company Secretary  
& Compliance Officer

**Tarjani Vakil**  
Director

Mumbai, India  
May 7, 2010

Mumbai, India  
May 7, 2010

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Annual General  
Meeting (AGM) Notice





*"With Oracle FLEXCUBE Lending and Leasing, we are now able to streamline our lending services by integrating our entire Loan Origination and Loan Servicing operations onto the single Oracle platform. We are now looking forward to being the first organization in Africa to benefit from the functionality of this solution,"*

**Maged Tammam**, Chief Information Officer, Credit Agricole, Egypt.

*"By implementing Oracle FLEXCUBE, we hope to enable technology-driven transformation at our bank as a first step to strengthening the banking system in the country. After our due diligence, we came to the conclusion that Oracle FLEXCUBE can help us create the necessary transformation in a quick and efficient manner and prepare us for the opportunities and challenges of the future. The solution will also help us in several key areas such as payments, currency management, and cost effective operations,"*

**Rashid Al Fandi**, Executive Director, Banking Operations, Central Bank of UAE.



## Notice to members

NOTICE is hereby given that the Twenty First Annual General Meeting of Oracle Financial Services Software Limited will be held at The Leela Kempinski, Sahar, Andheri (East), Mumbai 400059 on Wednesday, August 25, 2010 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, 2010, 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. Y M Kale, 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 authorized 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. Frank Brienzi, who was appointed as an Additional Director of the Company and who holds office until the date of the 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. Joseph John, who was appointed as an Additional Director of the Company and who holds office until the date of the 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. William Corey West, who was appointed as an Additional Director of the Company and who holds office until the date of the 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 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. Joseph John as the

Whole-time Director of the Company for a period of three years with effect from April 29, 2010 to April 28, 2013 as set out below.

Remuneration:

1. Gross Salary: In the scale of Rs. 50 lakh p.a. to Rs. 100 lakh 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. Provision for driver/driver's salary allowance: As per the rules of the Company.
  - e. Company car and telephone: Use of Company's car and telephone at the residence for official purposes, as per the rules of the Company.
  - f. Personal accident insurance: As per the rules of the Company.
2. Performance linked Bonus: Payable annually or at other intervals, as may be decided by the Board or the Compensation Committee of the Board.
  3. Other benefits:
    - a. Earned/privilege leave: As per the rules of the Company.
    - b. Company's contribution to provident fund and superannuation fund: As per the rules of the Company.
    - c. Gratuity: As per the rules of the Company.
    - d. Encashment of leave: As per the rules of the Company.

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. Joseph John 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. Joseph John, 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 May 7, 2010 entered into between Mr. Joseph John and the Company, together with the draft Supplemental Agreement to be entered into between Mr. Joseph John and the Company, that is submitted to this meeting and for identification signed by the Chairman of the Company, is approved and that the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of the said appointment and/or Agreement(s) in such manner as may be agreed to between the Board of Directors and Mr. Joseph John."

10. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT in partial modification of the Resolution passed by the Members at their Eighteenth Annual General Meeting (“AGM”) held on August 24, 2007, vide Item No.10 of the Notice convening that Meeting, relating to the appointment and payment of remuneration to Mr. N R Kothandaraman (N R K Raman) as the Managing Director, effective July 16, 2010, be revised to Gross Salary in the scale of Rs. 60 lakh p.a. to Rs. 120 lakh p.a., subject to such other approvals as may be required, other terms and conditions of the appointment and remuneration remaining the same.

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. N R K Raman, within the terms approved by the Members at their AGM held on August 24, 2007, revised and modified 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 December 20, 2007, entered into between Mr. N R K Raman and the Company, together with the draft Supplemental Agreement to be entered into between Mr. N R K Raman and the Company, that is submitted to this meeting and for identification signed by the Chairman of the Company, is approved and that the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of the said appointment and/or Agreement(s) in such manner as may be agreed to between the Board of Directors and Mr. N R K Raman.”

