LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is being sent to you as an equity shareholder of i-flex solutions limited. If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or the Manager to the Offer / Registrar to the Offer. In case you have sold your shares in i-flex, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the purchaser of the shares or the member of stock exchange through whom the sale was effected.

CASH OFFER

At Rs. 1,475.00 (Rupees one thousand four hundred and seventy five only) per fully paid Equity Share of face value of Rs. 5 each (the "Offer Price")
along with interest of Rs. 11.35 (Rupees eleven and paisa thirty five only) per fully paid Equity Share, computed at a rate of 10% per annum for the period from the original scheduled date of payment (December 9, 2006) up to the revised scheduled date of payment (January 6, 2007)

Amounting to a total payment of Rs.1,486.35 (Rupees one thousand four hundred and eighty six and paisa thirty five only) per fully paid Equity Share of face value of Rs. 5 each (the "Total Payment")
[Pursuant to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto]

To purchase up to 16,631,343 fully paid up Equity Shares of face value of Rs 5 each
representing up to 20.00% of the Emerging Voting Capital (as defined below) of

i-flex solutions limited ("Target Company" or "Company" or "i-flex ")
Registered office: Unit 10-11, SDF 1, SEEPZ, Andheri (East), Mumbai-400 096
Tel: +91-22-5676 2000; Fax: +91-22-2829 2767

BY

Oracle Global (Mauritius) Ltd. ("Acquirer" or "OGM")
c/o Citco (Mauritius) Limited, 5th Floor, One Cathedral, Jules Koeing Street, Port Louis, Mauritius
Tel. No. +230-210-2035, Fax No. +230-211-7889

Along with

Oracle Corporation ("Oracle" "OC" or "Person Acting in Concert" or "PAC")
500 Oracle Parkway, Redwood Shores, California, 94065
Tel: +1-650-506-4073; Fax: +1-650-633-1269

ATTENTION:

a) The Acquirer has obtained all relevant statutory approval and as of the date of this Letter of Offer, no other statutory approval is required.

b) Due to the delay in the Offer, the Acquirer and the PAC will pay interest of Rs.11.35 per fully paid Equity Share of i-flex, computed at a rate of 10% per annum for the period from the original scheduled date of payment (December 9, 2006) up to the revised scheduled date of payment (January 6, 2007). In case of further delay in the receipt of any statutory approval(s) which may become applicable subsequent to this Letter of Offer, SEBI has the power to grant an extension of time to the Acquirer and the PAC for payment of consideration to shareholders, subject to the Acquirer and the PAC agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by the Acquirer and the PAC in obtaining requisite approvals which may become applicable subsequent to this Letter of Offer, Regulation 22(13) of the SEBI (SAST) Regulations will also become applicable.

c) If there is any upward revision in the Offer Price by the Acquirer prior to or on the last date for revising the Offer Price viz., Wednesday December 13, 2006, you will be informed by way of another public announcement in the newspapers in which the first Public Announcement was published. The Acquirer shall pay such revised price for all shares validly tendered any time during the Offer and accepted under the Offer.

d) The Offer is not conditional on any minimum level of acceptance by the shareholders.

e) Shareholders who have accepted the Offer by tendering the requisite documents, pursuant to this Letter of Offer shall have the option to withdraw their acceptance on or before Tuesday December 19, 2006, i.e., 3 (three) working days prior to the date of closure of the Offer viz. Saturday December 23, 2006.

f) There has been no competitive bid as of the date of this Letter of Offer.

g) Form of Acceptance-cum-Acknowledgement and Form of Withdrawal are enclosed with this Letter of Offer.

The Public Announcement and this Letter of Offer, Form of Acceptance-cum-Acknowledgement and Form of Withdrawal will also be available on SEBI's website (www.sebi.gov.in) from the Offer opening date viz., Monday December 04, 2006. A copy of the Form of Acceptance may also be obtained from the Registrar to the Offer commencing on the date of the dispatch of the Letter of Offer.

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
DSP Merrill Lynch **DSP Merrill Lynch Limited** 10th Floor, Mafatlal Centre, Nariman Point, Mumbai – 400 006, India Phone: +91 22 6632 8000 Fax: +91 22 22048518 Email : iflex_openoffer@ml.com Contact Person: Mr.Suramya Gupta	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai – 400 078, India Phone: +91 22 2596 0320 to 28 Fax: +91 22 2596 0329 Email: i-flexoffer@intimespectrum.com Contact Person: Mr. Vishwas Attavar
OFFER OPENS ON: MONDAY, DECEMBER 04, 2006	**OFFER CLOSES ON: SATURDAY, DECEMBER 23, 2006**

SCHEDULE OF ACTIVITIES OF THE OFFER

Activities	Original Schedule	Revised Schedule
Original Public Announcement Date	Wednesday, September 13, 2006	Wednesday, September 13, 2006
Specified Date *	Friday, October 06, 2006	Friday, October 06, 2006
Last date for a competitive bid	Wednesday, October 04, 2006	Wednesday, October 04, 2006
Public Announcement of Revised Schedule		Wednesday, November 22, 2006
Last Date by which Letter of Offer to be dispatched to shareholders	Thursday, October 26, 2006	Saturday, November 25, 2006
Date of opening of the Offer	Monday, November 06, 2006	Monday, December 4, 2006
Last date for upward revision of the Offer Price	Wednesday, November 15, 2006	Wednesday, December 13, 2006
Last date for withdrawing acceptance of the Offer	Tuesday, November 21, 2006	Tuesday, December 19, 2006
Date of closing of the Offer	Saturday, November 25, 2006	Saturday, December 23, 2006
Last date of communicating rejection/acceptance and payment of consideration for accepted tenders and / or the unaccepted equity shares / share certificates will be dispatched / credited.	Saturday, December 09, 2006	Saturday, January 6, 2007

***** "Specified Date" is only for the purpose of determining the shareholders to whom the Letter of Offer is to be mailed and all owners (registered or unregistered) of the shares of the Target Company (except OGM) as of such date are eligible to participate in the Offer anytime before the closing of the Offer.

Notice to Shareholders in the United States of America:

This Offer is being made pursuant to Indian law which is different in certain respects from the law governing tender offers in the United States. In particular, under the SEBI (SAST) Regulations, the Acquirer, PAC or any advisor, broker, or other financial institution acting as their agent would be permitted to make open market purchases, pursuant to contractual arrangements or otherwise, prior to and during the conduct of, but outside, the Offer, on such terms and conditions as are agreed with the applicable sellers, subject to certain requirements and limitations. See Section 7, paragraphs (g) and (h) for details of these requirements and limitations.

RISK FACTORS

Given below are the risks related to the transaction, the proposed Offer and being associated with the Acquirer:

1. The Shares tendered in the Offer will be held in trust by the Registrar to the Offer until the completion of the Offer formalities. During such period, there may be fluctuations in the market price of the Shares of i-flex. Accordingly, Acquirer and the PAC make no assurance with respect to the market price of the Shares both during the Offer Period and upon the completion of the Offer, and disclaim any responsibility with respect to any decision by any shareholder of i-flex on whether to participate or not to participate in the Offer.
2. In the event the Offer is oversubscribed, the acceptance will be on a proportionate basis and will be contingent on the level of oversubscription.

The risk factors set forth above pertain to the Offer and do not relate to the present or future business or operations of i-flex or the Acquirer or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by a shareholder in the Offer. The shareholders of i-flex are advised to consult their stockbroker or investment consultant, if any, for further risks with respect to their participation in the Offer.

CURRENCY OF PRESENTATION

In this Letter of Offer, all references to "USD" or "US$" are to "U.S. Dollars", the legal currency of the United States of America. Certain financial details contained herein are denominated in U. S. Dollars. The Rupee equivalent quoted in each case is calculated in accordance with the RBI Reference rates as of November 21, 2006, namely 1 US$ = Rs. 44.99 (*Source: www.rbi.org.in*). In this Letter of Offer, any discrepancy in any table between the total and sums of the amount listed are due to rounding.

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DEFINITIONS

Acquirer/OGM/Oracle Mauritius	Oracle Global (Mauritius) Ltd.
BSE	The Bombay Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Limited
Eligible Persons	All owners of Equity Shares, registered or unregistered of i-flex other than Acquirer and Person Acting in Concert, who own Equity Shares at any time prior to the closure of the Offer
Emerging Voting Capital	Equity Capital of i-flex as of the date 15 days after the date of closure of the Offer, as defined in para f on page 21.
Equity Shares or Shares	Fully paid-up Equity Shares of Rs. 5 each of i-flex solutions limited
FEMA	Foreign Exchange Management Act, 1999
Form of Acceptance	Form of Acceptance-cum-Acknowledgement
HSBC	The Hongkong and Shanghai Banking Corporation Limited
i-flex /the Company/the Target Company	i-flex solutions limited
Indian GAAP	Generally Accepted Accounting Principles in India
Manager/ Manager to the Offer / DSPML	DSP Merrill Lynch Limited
NSDL	National Securities Depositories Limited
NRI	Non-resident Indian
NSE	The National Stock Exchange of India Limited
OCB	Overseas corporate body
Offer	Cash offer being made by Acquirer to the public shareholders of the Target Company to acquire up to 16,631,343 fully paid-up equity shares
Offer Price	Rs. 1,475.00 per Equity Share of i-flex
Person Acting in Concert/OC /Oracle	Oracle Corporation
Preferential Issue	Issue on a preferential basis of 4,447,418 fully paid equity shares of face value Rs. 5.00 each of the Target Company for cash at the regulatory floor price of Rs. 1,307.50 per equity share, aggregating up to Rs. 5,815 million to the Acquirer in accordance with the guidelines for preferential issues contained in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 and subsequent amendments thereto.
Public Announcement	Announcement of the Offer made by Acquirer and Person Acting in Concert on Wednesday, September 13, 2006
RBI	Reserve Bank of India
Registrar/ Registrar to Offer	Intime Spectrum Registry Limited
SEBI	Securities and Exchange Board of India
Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the subsequent amendments thereto
SEBI (SAST) Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
Shareholders	Shareholders of i-flex
Specified Date	Friday, October 06, 2006
Total Payment	Due to the delay in the Offer, the Acquirer and the PAC will pay an interest of Rs.11.35 per Equity Share of i-flex, computed at a rate of 10% per annum for the period from the original scheduled date of payment (December 9, 2006) up to the revised scheduled date of payment (January 6, 2007). The offer price of Rs.1,475 and the interest of Rs.11.35 combine to a total payment of Rs.1,486.35 per Equity Share of i-flex
US GAAP	Generally Accepted Accounting Principles in the United States of America

1. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS IN ORDER TO FACILITATE THE SHAREHOLDERS OF I-FLEX TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF ACQUIRER, PAC OR I-FLEX OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MANAGER TO THE OFFER, DSP MERRILL LYNCH, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 27, 2006 TO SEBI IN ACCORDANCE WITH THE SEBI (SAST) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT(S). THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

The Acquirer, the Person Acting in Concert and the Manager to the Offer accept no responsibility for statements made otherwise than in the Letter of Offer or in the advertisement or any material issued by, or at the instance of the Acquirer and the Manager to the Offer, and anyone placing reliance on any other source of information would be doing so at his/her/their own risk.

2. DETAILS OF THE OFFER

BACKGROUND TO THE OFFER

i. On August 14, 2006 (the "Board Meeting Date"), the Board of Directors of i-flex solutions limited (the "Target Company") approved an issue on a preferential basis of 4,447,418 fully paid equity shares of face value Rs. 5.00 each of the Target Company ("Preferential Issue Shares") for cash at the regulatory floor price of Rs. 1,307.50 (Rupees one thousand three hundred and seven and Paise fifty only) per equity share, aggregating up to Rs. 5,815 million to the Acquirer (including a premium of Rs. 1,302.50 per equity share) ("Preferential Issue") in accordance with the guidelines for preferential issues contained in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the subsequent amendments thereto ("Guidelines").

ii. The Target Company has proposed to use the proceeds of the Preferential Issue generally for undertaking/pursuing various growth opportunities including strategic acquisitions, alliances and joint ventures and specifically to fund the acquisition of Mantas, Inc. The said Board Meeting of the Target Company convened an extraordinary general meeting of its shareholders ("EGM") on September 12, 2006 to obtain their approval under Section 81 (1A) of the Companies Act, 1956 and Regulation 23(1)(b) of the SEBI (SAST) Regulations.

iii. The shareholders of the Target Company have approved the Preferential Issue by passing a special resolution under Section 81(1A) of the Companies Act, 1956, Regulation 23(1)(b) of the SEBI (SAST) Regulations and other applicable provisions, at the EGM convened on September 12, 2006. The Bombay Stock Exchange Limited, Mumbai (the "BSE") and the National Stock Exchange of India Limited (the "NSE") have granted prior in-principle approval under Clause 24(a) of the listing agreement to allot the Preferential Issue Shares. Subsequently, the Board of Directors of the Target Company issued and allotted the above-mentioned equity shares to the Acquirer after the receipt of subscription monies from the Acquirer on September 14, 2006. The Preferential Issue Shares will be subject to a 'lock-in' as per the Guidelines.

iv. The Acquirer, as of the date of the Public Announcement held 40,148,312 equity shares of the Target Company, being 52.46% of the total issued share capital of the Target Company.

During the financial year beginning April 01, 2006, the Acquirer has acquired 3,612,844 equity shares of the Target Company, (being 4.72% of the total issued share capital of the Target Company as of the date of the Public Announcement), for an average price per share (volume weighted) of Rs. 1340.95 and a highest price of Rs. 1,475.00.

Subsequent to the allotment of the Preferential Issue Shares, the shares or voting rights of the Target Company acquired by the Acquirer in this financial year is 9.95% of the total issued share capital of the Target. The Acquirer and the PAC (within the meaning of Regulation 2(1) (e) of the SEBI (SAST) Regulation, are making this Offer pursuant to Regulation 11(1) of the SEBI (SAST) Regulations.

DETAILS OF THE OFFER

a) The Public Announcement and two subsequent public announcements providing an update regarding the Offer status were made in all editions of the following newspapers on September 13, 2006, on November 6, 2006 and on November 22, 2006 respectively in accordance with Regulation 15(1) of the SEBI (SAST) Regulations:

Newspaper	Language
Financial Express	English
Janasatta	Hindi
Navshakti	Marathi

b) Copies of the initial Public Announcement as well as the subsequent public announcements providing an update regarding the Offer status are available on the SEBI website at *www.sebi.gov.in*.

c) The Acquirer is making an offer to the public shareholders of the Target Company to acquire up to 16,631,343 fully paid-up equity shares of Rs. 5/- each, representing 20.0% of the Emerging Voting Capital of the Target Company at a price of Rs. 1,475.00 (Rupees one thousand four hundred and seventy five only) per Equity Share ("Offer Price"), along with interest of Rs.11.35 per Equity Share of i-flex computed at a rate of 10% per annum for the period from the original scheduled date of payment up to the revised scheduled date of payment, payable in cash and subject to the terms and conditions mentioned hereinafter ("Offer" or "Open Offer").

d) The Acquirer will acquire all the shares tendered and accepted under the Offer, herein and other terms and conditions as set out in the Public Announcement and this Letter of Offer.

e) The Acquirer held 40,148,312 equity shares of the Target Company constituting 52.46% of the total issued share capital of the Target Company as of the date of Public Announcement. Subsequently, pursuant to the Preferential Issue, the Acquirer's holding increased to 55.07% as of September 14, 2006. Following consummation of the Offer, assuming 100% acceptances, the Acquirer will hold up to 61,227,073 equity shares of the Target Company constituting 73.63% of the Emerging Voting Capital of Target Company.

f) The Offer is not conditional on any minimum level of acceptance by the shareholders.

The Acquirer has not acquired any equity shares of the Target Company after the date of Public Announcement and up to the date of Letter of Offer through open market purchases ("OMP")

3. OBJECTS OF THE OFFER

a) Upon completion of the allotment of the Preferential Issue Shares to the Acquirer by the Target Company on September 14, 2006, the shares or voting rights of the Target Company acquired by the Acquirer in this financial year is 9.95% of the total issued share capital of the Target Company. Shares or voting rights in the Target Company acquired by the Acquirer in the current financial year is more than the prescribed threshold of 5.0% for this financial year. Hence, the Acquirer along with the PAC is making this Open Offer pursuant to Regulation 11(1) of SEBI (SAST) Regulation.

b) Pursuant to a Share Purchase Agreement dated August 2, 2005, the Acquirer acquired 32,236,000 equity shares of the Target Company. Thereafter, pursuant to a public announcement dated August 3, 2005, Acquirer made an open offer to the shareholders of i-flex in accordance with the SEBI (SAST) Regulations (the "First Open Offer") and acquired 517,375 equity shares of i-flex. Subsequent to the First Open Offer, the Acquirer increased its equity stake in the Target Company (details in Section 3, paragraph (o)) and further intends to consolidate its stake in the Target Company through this Offer as a step in the direction of co-operative efforts and alignment of both organizations.

c) The Acquirer does not have any plans at present to dispose of or otherwise encumber any assets of the Target Company in the next two years, except in the ordinary course of business of the Target Company or to the extent required for the purpose of restructuring and/or rationalization of assets, investments, liabilities or otherwise of the Target Company for commercial reasons and operational efficiencies.

d) The Acquirer undertakes that it shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company to the extent required by applicable laws.

e) The Acquirer and the Target Company are not in a similar line of business / operations. However, the PAC (and its subsidiaries, including the Indian subsidiaries) and the Target Company are in a similar line of business /operations. No significant impact is expected on OC's business and operations as a result of an increase in its equity stake in the Target Company.

4. BACKGROUND OF THE ACQUIRER – ORACLE GLOBAL (MARITIUS) LTD ("ACQUIRER" / "OGM" / "ORACLE MAURITIUS")

a) OGM is an unlisted company incorporated in Mauritius on June 28, 2005 under the Companies Act, 2001 of Mauritius, with its registered office located at c/o Citco (Mauritius) Limited, 5th Floor, One Cathedral, Jules Koenig Street, Port Louis, Mauritius. Tel. No. +230-210-2035, Fax No. +230-211-7889.

b) OGM is an investment company.

c) The paid up capital of OGM is US$ 2,947.93 comprising of 294,793 ordinary shares of face value US$ 0.01 per ordinary share.

d) OC is the majority shareholder (66.1%) of OGM. OGM belongs to the Oracle group of companies.

e) OGM held 40,148,312 Equity Shares constituting 52.46% of the total issued share capital of i-flex as of the date of the Public Announcement and 44,595,730 Equity Shares, constituting 55.07% of the total issued shared capital of i-flex as of September 14, 2006, and confirms that it has complied with the provisions of Chapter II of the SEBI (SAST) Regulations within the time specified in the Regulations.

f) The Directors of OGM and their addresses are as listed below

Name / Date of Appointment	Educational Qualification	Experience	Address
Jean Francois Nancoo June 28, 2005	Professional qualification in accounting from ACCA (international accountancy body)	Accounts Officer, Citco (Mauritius) Limited	Citco (Mauritius) Limited, 5th Floor, One Cathedral, Jules Koenig Street, Port Louis, Mauritius
Javed Aboobakar June 28, 2005	Bachelor of Arts in Economics Accounting and Finance from University of Leeds (England), Master of Business Administration from University of Bristol (England) jointly with Ecole Nationale des Ponts et Chaussees, Paris, and Bachelor of Laws from University of London, Member of the Society of Trust and Estates Practitioners (TEP)	Managing Director, Citco (Mauritius) Limited	Citco (Mauritius) Limited, 5th Floor, One Cathedral, Jules Koenig Street, Port Louis, Mauritius

Name / Date of Appointment	Educational Qualification	Experience	Address
Daniel Cooperman July 1, 2005	Bachelor of Arts from Dartmouth College, and Master of Business Administration from Stanford University Graduate School of Business and Juris Doctor from Stanford Law School	Senior Vice President, General Counsel and Secretary, OC	500 Oracle Parkway, Redwood Shores, California 94065, U.S.A.
Richard Hoag April 5, 2006	Bachelor of Science from Oregon State University, Master of Science in Business Administration from University of Houston, Master of Science in Taxation from Golden Gate University, Certified Public Accountant and Certified Treasury Professional	Vice President, Tax Policy and Procedures, Oracle USA, Inc.	500 Oracle Parkway, Redwood Shores, California 94065, U.S.A.
Christopher Ing July 1, 2005	Bachelor of Arts from University of Pennsylvania and Juris Doctor from New York University School of Law	Senior Corporate Counsel, Oracle USA, Inc.	500 Oracle Parkway, Redwood Shores, California 94065, U.S.A.

g) None of the Directors of OGM have acquired any shares of the Target Company during the preceding 12 months.

h) None of the Directors of OGM are on the Board of Directors of the Target Company.

i) Selected financial data from OGM's financial statements is provided below :

Profit & Loss Account

	Year Ended May 31, 2006(in lakhs)	
	USD	**Rs.**
Profit & Loss Statement:		
Income from Operations		
Other Income[1]	142	6,389
Total Expenditure	-	-
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	142	6,389
Depreciation including Amortization of intangible assets	-	-
Interest expense	(183)	(8,233)
Loss before Provision for Income Taxes	(41)	(1,844)
Provision for Income Taxes	-	-
Net Income	(41)	(1,844)

(1) Other income comprises Interest Income ($3.7 lakhs) and Equity in the earnings of i-flex ($138.5 lakhs). OGM accounts for its investment in i-flex under the equity method of accounting and pursuant to this method, records its share of interest in the earnings of i-flex as income.

Balance Sheet Statement

	As of May 31, 2006(in lakhs)	
	USD	**Rs.**
Sources of funds		
Ordinary shares		
Accumulated deficit	(41)	(1,845)
Total Shareholder's deficit	(41)	(1,845)
Secured loans	-	-
Unsecured loans	8,128	365,679
Other payables	31	1,395
Total Liabilities	**8,118**	365,229
Uses of funds		
Property, net		
Investments	8,117	365,184
Net Current assets	1	45
Total miscellaneous expenditure not written off		
Total assets	**8,118**	365,229

Other Financial Data

	Year Ended May 31, 2006	
	USD	**Rs.**
Dividend (%)	Nil	Nil
Diluted Earnings Per Share	(41)	(1,845)
Return on Stockholder's Equity (%) [(1)]	NA	NA
Book Value Per Share	(41)	(1,845)

(1) Return has been calculated as ratio of Net Income and Total Stockholder's Equity as of May 31. Since both Net Income and Total Stockholder's equity as of May 31, 2006 are negative, the return on stockholder's equity multiple would not be meaningful.