11. To consider and, if thought fit, to pass, with or without modification(s), as an Ordinary Resolution the following:

“RESOLVED THAT Ms. Tarjani Vakil, a Director, 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 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 22, 2010

**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 11 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 21, 2010 to Wednesday, August 25, 2010, 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 on 022-2594 6970 or can be e-mailed to [rnt.helpdesk@linkintime.co.in](mailto: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) The members seeking any information with regard to accounts are requested to write to the Company at its registered office at an early date to enable the Management to keep the information ready.
- j) 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, 2003 will be transferred to the 'Investor Education and Protection Fund' in due course. Once the amount is so transferred, no claim 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 2002–2003 onwards immediately.
- k) 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.
- l) 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) Railway Station to Venue (land mark – Classic Veg. Restaurant, Old Nagardas Road, Andheri (East), Mumbai)	2.00 p.m.
From Ghatkopar (East) Railway Station to Venue (land mark – near BMC office)	2.00 p.m.

**Bus drop:**

From Venue to Andheri (East) Railway Station From Venue to Ghatkopar (East) Railway Station	On conclusion of the meeting
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## ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH REGARD TO DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE TWENTY FIRST ANNUAL GENERAL MEETING:

### 1. Mr. Y M Kale

Mr. Y M Kale, born on November 4, 1947, was President of the Institute of Chartered Accountants of India (1995 – 1996) and is also a fellow member of the Institute of Chartered Accountants of England and Wales. He has contributed to various governmental and regulatory bodies such as the Securities and Exchange Board of India, the Committee of Offer Documents, the Committee of Takeovers and the Committee on Accounting for Corporates. He has participated as a member of the group for the Introduction of Concurrent Audit of Banks, which was organized by the Reserve Bank of India. He was also a member of the National Drugs and Pharmaceutical Development Council of the Government of India. He was also on the Board of the International Accounting Standards Committee from 1995 to 1998 as India's representative.

Mr. Kale does not hold any equity shares of the Company as on date.

Mr. Kale 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
Ashok Leyland Limited	—	—
Gulf Oil Marine Limited	—	—
Hinduja Foundries Limited	—	—
IndusInd Bank Limited	—	—

\* 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 honored 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. 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 2002 and was appointed as Chairman of its Board of Directors on March 24, 2009.

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

Mr. William T Comfort, Jr. 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 Venture Capital	—	—
Court Square Capital Partners Limited	—	—
Deutsche Annington (DAIG)	—	—
Nabors Industries	—	—
CX Partners	—	—

\* Only the Audit and Shareholders' Grievances Committees are considered.

### 3. Mr. Frank Brienzi

Mr. Frank Brienzi, born on February 25, 1962, is Senior Vice President and General Manager of Oracle's Financial Services Global Business Unit. He brings more than 25 years of financial services experience and expertise to his role at Oracle.

Mr. Brienzi began his career with EDS in 1984, as part of the financial services strategic business unit responsible for large-scale banking and insurance development, sales and account management. For the past 15 years, he was a managing partner at Accenture, helping to grow their global financial services business and leading Accenture's Application Outsourcing practice in North America, Asia Pacific, Europe, Africa and Latin America.

Mr. Brienzi has written several articles for major magazines including Forbes and InformationWeek. He currently serves on the board of Aidmatrix and is Vice-Chairman for NPower, Texas. He is an active member in United Way programs and Stonebriar Community Church.

Mr. Brienzi holds double majors in mathematics and management information systems from the University of Northern Colorado.

Mr. Brienzi does not hold any equity shares of the Company as on date.

Mr. Brienzi 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
NPower, Texas	—	—
Aidmatrix	—	—

\* Only the Audit and Shareholders' Grievances Committees are considered.

#### 4. Mr. Joseph John

Mr. Joseph John, born on December 15, 1957, is a member of the board of directors and head of the banking products division of Oracle Financial Services Software Limited. He is responsible for the development, implementation and support for the Oracle FLEXCUBE suite of products.

Mr. John joined Oracle Financial Services Software Limited (then a part of Citicorp Overseas Software Limited) in 1988, where he undertook wide-ranging Business Process Reengineering and Software Project Management assignments for customers in North America and Europe. Since 1992, he has been spearheading the product development strategy of the Company. He was product development head for its product MicroBanker, and thereafter headed the Banking Products Division, which is responsible for product development, consulting, and support of its flagship product Oracle FLEXCUBE, which is deployed in over 125 countries.

Prior to his tenure at Oracle, he was part of the software division at International Data Management.

Mr. John holds a bachelors degree in Engineering.

Mr. Joseph John holds 36,650 equity shares of the Company as on date.

Mr. Joseph John does not hold any other directorships and committee memberships.

#### 5. Mr. William Corey West

Mr. William Corey West, born on May 4, 1962, is Senior Vice President, Corporate Controller and Chief Accounting Officer of Oracle Corporation. He brings more than 25 years of finance, accounting and executive management experience and expertise to his role at Oracle.