Since this is the first year of financials for OGM, analysis of total income and net profit trends vis-à-vis the past is not applicable

j) **Significant Accounting Policies:**

BASIS OF ACCOUNTING

The financial statements of OGM, which are expressed in United States of America dollars, are prepared in accordance with U.S. generally accepted accounting principles (GAAP). These accounting principles require OGM to make certain estimates, judgments and assumptions. OGM believes that the estimates, judgments and assumptions upon which it relies are reasonable based upon information available at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, OGM's financial statements will be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result.

FOREIGN CURRENCY TRANSLATION

The Company uses the United States Dollar as its functional currency. Monetary assets and liabilities denominated in foreign currencies other than the United States Dollar are translated into United States Dollars at the exchange rate ruling at the balance sheet date. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction, with all differences resulting from subsequent exchange rate changes recorded in the statement of operations.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The market value of OGM's investment in i-flex, which was $987 million at May 31, 2006, was in excess of the carrying value of its investment of $812 million. The fair value of the $813 million debt to shareholder approximates its carrying value as this debt is contracted at a short-term indexed interest rate. Interest at 0.375% above the 3-month LIBOR rate is accrued and included in the carrying value.

RELATED PARTIES

Related parties are individuals and companies who have the ability, directly or indirectly, to control the board or exercise significant influence over it in making financial and operating decisions. OGM transacted during the year with two related-party companies: Oracle Systems Corporation and Oracle USA, Inc., an indirect wholly-owned subsidiary of Oracle Systems Corporation.

k) Major contingent liabilities: None

l) Information in respect of all the companies promoted by OGM for the last three years : None

m) Current status of corporate governance:

OGM is a private company and has no applicable corporate governance requirements.

n) Name and Address of the Compliance Officer: Mr. Robert Feit, Vice President, Associate General Counsel & Assistant Secretary, Oracle Corporation; 500 Oracle Parkway, Redwood Shores, California, 94065, U.S.A.; Tel. No. +1-650-506-7000; Fax No. +1-650-506-3055.

o) Status of pending litigations as of the date of Public Announcement: None

p) Details of earlier acquisitions, made in the Target Company including acquisitions made through open offers:

- The Acquirer acquired 32,236,000 equity shares of face value Rs. 5 each of the Target Company at a price of Rs. 800.00 per equity share, in cash, from OrbiTech Limited pursuant to a Share Purchase Agreement dated August 2, 2005. Further, the Acquirer acquired 517,375 equity shares of the Target Company, at a price of Rs. 882.62 per equity share, pursuant to the First Open Offer.
- Subsequent thereto, the Acquirer acquired 7,394,937 equity shares of the Target Company through open market purchases on the stock exchanges for an average price per share (volume weighted) of Rs. 1,356.77 as detailed below :
  a. 3,782,093 shares for an average price per share (volume weighted) of Rs. 1,371.87 and highest price of Rs. 1,397.03 in the financial year ending March 31, 2006,
  b. 3,612,844 shares for an average price per share (volume weighted) of Rs. 1,340.95 and highest price of Rs. 1,447.65 in the financial year beginning April 01, 2006,
- On September 14, 2006, the Board of Directors of the Target Company issued and allotted 4,447,418 fully paid equity shares of Rs. 5 each of the Target Company on preferential basis for cash at a price of Rs. 1,307.50 per share to the Acquirer in accordance with the Guidelines for Preferential Issues under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and subsequent amendments thereto.

The Acquirer has not acquired any equity shares of the Target Company after the date of Public Announcement and up to the date of Letter of Offer through open market purchases

The change in shareholding pursuant to the above acquisitions of equity shares in Target Company is as detailed under:

Shareholding at each stage of acquisition	**Number of equity shares held by Acquirer Voting**	**Holding as % of total shares outstanding(1) / rights**
After acquistion of shares from Orbi Tech Ltd	32,236,000	42.41%
After First Open Offer	32,753,375	43.09%
After OMP until March 31, 2006	36,535,468	47.89%
After OMP until September 12, 2006	40,148,312	52.46%
After Preferential Issue	44,595,730	55.07%

(1) Calculated as of the respective date.

(2) The Acquirer has not acquired any equity shares of the Target Company after the date of Public Announcement and up to the date of Letter of Offer through open market purchases

5. OGM has complied with applicable provisions of the SEBI (SAST) Regulations (including Chapter II) /other applicable Regulations under the SEBI Act, 1992, as amended (the "SEBI Act") and other statutory requirements, as applicable.

6. Details of merger/demerger, spin off during last 3 years involving the Acquirer, Change in name since incorporation : None

5. BACKGROUND OF PERSON ACTING IN CONCERT – ORACLE CORPORATION ("PAC" / "OC")

a) OC was incorporated on September 9, 2005, under the General Corporation Law of the State of Delaware, originally under the name Ozark Holding Inc. In connection with a reorgnization, on January 31, 2006 the name of the company was changed to Oracle Corporation. OC has its registered office located at 500 Oracle Parkway, Redwood Shores, California, 94065, U.S.A. Tel. No. +1-650-506-7000. Fax No. +1-650-506-3055.

b) OC is a holding corporation with ownership of its direct and indirect subsidiaries, including OGM, and many domestic and foreign subsidiaries around the world.

c) OC develops, manufactures, markets, distributes and services database software and middleware software, as well as applications software designed to help its customers manage and grow their business operations.

d) OC is organized into two businesses, software and services, which are further divided into five operating segments. The software business is comprised of two operating segments: (1) new software licenses and (2) software license updates and product support. The services business is comprised of three operating segments: (1) consulting, (2) On Demand and (3) education. The software business represented 80%, 80% and 79% of total revenues and the services business represented 20%, 20% and 21% of total revenues in the years ended May 31, 2006, 2005 and 2004, respectively.

e) OC's total shareholders' equity as of August 31, 2006 was US$ 14,899 million (equivalent to Rs.670 billion). The number of shares of common stock outstanding as of August 31, 2006 was 5,185 million.

f) OC's common stock is listed on the NASDAQ Global Select Market, in the United States of America under the symbol 'ORCL' and has been traded on Nasdaq since the initial public offering of Old Oracle (as defined below) in 1986. There is no person who is in control of OC. Mr. Lawrence J. Ellison is the co-founder of OC and its largest shareholder, Chief Executive Officer and member of the Board of Directors of OC. He holds 23.50% of OC's total voting capital as of September 13, 2006.

The shareholding pattern of OC as of Thursday, August 29, 2006 is as follows:

Shareholder's Category	**No. of Shares Held**	**Percentage of Shares Held**
Institutions	2,831,814,682	54.58%
Insiders (Directors and Officers)	1,219,490,983	23.50%
Individual Shareholders	1,137,157,567	21.92%
Total Paid Up Capital	**5,188,463,232**	**100.00%**

g) OC's background and history is as follows: Oracle was incorporated on October 29, 1986 under the General Corporation Law of the State of Delaware as Oracle Systems Corporation and is the successor to operations originally begun in 1977. On December 2, 1994, Oracle Corporation was incorporated in the State of Delaware as a subsidiary of Oracle Systems Corporation. On March 30, 1995, Oracle Corporation merged with and into Oracle Systems Corporation and the surviving company was renamed Oracle Corporation ("Old Oracle"). On September 9, 2005, Ozark Holding Inc. ("New Oracle") was formed as a wholly-owned subsidiary of Old Oracle in connection with a reorganization related to Oracle's acquisition of Siebel Systems, Inc. On the same day, New Oracle formed Ozark Merger Sub Inc. as a wholly-owned subsidiary. On January 31, 2006, Ozark Merger Sub Inc. merged with and into Old Oracle with Old Oracle surviving the merger. As a result of the merger, Old Oracle became a wholly-owned subsidiary of New Oracle. Old Oracle was renamed "Oracle Systems Corporation" and New Oracle was renamed "Oracle Corporation." Shareholders of Old Oracle received one share of New Oracle for each share of Old Oracle. Shares of Old Oracle ceased to trade on Nasdaq and shares of New Oracle are traded on Nasdaq.

Oracle's history is as follows:

Date	Event
June 16, 1977	Software Development Laboratories ("SDL") is incorporated in California.
December 5, 1979	SDL changes its name to Relational Software Incorporated.
October 15, 1982	Oracle Corporation is incorporated in California.
January 4, 1983	Relational Software Incorporated changes its name to Oracle Corporation. Oracle Corporation changes its name to Relational Software Incorporated.
August 8, 1985	Relational Software Incorporated changes its name to Oracle Systems Corporation (a California corporation).
October 29, 1986	Oracle Systems Corporation is incorporated in Delaware.
March 12, 1987	Oracle Systems Corporation (a California corporation) merges with and into Oracle Systems Corporation (a Delaware corporation).
December 2, 1994	Oracle Corporation (a subsidiary of Oracle Systems Corporation) is incorporated in Delaware.
March 30, 1995	Oracle Corporation (a Delaware corporation) merges with and into Oracle Systems Corporation (a Delaware corporation) and is renamed Oracle Corporation.
March 31, 1995	Oracle Corporation (a California corporation) merges with and into Oracle Corporation (a Delaware corporation).
September 9, 2005	Ozark Holding Inc. and Ozark Merger Sub Inc. are incorporated in Delaware.
January 31, 2006	Ozark Merger Sub Inc. merges with and into Oracle Corporation with Oracle Corporation surviving the merger. As a result of the merger, Oracle Corporation becomes a wholly-owned subsidiary of Ozark Holding Inc.
January 31, 2006	Oracle Corporation changes its name to Oracle Systems Corporation, and Ozark Holding Inc. changes its name to Oracle Corporation.
January 31, 2006	Shares of Oracle Corporation (following the merger and name change from Ozark Holding Inc.) are traded on Nasdaq.

h) OC does not directly hold any equity shares of the Target Company. OC's subsidiary OGM holds a 55.07% equity stake in the Target Company as of September 14, 2006 as detailed in paragraph "p" on page 9.

i) The provisions of Chapter II of SEBI (SAST) Regulations are not applicable to OC as it does not hold any shares in the Target Company.

j) Based on the closing price of the shares of OC as of November 21, 2006, and the EPS for the year ending May 31, 2006, the P/E ratio is 30.44 times.

k) The Directors of OC (as per OC's Definitive Proxy on Form DEF 14A dated August 23, 2006) and their addresses are as listed below:

	Educational Qualification	Experience	Address
Jeffrey O. Henley, *Chairman* June 1995	Bachelor's degree in Economics from the University of California at Santa Barbara and Master of Business Administration in Finance from University of California at Los Angeles	Mr. Henley has served as the Chairman of the Board since January 2004 and as a director since June 1995. He served as an Executive Vice President and Chief Financial Officer from March 1991 to July 2004. Mr. Henley has been a member of the Executive Committee since July 1995. Prior to joining OC, he served as Executive Vice President and Chief Financial Officer of Pacific Holding Company, a privately-held company with diversified interests in manufacturing and real estate, from August 1986 to February 1991. He also serves as a director of CallWave, Inc.	500 Oracle Parkway, Redwood Shores, California 94065, U.S.A.
Lawrence J. Ellison, *Chief Executive Officer & Director* June 1977	Attended University of Illinois and University of Chicago	Mr. Ellison has been Chief Executive Officer and a director since he founded Oracle in June 1977. He served asChairman of the Board from May 1995 to January 2004 and from May 1990 to October 1992 and President from May 1978 to July1996. Mr. Ellison has been a member of the Executive Committee since December 1985.	500 Oracle Parkway, Redwood Shores, California 94065, U.S.A.
Donald L. Lucas, *Director* March 1980	Bachelor of Science in Economics and Master in Business Administration from Stanford University	Mr. Lucas has serevd as a director since March 1980. He has been a member and Chairman of the Executive Committee since December 1985, a member of the Finance and Audit Committee (the F&A Committee) since December 1982, Chairman of the F&A Committee since 1987 and a member of the Independent Committee for Review of Interested Transactions (the Independent Committee) since October 1999. He was Chairman of the Board from October 1980 to May 1990	3000 Sand Hill Road, Building 3, Suite 210, Menlo Park, CA 94025, U.S.A

NameDesignation & Date of Appointment	Educational Qualification	Experience	Address
Michael J.Boskin, *Director* April 1994	Bachelor of Arts in Economics, Masters degree in Economics and PhD in Economics from the University of California at Berkeley	Dr. Boskin has served as a director since April 1994. He has been a member of the F&A Committee since July 1994 and Vice Chair of the F&A Committee since August 2005. He has been a member of the Nomination & Governance Committee ("Governance Committee") since July 1994. He is the Tully M. Friedman Professor of Economics and Hoover Institution Senior Fellow at Stanford University, where he has been on the faculty since 1971. He is Chief Executive Officer and President of Boskin & Co., Inc., a consulting firm. He was Chairman of the President's Council of Economic Advisers from February 1989 until January 1993. Dr. Boskin also serves as a director of ExxonMobil Corporation and Vodafone Group, PLC.	Hoover Institution, 31-B Galvez Mall, Stanford University, Stanford, CA 94305-6010, U.S.A
Jack F. Kemp, *Director* December 1996	Bachelor of Arts in Physical Education from Occidental College	Mr. Kemp has served as a director since December 1996 and previously served as a director of Oracle from February 1995 until September 1996. He is the chairman of Kemp Partners, a strategic consulting firm he founded in July 2002. From July 2004 to February 2005, Mr. Kemp was a Co-Chairman of FreedomWorks Empower America, a non-profit grassroots advocacy organization.From January 1993 until July 2004, Mr. Kemp was Co-Director of Empower America, which merged with Citizens for a Sound Economy to form FreedomWorks Empower America. Mr. Kemp served as a member of Congress for 18 years and as Secretary of Housing and Urban Development from February 1989 until January 1993. In 1996, Mr. Kemp was the Republican candidate for Vice President of the United States. Mr. Kemp also serves as a director of Hawk Corporation, IDT Corporation, CNL Hotels and Resorts,Inc., InPhonic, Inc., Six Flags, Inc. and WorldSpace, Inc.	Kemp Partners, 1901 Pennsylvania Avenue, N.W., Suite 300, Washington, D.C. 20006, U.S.A
Jeffrey S. Berg, *Director* February 1997	Bachelor of Arts in English from the University of California at Berkeley Masters of Liberal Arts from the University of Southern California	Mr. Berg has served as a director since February 1997. He has been a member of the Compensation Committee since October 2001 and Chairman of the Compensation Committee since June 2006. He has been a member of the Governance Committee since October 2001. He has been an agent in the entertainment industry for over 35 years and the Chairman and Chief Executive Officer of International Creative Management, Inc., a talent agency for the entertainment industry, since 1985. He has served as Co-Chair of California's Council on Information Technology and was President of the Executive Board of the College of Letters and Sciences at the University of California at Berkeley. He is on the Board of Trustees of the Anderson School of Management at the University of California at Los Angeles	International Creative Management, 8942 Wilshire Blvd., Beverly Hills, CA 90211, U.S.A
Safra A. Catz, *President, CFO & Director* October 2001	Bachelor of Science in Economics from The Wharton School, University of Pennsylvania and Juris Doctor from The Law School, University of Pennsylvania	Ms. Catz has been Chief Financial Officer since November 2005 and a President since January 2004. She has served as a director since October 2001. She was Interim Chief Financial Officer from April 2005 until July 2005. She served as an Executive Vice President from November 1999 to January 2004 and Senior Vice President from April 1999 to October 1999.	500 Oracle Parkway, Redwood Shores, California 94065, U.S.A

NameDesignation & Date of Appointment	Educational Qualification	Experience	Address
Hector Garcia-Molina, *Director* October 2001	Bachelor of Science in Electrical Engineering from the Instituto Tecnologico de Monterrey, Mexico, Master's degree in Electrical Engineering from Stanford University and PhD in Computer Science from Stanford University	Dr. Garcia-Molina has served as a director since October 2001. He has been a member of the Compensation Committee and the Independent Committee since August 2005. He has been the Leonard Bosack and Sandra Lerner Professor in the Departments of Computer Science and Electrical Engineering at Stanford University since October 1995 and served as Chairman of the Department of Computer Science from January 2001 to December 2004. He has been a professor at Stanford University since January 1992. From August 1994 until December 1997, he was the Director of the Computer Systems Laboratory at Stanford University. Mr. Garcia-Molina also serves as a director of Kintera Inc.	Stanford University, Gates Hall, Room 434, Stanford, CA 94305, U.S.A
H. Raymond Bingham, *Director* November 2002	Bachelor of Science in Economics from Weber State University and Masters in Business Administration from Harvard Business School	Mr. Bingham has served as a director and a member of the F&A Committee since November 2002. Mr. Bingham has been a member and Chairman of the Independent Committee since July 2003 and a member and Chairman of the Governance Committee since August 2005. He has been a self-employed private investor since August 2005. He was Executive Chairman of the Board of Directors of Cadence Design Systems, Inc., a supplier of electronic design automation software and services, from May 2004 to July 2005 and served as a director of Cadence from November 1997 to July 2005. Prior to being Executive Chairman, he served as President and Chief Executive Officer of Cadence from April 1999 to May 2004 and as Executive Vice President and Chief Financial Officer from April 1993 to April 1999. Mr. Bingham also serves as a director of KLA Tencor Corporation, Flextronics InternationalLtd. and Freescale Semiconductor, Inc.	RBPI, Inc., 3000 Sand Hill Road, Building 3, Suite 210, Menlo Park, CA 94025, U.S.A
Charles E. Phillips, **Jr.**, *President & Director* January 2004	Bachelor of Science in Computer Science from the United States Air Force Academy, Master of Business Administration from Hampton University, and Juris Doctor from New York University School of Law	Mr. Phillips has been a President and has served as a director since January 2004. He served as Executive Vice President, Strategy, Partnerships, and Business Development, from May 2003 to January 2004. Prior to joining Oracle, Mr. Phillips was with Morgan Stanley & Co. Incorporated, a global investment bank, where he was a Managing Director from November 1995 to May 2003 and a Principal from December 1994 to November 1995. From 1986 to 1994, Mr. Phillips worked at various investment banking firms on Wall Street. Prior to that, Mr. Phillips served as a Captain in the United States Marine Corps as an information technology officer. Mr. Phillips also serves as a director of Viacom Inc. and Morgan Stanley.	113 West, 88th Street, New York. NY 10024. USA
Naomi O.Seligman, *Director* November 2005	Bachelor of Arts, Vassar College, Graduate Degree from London School of Economics	Ms. Seligman has served as a director since November 2005. She has been a member of the Compensation Committee since June 2006. She has been a senior partner at Ostriker von Simson, a technology research firm, since June 1999. From 1977 until June 1999, Ms. Seligman served as a co-founder and senior partner of the Research Board, Inc., a private sector institution sponsored by 100 chief information officers from major global corporations. Ms. Seligman also serves as a director of The Dun & Bradstreet Corporation, Sun Microsystems, Inc. and Akamai Technologies, Inc.	Ostriker von Simson, 220 E. 61st Street, New York, NY 10021, U.S.A

l) None of the Directors of OC have acquired any shares of i-flex during the preceding 12 months.

m) Charles E. Phillips, Jr., who is a director of OC, is on the Board of Directors of i-flex.

n) Selected financial data from OC's audited consolidated financial statements are provided below (*Source: OC's Annual Report on Form 10-K for the fiscal year ended May 31, 2006)*:

Profit & Loss Account	**Year Ended May 31 (in millions)**					
	2004		**2005**		**2006**	
	USD	**Rs.**	**USD**	**Rs.**	**USD**	**Rs.**
Average Exchange Rate						
Profit & Loss Statement:						
Income from Operations	3,864	173,841	4,022	180,950	4,736	213,073
Other Income, net	81	3,644	29	1,305	74	3,329
Total Revenues	10,156	456,918	11,799	530,837	14,380	646,956
Total Operating Expenses	6,292	283,077	7,777	349,887	9,644	433,884
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	4,200	188,958	4,611	207,449	5,785	260,267
Depreciation including Amortisation of intangible assets	234	10,528	425	19,121	806	36,262
Interest expense	21	945	135	6,074	169	7,603
Income before Provision for Income Taxes	3,945	177,486	4,051	182,254	4,810	216,402
Provision for Income Taxes	1,264	56,867	1,165	52,413	1,429	64,291
Net Income	2,681	120,618	2,886	129,841	3,381	152,111

Balance Sheet Statement	**As of May 31, (in millions)**					
	2004		**2005**		**2006**	
	USD	**Rs.**	**USD**	**Rs.**	**USD**	**Rs.**
Sources of funds						
Common stock	5,456	245,465	6,596	296,754	9,246	415,978
Retained earnings, deferred compensation and accumulated other comprehensive income	2,539	114,230	4,241	190,803	5,766	259,412
Total Stockholders' Equity	7,995	359,695	10,837	487,557	15,012	675,390
Secured loans	0	0	0	0	0	0
Unsecured loans	172	7,738	2,852	128,311	5,894	265,171
Total Liabilities	4,768	214,512	9,850	443,152	14,017	630,625
Uses of funds		0		0		0
Property, net	1,068	48,049	1,442	64,876	1,391	62,581
Investments	4,449	200,161	908	40,851	946	42,561
Net Current assets	11,336	510,007	8,448	380,076	11,974	538,710
Total miscellaneous expenditure not written off	0	0	0	0		0
Total assets	12,763	574,207	20,687	930,708	29,029	1,306,015

Other Financial Data

	As of May 31, (in millions)					
	2004		**2005**		**2006**	
	USD	**Rs.**	**USD**	**Rs.**	**USD**	**Rs.**
Dividend (%)	0%	0%	0%	0%	0%	0%
Diluted Earnings Per Share	0.50	22.50	0.55	24.74	0.64	28.79
Return on Stockholder's Equity(1)	33.53%	33.53%	26.63%	26.63%	22.52%	22.52%
Book Value Per Share	1.53	68.83	2.11	94.93	2.87	129.12

(1) Return has been calculated as ratio of Net Income and Total Stockholder's Equity as of May 31.

o) Reasons for fall/rise in the total income and PAT in the past (*Source: OC's Annual Report on Form 10-K for the fiscal year ended May 31, 2006)*:

Fiscal 2006 Compared to Fiscal 2005: Total revenues increased in fiscal 2006 due to strong sales execution, incremental revenues from acquisitions and a strengthening in OC's competitive position.