Mr. West began his career with Arthur Andersen in 1984, as part of the accounting and audit practice. He served clients in a variety of industries for 14 years and left Arthur Andersen in 1998 as a partner. After leaving Arthur Andersen he worked in finance, accounting and executive management positions at RPC, Adecco, Cadence Design Systems, The Gap and Intuit. Mr. West joined Oracle Corporation on April 2, 2007.

Mr. West graduated from the University of Washington in December 1984 with a bachelor's degree in business, accounting and finance concentration.

Mr. William Corey West does not hold any equity shares of the Company as on date.

Mr. William Corey West 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
BEA Crossgain International	—	—
BEA International	—	—
BEA Systems Ireland Holding Limited	—	—
Eontec Limited	—	—
J.D. Edwards Europe Limited	—	—
Netsure Telecom Limited	—	—
OCAPAC Distributor 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	—	—

\* Only the Audit and Shareholders' Grievances Committees are considered.

## 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 in the accompanying Notice dated July 22, 2010.

#### **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 and to fix their remuneration in consultation with the Statutory Auditors of the Company.

No Director is in any way concerned or interested in the resolution at item no. 5 of the Notice to the members.

Your Directors recommend the resolution at item no. 5 of the Notice.

#### **Item no. 6:**

Mr. Frank Brienzi was appointed as an Additional Director of the Company at the Board Meeting held on April 29, 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 Director of the Company. The details regarding the above proposed appointee as the Director and his detailed resume are given in this Notice.

Mr. Frank Brienzi's immense knowledge and experience will add great value to the Company.

Except Mr. Frank Brienzi, none of the Directors of the Company is concerned or interested in the resolution at item no. 6 of the Notice to the members.

Your Directors recommend the resolution at item no. 6 of the Notice.

#### **Item no. 7:**

Mr. Joseph John was appointed as an Additional Director of the Company at the Board Meeting held on April 29, 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 Director of the Company. The details regarding the above proposed appointee as the Director and his detailed resume are given in this Notice.

Mr. Joseph John's immense knowledge and experience will add great value to the Company.

Except Mr. Joseph John none of the Directors of the Company is concerned or interested in the resolution at item no. 7 of the Notice to the members.

Your Directors recommend the resolution at item no. 7 of the Notice.

#### **Item no. 8:**

Mr. William Corey West was appointed as an Additional Director of the Company at the Board Meeting held on July 22, 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 Director of the Company. The details regarding the above proposed appointee as the Director and his detailed resume are given in this Notice.

Mr. William Corey West's immense knowledge and experience will add great value to the Company.



Except Mr. William Corey West none of the Directors of the Company is concerned or interested in the resolution at item no. 8 of the Notice to the members.

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 May 7, 2010, appointed Mr. Joseph John as a Whole-time Director of the Company with effect from April 29, 2010, for a period of three years, on the following terms and conditions.

Remuneration:

1. Gross Salary: Rs. 8,683,880 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. Provision for driver/driver's salary allowance: As per the rules of the Company.
  - e. Company car and telephone: Use of Company's car and telephone at the residence for official purposes, as per the rules of the Company.
  - f. Personal accident insurance: As per the rules of the Company.
2. Performance linked Bonus: Payable annually or at other intervals, as may be decided by the Board or the Compensation Committee of the Board.
  3. Other benefits:
    - a. Earned/privilege leave: As per the rules of the Company.
    - b. Company's contribution to provident fund and superannuation fund: As per the rules of the Company.
    - c. Gratuity: As per the rules of the Company.
    - d. Encashment of leave: As per the rules of the Company.

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. Joseph John the remuneration as mentioned above as the minimum remuneration.

An abstract of the terms and conditions of appointment and remuneration payable to Mr. Joseph John was sent to the members in May 2010 as required under Section 302 of the Act.

The Board of Directors of the Company has on July 22, 2010 approved the revision in the Gross Salary payable to Mr. Joseph John from Rs. 8,683,880 p.a. to a Gross Salary in the scale of Rs. 50 lakh p.a. to Rs. 100 lakh p.a., with effect from April 29, 2010 subject to the approval of the members of the Company and such other approvals as may be required. All other terms and conditions of his appointment being the same. The remuneration payable to Mr. Joseph John as set out in the resolution no. 9 of the Notice is within the limits prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956.