Operating expenses were favorably affected by 1 percentage point as a result of the strengthening of the United States dollar relative to other major international currencies. Excluding the effect of currency rate fluctuations, the increase in operating expenses is primarily due to higher headcount levels and associated personnel related costs in sales and marketing, consulting and research and development, higher commissions due to the increase in revenues and greater amortization of intangible assets, offset partially by lower restructuring and acquisition related expenses. Operating margins as a percentage of total revenues decreased slightly due to higher costs associated with acquisitions, principally amortization of intangible assets.

Fiscal 2005 Compared to Fiscal 2004: Excluding the effect of currency rate fluctuations, the increase in total revenues reflects $685 million associated with PeopleSoft products and services as well as an increase in sales of products and services resulting from improved sales execution as a result of product specialization, a strengthening in its competitive position and a stronger economy, particularly in the United States. Total revenues were favorably affected by foreign currency rate fluctuations due to a weakening of the United States dollar against certain major international currencies, primarily the Euro, British Pound and Japanese Yen.

Excluding the effect of currency rate fluctuations, total operating expenses increased 20%. Operating expenses were unfavorably affected as a result of the weakening of the United States dollar relative to other major international currencies. Operating margins as a percentage of total revenues decreased from 38% to 34%. The decline in operating margins is primarily due to costs incurred as a result of the acquisition of PeopleSoft such as amortization of intangible assets, acquisition related costs, restructuring costs and stock-based compensation resulting from the assumption of unvested PeopleSoft stock options.

p) As of May 31, 2006, major contingent liabilities/contractual obligations of OC were as follows: (*Source: OC's Annual Report on Form 10-K for the fiscal year ended May 31, 2006)*

In June 2003, in response to OC's tender offer, PeopleSoft implemented a "customer assurance program" or "CAP." The CAP incorporated a provision in PeopleSoft's standard licensing arrangement that purports to contractually burden OC, as a result of its acquisition of PeopleSoft; with a contingent obligation to make payments to PeopleSoft customers should OC fail to take certain business actions for a fixed period of time subsequent to its acquisition of PeopleSoft. The payment obligation, which typically expires four years from the date of the contract, is fixed at an amount generally between two and five times the license and first year support fees paid to PeopleSoft in the applicable license transaction. PeopleSoft customers retain rights to the licensed products whether or not the CAP payments are triggered.

The maximum potential penalty under the CAP is $3.5 billion. Unless the CAP provisions are removed from these licensing arrangements, the aggregate potential CAP obligation is not expected to decline substantially until fiscal year 2008, when these provisions expire. However, OC has not recorded a liability related to the CAP as it does not believe it is probable that its post-acquisition activities related to the PeopleSoft and JD Edwards product lines will trigger an obligation to make any payment pursuant to the CAP. OC believes that, in the event of litigation, it would have substantial defenses with respect to the legality and enforceability of the CAP contract provisions in response to any claims seeking payment from Oracle under the CAP terms.

q) The critical accounting policies of OC are as follows: (*Source: OC's Annual Report on Form 10-K for the fiscal year ended May 31, 2006)*

OC's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). These accounting principles require it to make certain estimates, judgments and assumptions. OC believes that the estimates, judgments and assumptions upon which it relies are reasonable based upon information available to it at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, the financial statements will be affected. The accounting policies that reflect the more significant estimates, judgments and assumptions and which OC believes are the most critical to aid in fully understanding and evaluating the reported financial results include the following:

- Business Combinations
- PeopleSoft Customer Assurance Program
- Goodwill
- Revenue Recognition
- Accounting for Income Taxes
- Legal Contingencies
- Stock-Based Compensation
- Allowances for Doubtful Accounts and Returns

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. The senior management has reviewed these critical accounting policies and related disclosures with the Finance and Audit Committee of the Board of Directors.

Business Combinations

In accordance with business combination accounting, OC allocates the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed as well as to in-process research and development based on their estimated fair values. OC engages third-party appraisal firms to assist management in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and is inherently uncertain. Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows from license sales, maintenance agreements, consulting contracts, customer contracts and acquired developed technologies and patents; expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed; the acquired company's brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company's product portfolio; and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

In connection with purchase price allocations, OC estimates the fair value of the support obligations assumed in connection with acquisitions. The estimated fair value of the support obligations is determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The estimated costs to fulfill the support obligations are based on the historical direct costs related to providing the support services and to correct any errors in the software products acquired. OC does not include any costs associated with selling efforts or research and development or the related fulfillment margins on these costs. Profit associated with selling effort is excluded because the acquired entities would have concluded the selling effort on the support contracts prior to the acquisition date. The estimated research and development costs are not included in the fair value determination, as these costs are not deemed to represent a legal obligation at the time of acquisition. The sum of the costs and operating profit approximates, in theory, the amount that OC would be required to pay a third party to assume the support obligation.

As a result, OC did not recognize software license updates and product support revenues related to support contracts in the amount of $391 million and $320 million that would have been otherwise recorded by acquired businesses as independent entities in fiscal 2006 and 2005, respectively. Historically, substantially all of its customers, including customers from acquired companies, renew their contracts when the contract is eligible for renewal. To the extent these underlying support contracts are renewed, OC will recognize the revenue for the full value of the support contracts over the support periods, the majority of which are one year. Had it included its estimated selling and research and development activities, and the associated margin for unspecified product upgrades and enhancements to be provided under its assumed support arrangements, the fair value of the support obligations would have been significantly higher than what OC has recorded and would have recorded a higher amount of software license updates and product support revenue historically and in future periods related to these assumed contracts.

Other significant estimates associated with the accounting for acquisitions include restructuring costs. Restructuring costs are primarily comprised of severance costs, costs of consolidating duplicate facilities and contract termination costs. Restructuring expenses are based upon plans that have been committed to by management but which are subject to refinement. To estimate restructuring expenses, management utilizes assumptions of the number of employees that would be involuntarily terminated and of future costs to operate and eventually vacate duplicate facilities. Estimated restructuring expenses may change as management executes the approved plan. Decreases to the cost estimates of executing the currently approved plans associated with pre-merger activities of the companies OC acquires are recorded as an adjustment to goodwill indefinitely, whereas increases to the estimates are recorded as an adjustment to goodwill during the purchase price allocation period (generally within one year of the acquisition date) and as operating expenses thereafter. Changes in cost estimates of executing the currently approved plans associated with pre-merger activities are recorded in restructuring expenses.

For a given acquisition, OC may identify certain pre-acquisition contingencies. If, during the purchase price allocation period, it is able to determine the fair value of a pre-acquisition contingency, it will include that amount in the purchase price allocation. If, as of the end of the purchase price allocation period, OC is unable to determine the fair value of a pre-acquisition contingency, it will evaluate whether to include an amount in the purchase price allocation based on whether it is probable a liability had been incurred and whether an amount can be reasonably estimated. After the end of the purchase price allocation period, any adjustment that results from a pre-acquisition contingency will be included in the operating results in the period in which the adjustment is determined.

People Soft Customer Assurance Program

In June 2003, in response to OC's tender offer, PeopleSoft implemented what it referred to as the "customer assurance program" or "CAP." The CAP incorporated a provision in PeopleSoft's standard licensing arrangement that purports contractually to burden OC as a result of its acquisition of PeopleSoft; with a contingent obligation to make payments to PeopleSoft customers should OC fail to take certain business actions for a fixed period, which typically expires four years from the date of the contract. OC has concluded that, as of the date of the acquisition, the penalty provisions under the CAP represent a contingent liability of OC. It has not recorded a liability related to the CAP, as it does not believe it is probable that its post-acquisition activities related to the PeopleSoft and JD Edwards product lines will trigger an obligation to make any payment pursuant to the CAP. The maximum potential penalty under the CAP as of May 31, 2006 was $3.5 billion. Unless the CAP provisions are removed from these licensing arrangements, OC do not expect the aggregate potential CAP obligation to decline substantially until fiscal year 2008 when these provisions begin to expire. While no assurance can be given as to the ultimate outcome of potential litigation, OC believes it would also have substantial defenses with respect to the legality and enforceability of the CAP contract provisions in response to any claims seeking payment from OC under the CAP terms. If OC determines in the future that a payment pursuant to the CAP is probable, the estimated liability would be recorded in the operating results in the period in which such liability is determined.

Goodwill

OC reviews goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The provisions of Statement 142 require that a two-step impairment test be performed on goodwill. In the first step, OC compares the fair value of each reporting unit to its carrying value. OC's reporting units are consistent with the reportable segments identified in Note 15 of the Notes to Consolidated Financial Statements. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired and it is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then OC must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then it would record an impairment loss equal to the difference. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. OC bases its fair value estimates on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, it makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units. OC's most recent annual goodwill impairment analysis, which was performed during the fourth quarter of fiscal 2006, did not result in an impairment charge.

Revenue Recognition

OC derives revenues from the following sources: (1) software, which includes new software license and software license updates and product support revenues, and (2) services, which include consulting, On Demand and education revenues.

New software license revenues represent fees earned from granting customers licenses to use OC's database, middleware and applications software, and exclude revenues derived from software license updates, which are included in software license updates and product support. While the basis for software license revenue recognition is substantially governed by the provisions of Statement of Position No. 97-2, *Software Revenue Recognition*, issued by the American Institute of Certified Public Accountants, it exercises judgment and uses estimates in connection with the determination of the amount of software and services revenues to be recognized in each accounting period.

For software license arrangements that do not require significant modification or customization of the underlying software, OC recognizes new software license revenue when: (1) it enter into a legally binding arrangement with a customer for the license of software; (2) it delivers the products; (3) customer payment is deemed fixed or determinable and free of contingencies or significant uncertainties; and (4) collection is probable. Substantially all of OC's new software license revenues are recognized in this manner.

The vast majority of OC's software license arrangements include software license updates and product support, which are recognized ratably over the term of the arrangement, typically one year. Software license updates provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the support period. Product support includes internet access to technical content, as well as internet and telephone access to technical support personnel. Software license updates and product support are generally priced as a percentage of the net new software license fees. Substantially all of OC's customers purchase both software license updates and product support when they acquire new software licenses. In addition, substantially all of the customers renew their software license updates and product support contracts annually.

Many of the software arrangements include consulting implementation services sold separately under consulting engagement contracts. Consulting revenues from these arrangements are generally accounted for separately from new software license revenues because the arrangements qualify as service transactions as defined in SOP 97-2. The more significant factors considered in determining whether the revenue should be accounted for separately include the nature of services (i.e., consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments and impact of milestones or acceptance criteria on the realizability of the software license fee. Revenues for consulting services are generally recognized as the services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenue is deferred until the uncertainty is sufficiently resolved. OC estimates the proportional performance on contracts with fixed or "not to exceed" fees on a monthly basis utilizing hours incurred to date as a percentage of total estimated hours to complete the project. It recognizes no more than 90% of the milestone or total contract amount until project acceptance is obtained. If it does not have a sufficient basis to measure progress towards completion, revenue is recognized when it receives final acceptance from the customer. When total cost estimates exceed revenues, OC accrues for the estimated losses immediately using cost estimates that are based upon an average fully burdened daily rate applicable to the consulting organization delivering the services. The complexity of the estimation process and factors relating to the assumptions, risks and uncertainties inherent with the application of the proportional performance method of accounting affect the amounts of revenue and related expenses reported in its consolidated financial statements. A number of internal and external factors can affect its estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes.

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then new software license revenue is generally recognized together with the consulting services based on contract accounting using either the percentage-of-completion or completed-contract method. Contract accounting is applied to any arrangements: (1) that include milestones or customer specific acceptance criteria that may affect collection of the software license fees; (2) where services include significant modification or customization of the software; (3) where significant consulting services are provided for in the software license contract without additional charge or are substantially discounted; or (4) where the software license payment is tied to the performance of consulting services.

On-Demand is comprised of Oracle On-Demand and Advanced Customer Services. Oracle On-Demand provides multi-featured software and hardware management and maintenance services for database, middleware and applications software. Advanced Customer Services are earned by providing customers configuration and performance analysis, personalized support and annual on-site technical services. Revenues from On-Demand services are recognized over the term of the service contract, which is generally one year.

Education revenues include instructor-led, media-based and internet-based training in the use of OC's products. Education revenues are recognized as the classes or other education offerings are delivered.

For arrangements with multiple elements, OC allocates revenue to each element of a transaction based upon its fair value as determined by "vendor specific objective evidence." Vendor specific objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold separately and for software license updates and product support services, is additionally measured by the renewal rate offered to the customer. OC may modify its pricing practices in the future, which could result in changes in vendor specific objective evidence of fair value for these undelivered elements. As a result, future revenue recognition for multiple element arrangements could differ significantly from historical results.

OC defers revenue for any undelivered elements, and recognize revenue when the product is delivered or over the period in which the service is performed, in accordance with its revenue recognition policy for such element. If it cannot objectively determine the fair value of any undelivered element included in bundled software and service arrangements, it defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, it uses the residual method to record revenue if the fair value of all undelivered elements is determinable. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Substantially all of OC's software license arrangements do not include acceptance provisions. However, if acceptance provisions exist as part of public policy, for example in agreements with government entities when acceptance periods are required by law, or within previously executed terms and conditions that are referenced in the current agreement and are short-term in nature, it provides for a sales return allowance in accordance with FASB Statement No. 48, *Revenue Recognition when Right of Return Exists*. If acceptance provisions are long-term in nature or are not included as standard terms of an arrangement or if OC cannot reasonably estimate the incidence of returns, revenue is recognized upon the earlier of receipt of written customer acceptance or expiration of the acceptance period.

OC also evaluates arrangements with governmental entities containing "fiscal funding" or "termination for convenience" provisions, when such provisions are required by law, to determine the probability of possible cancellation. It considers multiple factors, including the history with the customer in similar transactions, the "essential use" of the software licenses and the planning, budgeting and approval processes undertaken by the governmental entity. If it determines upon execution of these arrangements that the likelihood of non-acceptance is remote, it then recognizes revenue once all of the criteria described above have been met. If such a determination cannot be made, revenue is recognized upon the earlier of cash receipt or approval of the applicable funding provision by the governmental entity.

OC assesses whether fees are fixed or determinable at the time of sale and recognize revenue if all other revenue recognition requirements are met. Its standard payment terms are net 30; however, terms may vary based on the country in which the agreement is executed. Payments that are due within six months are generally deemed to be fixed or determinable based on successful collection history on such arrangements, and thereby satisfy the required criteria for revenue recognition.

While most of OC's arrangements include short-term payment terms, it has a standard practice of providing long-term financing to credit worthy customers through its financing division. Since fiscal 1989, when its financing division was formed, it has established a history of collection, without concessions, on these receivables with payment terms that generally extend up to five years from the contract date. Provided all other revenue recognition criteria have been met, OC recognizes new software license revenues for these arrangements upon delivery, net of any payment discounts from financing transactions. It has generally sold receivables financed through its financing division on a non-recourse basis to third party financing institutions. It accounts for the sale of these receivables as "true sales" as defined in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

OC's customers include several of its suppliers and on rare occasion, it have purchased goods or services for its operations from these vendors at or about the same time that it has licensed its software to these same companies (a "Concurrent Transaction"). Software license agreements that occur within a three-month time period from the date of purchase of goods or services from that same customer are reviewed for appropriate accounting treatment and disclosure. When OC acquires goods or services from a customer, it negotiates the purchase separately from any software license transaction, at terms it considers to be at arm's length, and settle the purchase in cash. It recognizes new software license revenue from Concurrent Transactions if all of the revenue recognition criteria are met and the goods and services acquired are necessary for current operations.

During the second quarter of fiscal 2006, OC recognized new software license revenues of approximately $33 million from a supplier. During the third quarter of fiscal 2006, it negotiated to acquire goods and services from this supplier and finalized terms of the purchase. The value of the goods and services it will acquire from this supplier under this agreement will total approximately $20 million over the next five years.

Accounting for Income Taxes

Significant judgment is required in determining its worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities, the process of identifying items of revenue and expense that qualify for preferential tax treatment, and segregation of foreign and domestic income and expense to avoid double taxation. Although OC believe that its estimates are reasonable, the final tax outcome of these matters could be different from that which is reflected in its historical income tax provisions and accruals. Such differences could have a material effect on its income tax provision and net income in the period in which such determination is made.

OC's effective tax rate includes the impact of certain undistributed foreign earnings for which no U.S. taxes have been provided because such earnings are planned to be indefinitely reinvested outside the United States.

Remittances of foreign earnings to the U.S. are planned based on projected cash flow, working capital and investment needs of foreign and domestic operations. Based on these assumptions, OC estimates the amount that will be distributed to the U.S. and provide U.S. federal taxes on these amounts. Material changes in the estimates could impact OC's effective tax rate.

OC records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In order for OC to realize its deferred tax assets, OC must be able to generate sufficient taxable income in those jurisdictions where the deferred tax assets are located. It considers future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which it operates and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event it was to determine that it would not be able to realize all or part of the net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which such determination was made. Likewise, if it later determines that it is more likely than not that the net deferred tax assets would be realized, OC would reverse the applicable portion of the previously provided valuation allowance.

OC calculates its current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are generally recorded in the period when the tax returns are filed and the global tax implications are known.

The amount of income tax it pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. OC's estimate of the potential outcome for any uncertain tax issue is highly judgmental. It believes it has adequately provided for any reasonably foreseeable outcome related to these matters. However, its future results may include favorable or unfavorable adjustments to its estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statutes of limitation on potential assessments expire. Additionally, the jurisdictions in which its earnings or deductions are realized may differ from current estimates. As a result, its effective tax rate may fluctuate significantly on a quarterly basis.

As part of OC's accounting for business combinations, some of the purchase price is allocated to goodwill and intangible assets. Impairment charges associated with goodwill are generally not tax deductible and will result in an increased effective income tax rate in the quarter the impairment is recorded. Amortization expense associated with acquired intangible assets is generally not tax deductible; however, deferred taxes have been recorded for non-deductible amortization expense as part of the purchase price allocation. It has taken into account the allocation of these identified intangibles among different taxing jurisdictions, including those with nominal or zero percent tax rates, in establishing the related deferred tax liabilities. Income tax contingencies existing as of the acquisition dates of the acquired companies are evaluated quarterly and any adjustments are recorded as an adjustment to goodwill.

Legal Contingencies

OC is currently involved in various claims and legal proceedings. Quarterly, it reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, it accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, OC reassesses the potential liability related to pending claims and litigation and may revise its estimates. Such revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position.

Stock-Based Compensation

On June 1, 2006, OC adopted Statement No. 123 (revised 2004), *Share-Based Payment*, under the modified prospective method. Statement 123(R) generally requires share-based payments to employees to be recognized in its consolidated statements of operations based on their fair values. Prior to June 1, 2006, OC accounted for its stock-based compensation plans under the intrinsic value method of accounting as defined by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and applied the disclosure provisions of Statement No. 123, *Accounting for Stock-Based Compensation*, as amended. Under Opinion 25, OC generally did not recognize any compensation expense for stock options as the exercise price of its options was equivalent to the market price of its common stock on the date of grant. However, OC recorded stock-based compensation at intrinsic value associated with unvested options assumed in connection with acquisitions. For pro forma disclosures, the estimated fair values for options granted and options assumed were amortized using the accelerated expense attribution method. In addition, OC reduced pro forma stock compensation expense for actual forfeitures in the periods they occurred.

Upon adoption of Statement 123(R), OC was required to estimate the awards that it ultimately expect to vest and to reduce stock-based compensation expense for the effects of estimated forfeitures of awards over the expense recognition period. Although OC estimated forfeitures based on historical experience, forfeitures in the future may differ. Under Statement 123(R), the forfeiture rate must be revised if actual forfeitures differ from its original estimates. Also in connection with OC's adoption of Statement 123(R), it elected to recognize awards granted after the adoption date under the straight-line amortization method.

OC estimates the fair value of employee stock options using a Black-Scholes valuation model. The fair value of an award is affected by its stock price on the date of grant as well as other assumptions including the estimated volatility of its stock price over the term of the awards and the estimated period of time that it expects employees to hold their options. The risk-free interest rate assumption is based upon United States treasury interest rates appropriate for the expected life of the awards. OC uses the implied volatility of its publicly traded stock options in order to estimate future stock price trends. In order to determine the estimated period of time that OC expects employees to hold their options, it has used historical rates of employee groups by job classification.

OC records deferred tax assets for stock-based awards that result in deductions on its income tax returns, based on the amount of stock-based compensation recognized and the statutory tax rate in the jurisdiction in which it will receive a tax deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on its income tax returns are recorded in additional paid"in capital (if the tax deduction exceeds the deferred tax asset) or in its consolidated statement of operations (if the deferred tax asset exceeds the tax deduction and no additional paid"in capital exists from previous awards). To calculate the excess tax benefits available for use in offsetting future tax shortfalls as of its adoption date, which also affects the excess tax benefits from stock-based compensation that OC reclassifies as cash flows from financing activities, it is following the alternative transition method as prescribed under FASB Staff Position FAS123(R)-3, *Transition Election to Accounting for the Tax Effects of Share-Based Payment Awards*.

To the extent it changes the terms of its employee stock-based compensation programs, refines different assumptions in future periods such as forfeiture rates that differ from its estimates and implements the changes in accounting methodologies prescribed by Statement 123(R) such as the change in its expense attribution method from accelerated to straight-line, the stock-based compensation expense that it records in future periods may differ significantly from what it has recorded in the first quarter of fiscal 2007.

Allowances for Doubtful Accounts and Returns

OC makes judgments as to its ability to collect outstanding receivables and provide allowances for the portion of receivables when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, provisions are recorded at differing rates, based upon the age of the receivable. In determining these percentages, it analyzes its historical collection experience and current economic trends. If the historical data it uses to calculate the allowance for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected.

OC also records a provision for estimated sales returns and allowances on product and service related sales in the same period the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors. If the historical data used to calculate these estimates do not properly reflect future returns, then a change in the allowances would be made in the period in which such a determination is made and revenues in that period could be materially affected.

r) Current status of Corporate Governance: (*Source: OC's Definitive Proxy Statement dated August 23, 2006)*

The Board of Directors of OC has the following standing committees: the Executive Committee, the Finance and Audit Committee, the Nomination and Governance Committee, the Compensation Committee and the Independent Committee for Review of Interested Transactions.