The Agreement dated May 7, 2010, entered into between Mr. Joseph John and the Company together with the draft Supplemental Agreement to be entered into between Mr. Joseph John 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.

This may be treated as an abstract under Section 302 of the Companies Act, 1956 with regard to variation in terms of appointment and remuneration.

Except Mr. Joseph John no other Directors of the Company is concerned or interested in the resolution at item no. 9 of the Notice to the members.

Your Directors recommend the resolution at item no. 9 of the Notice.

**Item no. 10:**

The Members at their Annual General Meeting held on August 24, 2007, had approved the appointment and terms of remuneration of Mr. N R Kothandaraman (N R K Raman) as the Managing Director of the Company for a period of five years with effect from May 1, 2007 to April 30, 2012 on the following terms and conditions.

1. Gross Salary: In the scale of Rs. 55 lakh p.a. to Rs. 62 lakh p.a. inclusive of perquisites as mentioned below.
2. Performance linked Bonus: Payable quarterly or at other intervals, as may be decided by the Compensation Committee and the Board.
3. 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 will be paid as decided by the Board from time to time.
  - c. Leave travel concession/allowance: For self and family once in a year, as decided by the Compensation Committee and the Board from time to time.
  - d. Club fees: Fees payable subject to a maximum of two clubs.
  - e. Provision for driver/driver's salary allowance: As per the rules of the Company.
  - f. Personal accident insurance: As per the rules of the Company.
4. Other benefits:
  - a. Earned/privilege leave: As per the rules of the Company.
  - b. Company's contribution to provident fund and superannuation fund: As per the rules of the Company.
  - c. Gratuity: As per the rules of the Company.
  - d. Encashment of leave: As per the rules of the Company.
  - e. Company car and telephone: Use of the Company's car and telephone at the residence for official purposes, as per the rules of the company.

Further, if in any financial year closing on and after March 31, 2008, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. N R K Raman the remuneration as mentioned above as the minimum remuneration.

The Board of Directors of the Company has on July 22, 2010, approved the revision in the Gross Salary payable to Mr. N R K Raman from the scale of Rs. 55 lakh p.a. to Rs. 62 lakh p.a. to a Gross Salary of Rs. 60 lakh p.a. to Rs. 120 lakh p.a. with effect from July 16, 2010 subject to the approval of the members of the Company and such other approvals as may be required. All other terms and conditions of his appointment being the same. The remuneration payable to Mr. N R K Raman as set out in the resolution no. 10 of the Notice is within the limits prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956.

The Agreement dated December 20, 2007, entered into between Mr. N R K Raman and the Company together with the draft Supplemental Agreement to be entered into between Mr. N R K Raman 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.

This may be treated as an abstract under Section 302 of the Companies Act, 1956 with regard to variation in terms of appointment and remuneration.

Except Mr. N R K Raman no other Directors of the Company is concerned or interested in the resolution at item no. 10 of the Notice to the members.

Your Directors recommend the resolution at item no. 10 of the Notice.

**Item no. 11:**

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Ms. Tarjani Vakil 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 adjourned meeting thereof. Hence, as required under Section 256 of the Companies Act, 1956, a resolution is proposed accordingly.

Except Ms. Tarjani Vakil no other Directors of the Company is concerned or interested in the above resolution at item no. 11 of the Notice to the members.

Your directors recommend the resolution at item no. 11 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 22, 2010

## 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 First Annual General Meeting of the Company held on Wednesday, August 25, 2010 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 1<sup>st</sup> Joint Holder.

Mr./Mrs./Ms. ....

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 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 First Annual General Meeting of the Company to be held on Wednesday, August 25, 2010 at 3.00 p.m. at The Leela  
Kempinski, Sahar, Andheri (East), Mumbai 400059, and at any adjournment thereof.

Signed this ..... day of ..... 2010.

Ledger Folio No. .... DP ID ..... Client ID .....

No. of Shares held .....

Please affix  
Re. 1/-  
revenue  
stamp and  
sign across

- Note:
1. The proxy need not be a member.
  2. The proxy form duly signed across Re. 1/- revenue stamp should reach the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.









**Oracle Financial Services  
Software Limited**

**REGISTERED OFFICE**

Oracle Park

Off Western Express Highway  
Goregaon (East)

Mumbai, 400063, Maharashtra  
India

**INVESTOR ENQUIRIES**

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[oracle.com/financialservices](http://oracle.com/financialservices)



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