OC regularly monitors developments in the area of corporate governance and reviews its processes and procedures in light of such developments. OC reviews laws affecting corporate governance, as well as rules adopted by regulatory bodies to which it is subject. OC believes that its procedures and practices are designed to enhance stockholders' interests.

s) Status of pending litigation matters as of May 31, 2006: (*Source: OC's Annual Report on Form 10-K for the fiscal year ended May 31, 2006 [and its Quarterly Report on Form 10-Q for the first quarter ended August 31, 2006])*

There is no major pending litigation filed against OC as of May 31, 2006 other than the following:

Securities Class Action

Stockholder class actions were filed in the United States District Court for the Northern District of California against OC and its Chief Executive Officer on and after March 9, 2001. Between March 2002 and March 2003, the court dismissed plaintiffs' consolidated complaint, first amended complaint and a revised second amended complaint. The last dismissal was with prejudice. On September 1, 2004, the United States Court of Appeals for the Ninth Circuit reversed the dismissal order and remanded the case for further proceedings. The revised second amended complaint named OC's Chief Executive Officer, its then Chief Financial Officer (who currently is Chairman of its Board of Directors) and a former Executive Vice President as defendants. This complaint was brought on behalf of purchasers of OC's stock during the period from December 14, 2000 through March 1, 2001. Plaintiffs alleged that the defendants made false and misleading statements about OC's actual and expected financial performance and the performance of certain of its applications products, while certain individual defendants were selling OC stock in violation of federal securities laws. Plaintiffs further alleged that certain individual defendants sold OC stock while in possession of material non-public information. Plaintiffs also allege that the defendants engaged in accounting violations. Currently, the parties are conducting discovery. Although trial had been set for September 11, 2006, the court vacated the trial date and no new trial date has been set. Plaintiffs seek unspecified damages plus interest, attorneys' fees and costs, and equitable and injunctive relief.

Siebel Securities Class Action

On March 10, 2004, William Wollrab, on behalf of himself and purportedly on behalf of a class of stockholders of Siebel, filed a complaint in the United States District Court for the Northern District of California against Siebel and certain of its officers relating to predicted adoption rates of Siebel v7.0 and certain customer satisfaction surveys. This complaint was consolidated and amended on August 27, 2004, with the Policemen's Annuity and Benefit Fund of Chicago being appointed to serve as lead plaintiff. The consolidated complaint also raised claims regarding Siebel's business performance in 2002. In October 2004, Siebel filed a motion to dismiss, which was granted on January 28, 2005 with leave to amend. Plaintiffs filed an amended complaint on March 1, 2005. Plaintiffs seek unspecified damages plus interest, attorneys' fees and costs, and equitable and injunctive relief. Siebel filed a motion to dismiss the amended complaint on April 27, 2005, and on December 28, 2005, the Court dismissed the case with prejudice. On January 17, 2006, plaintiffs filed a notice of appeal. OC believes that it has meritorious defenses against this action, and will continue vigorously to defend it.

Intellectual Property Litigation

Mangosoft, Inc. and Mangosoft Corporation filed a patent infringement action against OC in the United States District Court for the District of New Hampshire on November 22, 2002. Plaintiffs alleged that OC is willfully infringing U.S. Patent Nos. 6,148,377 (the '377 patent) and 5,918,229 (the '229 patent), which they claim to own. Plaintiffs seek damages based on OC's license sales of the Real Application Clusters database option, the 9i and 10g databases, and the Application Server, and seek injunctive relief. OC has denied infringement and asserted affirmative defenses and has counterclaimed against plaintiffs for declaratory judgment that the '377 and '229 patents are invalid, unenforceable and not infringed by it. On May 19, 2004, the court held a claims construction (Markman) hearing, and on September 21, 2004, it issued a Markman order. On June 21, 2005, plaintiffs withdrew their allegations of infringement of the '229 patent. Discovery closed on July 1, 2005. Summary judgment motions were filed on August 25, 2005, and the court held a hearing on these motions on October 17, 2005. On March 14, 2006 the court ruled that OC's Real Application Clusters database option did not infringe the '377 patent. OC's counterclaims against Mangosoft, alleging that the '377 patent is invalid and unenforceable, are the only claims that the Court has left open for trial. On April 21, 2006 Mangosoft filed a motion asking that Mangosoft be allowed to appeal the non-infringement ruling immediately to the Federal Circuit Court of Appeals and that trial on Oracle's counterclaims be stayed until that appeal has been resolved. OC filed a brief opposing that motion on May 8, 2006. The Court has not yet ruled on the motion, nor has it set a trial date for the remaining two issues.

t) Acquisition, Merger, de-merger, spin off during last 3 years (with a purchase price of US$500 million or more) involving the PAC :

Acquired Company	Acquisition Date	Purchase Price	Description of Acquired Company
PeopleSoft, Inc.	January 2005	$11.1 billion	Provider of enterprise application software products
Retek Inc.	April 2005	$701 million	Provider of software solutions and services to the retail industry
i-flex solutions limited (the Target Company)	November 2005	$593 million	Provider of software solutions and services to the financial services industry
Siebel Systems, Inc.	January 2006	$6.1 billion	Provider of customer relationship management software

Oracle has also been involved in several other mergers and acquisitions in the last three years ending May 31, 2006. The aggregate purchase price for other acquisitions was, US$46 million, US$106 million and US$682 million for the years ended May 31, 2004, 2005 and 2006, respectively.

Oracle, incorporated in 2005, has not been involved in any material de-mergers or spin-offs during the last three years. There have been no acquisitions, mergers, demergers, spin-offs or divestitures involving OC in India over the last three years other than those through its subsidiary, OGM. In November 2005, Oracle India Private Limited, an indirect wholly-owned subsidiary of OC in India, purchased development centers operated by Covansys Corporation and Hexaware Technologies Limited, pursuant to exercising options to purchase these centers in May 2005.

u) Change in the name since incorporation/listing: Prior to January 31, 2006, OC was called Ozark Holding Inc.

v) Name and contact details of the Compliance Officer : Mr. Robert Feit, Vice President, Associate General Counsel & Assistant Secretary, Oracle Corporation; 500 Oracle Parkway, Redwood Shores, California, 94065, U.S.A.; Tel. No. +1-650-506-7000; Fax No. +1-650-506-3055.

6. BACKGROUND OF I-FLEX SOLUTIONS LIMITED

a) i-flex is a public limited company incorporated on September 27, 1989 under the Indian Companies Act, 1956, as amended, with its registered office located at Unit 10-11, SDF 1, SEEPZ, Andheri (East), Mumbai – 400096. Tel: +91-22-5676 2000; Fax: +91-22-2829 2767 and its corporate office located at i-flex Center, 399, Subhash Road, Vile Parle (E), Mumbai – 400 057. Tel: +91-22-6718 5000; Fax: +91-22-2832 3374.

b) The Company was incorporated as "Citicorp Information Technology Industries Limited", and the name was subsequently changed to "i-flex solutions limited" in March, 2000. The Company is a provider of information technology solutions to the financial services industry worldwide through a comprehensive range of products and customized service offerings. The Company's portfolio of offerings comprise the Flexcube product suite for consumer, corporate, investment and internet banking, asset management, and investor servicing; custom application software development and deployment, maintenance and support services (both onsite and offshore) and business and IT consulting. The Company also offers financial institutions customized solutions through its domain and technology Centers of Excellence, which encompass areas such as Business Intelligence, CRM, Development & Integration Services, e-services, Insurance and Payment Systems. Supported by a mature, quality led process, assessed at SEI CMM Level 5, i-flex draws on its rich functional and technology expertise to offer services to customers in the financial services world. i-flex Consulting, the consulting arm, offers strategic and business consulting to customers in the financial services industry.

c) i-flex has the following wholly owned subsidiaries:

- i-flex Solutions b.v. incorporated in May 2000 under the laws of the Netherlands;
- i-flex Solutions Pte ltd, incorporated in November 2001 under the laws of Singapore;
- i-flex America Inc., incorporated in December 2003 in the state of Delaware, United States of America. i-flex America Inc has the following subsidiaries:
  - SuperSolutions Corporation, acquired in January 2004, incorporated in the state of Minnesota, United States of America, is a wholly owned subsidiary.
  - i-flex Solutions inc., incorporated in December 2001 in the state of Delaware, United States of America, is a wholly owned subsidiary.
  - Castek Software Inc., acquired in August 2005, incorporated under the laws of Canada is 76.77% owned by i-flex America Inc.
  - Mantas, Inc., acquired in September 2006, incorporated under the laws of Delaware, United States of America, is a wholly owned subsidiary.
  - ISP Internet Mauritius Company, incorporated under the laws of the Republic of Mauritius. ISP Internet Mauritius Company has the following wholly owned subsidiaries:
  - Equinox Corporation, incorporated in the state of Delaware, United States of America.
  - Equinox Global Services Private Limited, incorporated in India.
  - i-flex Processing Services Limited, incorporated in February, 2005 in India. In April 2006, it became the wholly owned subsidiary of the Company.

d) i-flex's development centres are based in Mumbai, Bangalore, Pune and Chennai and its registered office and corporate office are located in Mumbai. The following table sets forth the area of i-flex's development centres, as of September 13, 2006:

Location	Area Sq. Ft.
Mumbai – Owned	300,000
Mumbai – Leased	404,519
Pune – Owned	300,000
Pune – Leased	127,500
Bangalore – Owned	150,000
Bangalore – Leased	283,934
Chennai – Leased	130,106

e) i-flex has deployed a highly available and secure IT infrastructure, in line with global best-practices, to meet the demands of its business and its clients globally. Some salient features of i-flex's IT infrastructure are as follows:

- Twelve state-of-the-art development centers supporting over 7000 professionals. i-flex's IT Infrastructure and processes are COBIT and BS7799 compliant.
- Secured Data Centers to host a variety of hardware and software environments for i-flex's software development and support needs.

- Enterprise Management Tools to proactively and efficiently manage the IT Infrastructure.
- A global network that is reliable, redundant, scalable, secure and futuristic. It incorporates current technologies such as Voice Over IP (VOIP) to service our users at a significant reduced cost.
- A centralized support team to service our global users with Global standards such as Cobit, ITIL and SAS 70

To establish i-flex's presence globally and provide easy access to customers, i-flex also has subsidiaries/branch offices in the Netherlands, Germany, the United Kingdom, the United States of America, Canada, Singapore, Japan and Russia and sales presence in Australia, China, Japan, Kenya, Nigeria, South Africa, UAE and Zimbabwe. i-flex's local and regional support presence is in Bulgaria, Brunei, Cyprus, Egypt, Germany, Ghana, Hungary, Iceland, Jamaica, Japan, Kenya, Kuwait, Malaysia, London, Malaysia, Mauritius, the Netherlands, Nigeria, Poland,, Romania, Singapore, South Africa, Sri Lanka, UAE, Uganda, UK, USA, Venezuela, Zambia and Zimbabwe. i-flex's global support centre is located in India.

f) As of the date of the Public Announcement, i.e., September 13, 2006, i-flex had 76,535,817 outstanding fully paid up equity shares and 1,756,350 vested and exercisable employee stock options which, when converted, would result in an increase in the equity share capital of the Target Company to 78,292,167 equity shares.

The Target Company had issued 395,529 warrants which could be subscribed to not earlier than September 24, 2006. There were also unvested employee stock options outstanding on that date.

Voting rights as at the expiration of 15 days after the closure of the Offer, i.e., "Emerging Voting Capital" is calculated as follows, based on information currently available:

Sl. No.	Particulars	No. of equity shares
1	Total equity shares outstanding as of the date of Public Announcement	76,535,817
2	Add: Warrants/options that can be exercised prior to 15 days after closure of the Offer	395,529
3	Add: ESOPs which have been vested or will be vested and are eligible to be exercised within 15 days after the closure of the Offer	1,665,380
4	Add: Preferential Issue described/ referred in paragraph 1 above	4,447,418
5	Add: ESOPs exercised between the date of the Public Announcement and the date of this Letter of Offer	112,570
6	"Emerging Voting Capital" (assuming all the above mentioned warrants/options and vested ESOP's are exercised)	83,156,714

g) Except as stated above, i-flex had no outstanding convertible instruments as of the date of the Public Announcement. There were also no partly paid-up shares.

h) The issued, subscribed and paid-up equity share capital of i-flex as of the date of the Public Announcement was as follows:

Paid-up Equity Shares of Target Company	Share Capital as of the date of the Public Announcement, i.e., September 13, 2006 (Rs.)	% of shares
Fully paid-up equity shares.	76,535,817	100%
Partly paid-up equity shares.	NIL	0%
Total fully paid-up equity shares.	76,535,817	100%
Total Voting Rights	76,535,817	100%

i) The build-up of current share capital of i-flex is as follows:

Date of Allotment	Number of Equity Shares	Percentage of Share	Cumulative paid up share capital (Rs.)	Face Value (Rs.)	Mode of allotment	Date on which fully paid-up	Identity/Reasons for allotment (bonus, swap etc.)	Status of Compliance
October 11, 1989	7	0.0%	70	10	Cash	11-Oct-89	Subscription to shares on signing of memorandum of association	Yes
November 7, 1990	1	0.0%	80	10	Cash	7-Nov-90	Allotted to OrbiTech Ltd.	Yes
December 10, 1990	587	0.0%	5950	10	Cash	10-Dec-90	Allotted to initial shareholders	Yes
February 10, 1992	991,305	2.4%	9919000	10	Cash	10-Feb-92	Private Placement	Yes
July 17, 1992	5,100	0.0%	9970000	10	Cash	17-Jul-92	Private Placement	Yes
April 1, 1993	2,791,850	6.9%	37888500	10	Cash	1-Apr-93	Rights issue	Yes
March 30, 1998	284,200	0.7%	40730500	10	Cash	30-Mar-98	Allotted to ESOP Trust	Yes
October 9, 1999	4,073,050	10.0%	81461000	10	Bonus	9-Oct-99	1:1 bonus issue	Yes
December 9, 1999	173,000	0.4%	83191000	10	Cash	9-Dec-99	Allotted to ESOP Trust	Yes
October 31, 2000	8,319,100	20.5%	166382000	10	Bonus	31-Oct-00	1:1 bonus issue	Yes

Date of Allotment	Number of Equity Shares	Percentage of Share	Cumulative paid up share capital (Rs.)	Face Value (Rs.)	Mode of allotment	Date on which fully paid-up	Identity/Reasons for allotment (bonus, swap etc.)	Status of Compliance
August 14, 2001	33,276,400	41.03%	166,382,000	5			Rs. 10 paid-up equity shares sub-divided into two Equity Shares	
March 4, 2002	679,000	0.84%	169,777,000	5	Cash	4-Mar-02	Preferential Allotment to Financial Ventures Mauritius Limited [part of Standard Chartered group]	Yes
June 14, 2002	3,360,000	4.14%	186,577,000	5	Cash	14-Jun-02	Issued through Public Issue	Yes
April 24, 2003	5,300	0.01%	186,603,500	5	Cash	24-Apr-03	Exercise of ESOP Options	Yes
July 25, 2003	7,400	0.01%	186,640,500	5	Cash	25-Jul-03	Exercise of ESOP Options	Yes
September 8, 2003	9,400	0.01%	186,687,500	5	Cash	8-Sep-03	Exercise of ESOP Options	Yes
September 11, 2003	37,337,500	46.04%	373,375,000	5	Bonus	11-Sep-03	1:1 bonus issue	Yes
January 27, 2004	33,850	0.04%	373,544,250	5	Cash	27-Jan-04	Exercise of ESOP Options	Yes
March 24, 2004	27,300	0.03%	373,680,750	5	Cash	24-Mar-04	Exercise of ESOP Options	Yes
March 24, 2004	4,000	0.00%	373,700,750	5	Cash	24-Mar-04	Exercise of ESOP Options	Yes
May 26, 2004	15,300	0.02%	373,777,250	5	Cash	26-May-04	Exercise of ESOP Options	Yes
July 30, 2004	9,000	0.01%	373,822,250	5	Cash	30-Jul-04	Exercise of ESOP Options	Yes
September 1, 2004	8,250	0.01%	373,863,500	5	Cash	1-Sep-04	Exercise of ESOP Options	Yes
October 29, 2004	21,750	0.03%	373,972,250	5	Cash	29-Oct-04	Exercise of ESOP Options	Yes
November 15, 2004	3,400	0.00%	373,989,250	5	Cash	15-Nov-04	Exercise of ESOP Options	Yes
December 24, 2004	14,050	0.02%	374,059,500	5	Cash	24-Dec-04	Exercise of ESOP Options	Yes
January 28, 2005	7,650	0.01%	374,097,750	5	Cash	28-Jan-05	Exercise of ESOP Options	Yes
March 14, 2005	60,100	0.07%	374,398,250	5	Cash	14-Mar-05	Exercise of ESOP Options	Yes
April 29, 2005	49,250	0.06%	374,644,500	5	Cash	29-Apr-05	Exercise of ESOP Options	Yes
June 14, 2005	77,000	0.09%	375,029,500	5	Cash	14-Jun-05	Exercise of ESOP Options	Yes
July 12, 2005	81,948	0.00%	375,439,240	5	Cash	12-Jul-05	Exercise of ESOP Options	Yes
July 29, 2005	19,850	0.02%	375,538,490	5	Cash	29-Jul-05	Exercise of ESOP Options	Yes
August 23,2005	92,970	0.11%	376,003,340	5	Cash	23-Aug-05	Exercise of ESOP Options	Yes
September 22, 2005	731,270	0.90%	379,659,690	5	Cash	22-Sept-05	Exercise of ESOP Options	Yes
October 14,2005	26,550	0.03%	379,792,440	5	Cash	14-Oct-05	Exercise of ESOP Options	Yes
October 28,2005	60,402	0.07%	380,094,450	5	Cash	28-Oct-05	Exercise of ESOP Options	Yes
December 12, 2005	13,610	0.02%	380,162,500	5	Cash	12-Dec-05	Exercise of ESOP Options	Yes
January 9, 2006	41,600	0.05%	380,370,500	5	Cash	9-Jan-06	Exercise of ESOP Options	Yes
January 30,2006	11,720	0.01%	380,429,100	5	Cash	30-Jan-06	Exercise of ESOP Options	Yes
February 28, 2006	91,347	0.11%	380,885,835	5	Cash	28-Feb-06	Conversion of warrants allotted to IBM	Yes
February 28,2006	15,150	0.02%	380,961,585	5	Cash	28-Feb-06	Exercise of ESOP Options	Yes
March 23,2006	96,050	0.12%	381,441,835	5	Cash	23-Mar-06	Exercise of ESOP Options	Yes
April 20, 2006	135,550	0.17%	382,119,585	5	Cash	20-Apr-06	Exercise of ESOP Options	Yes
May 5, 2006	53,930	0.07%	382,389,235	5	Cash	5-May-06	Exercise of ESOP Options	Yes
July 6, 2006	29,001	0.04%	382,534,240	5	Cash	6-Jul-06	Exercise of ESOP Options	Yes
July 28, 2006	28,969	0.04%	382,679,085	5	Cash	28-Jul-06	Exercise of ESOP Options	Yes
September 14,2006	4,447,418	5.48%	404,916,175	5	Cash	14-Sept -06	Preferential Allotment	
October 12, 2006	102,050	0.13%	405,426,425	5	Cash	12-Oct-06	Exercise of ESOP Options	
November 9, 2006	10,520	0.01%	405,479,025	5	Cash	9-Nov-06	Exercise of ESOP Options	
Total	**81,095,805**	100.00%	**405,479,025**	**5**				

Note: Cumulative number of share and percentage to be totaled post the share split in 2001.

1 *In October 1999, the Company issued 4,073,050 equity shares of Rs. 10 each in a bonus issue, which were fully paid up, by capitalizing the share premium account*

2. *In October 2000, the Company issued 8,319,100 equity shares of Rs. 10 each in a bonus issue, which were fully paid up, by capitalizing the share premium account.*

3 *The shareholders of the Company, pursuant to a resolution passed at the annual general meeting held on August 14, 2001, approved the sub-division of an equity share of Rs. 10 each into two Equity Shares of Rs.5 each. Consequently, the number of total Equity Shares has increased from 16,638,200 to 33,276,400.*

4 *In September 2003, the Company issued 37,337,500 equity shares of Rs. 5 each in a bonus issue, which were fully paid up, by capitalizing the share premium account.*

j) Subsequent to the information regarding the build-up of share capital of i-flex, the Shareholders of the Company at the Extraordinary General Meeting held on September 12, 2006 have approved issue of 4,447,418 equity shares of Rs.5/- each for cash at Rs.1307.50 on preferential basis to Oracle Global (Mauritius) Ltd. ("OGM"). The Company has received the relevant in-principle approval from the NSE and the BSE for the issue and allotment of these shares to OGM. The Company has, as of September 14, 2006, allotted 4,447,418 equity shares to OGM. The Company is in the process of completing the formalities for listing these shares on the said stock exchanges.

k) On October 12, 2006, the Company allotted 102,050 ESOP equity shares to employee applicants.

l) On November 9, 2006, the Company allotted 10,520 ESOP equity shares to employee applicants.

m) Consequently upon allotment of the aforesaid equity shares, the paid up equity capital of the Company increased to 81,095,805 equity shares.

n) The Company has been complying with the relevant listing requirements of these stock exchanges from time to time and there is no penal / punitive action taken by the stock exchanges against the Company.

o) No Equity Shares of i-flex are locked-in except,

   (i) Existing shareholding of the Acquirer (prior to Preferential Issue): 40,148,312 fully paid shares are locked-in upto March 27, 2007.

   (ii) Shares allotted to the Acquirer pursuant to the Preferential Issue on September 14 2006: 4,447,418 fully paid equity shares are locked-in for 3 years ending September 13, 2009.

p) The Equity Shares of i-flex are listed on the BSE and the NSE. Based on the information received from i-flex, it is in compliance with the listing requirements on the aforementioned stock exchanges, and no penal actions have been initiated by any of the aforementioned stock exchanges against i-flex.

q) i-flex and its promoter have each complied with applicable provisions of Chapter II of the SEBI (SAST) Regulations within the time specified in SEBI (SAST) Regulations.

r) The Board of Directors of i-flex as of September 13, 2006, the date of the Public Announcement is as listed below:

Name, Designation and Date of Appointment	**Educational Qualification**	**Experience**	**Address**
Mr. Rajesh Hukku, *Chairman and Managing Director* March 27, 1997	B.E.(Hons) in Electrical and Electronics Engineering (A3) from BITS Pilani. Post Graduate Research in local area networks from University of Maryland, College Park, USA	Has more than 26 years of experience in all aspects of software industry, including business management, Information technology consulting, marketing and sales and software project management and development	12, Fawn Hill Court, Randolph New Jersey USA 07869
Mr. William Twyman Comfort, *Jr., Director* February 27, 1998	B.A. LL.B – University of Oklahoma and LL.M - New York University Law college	Chairman of Citigroup Venture Capital Limited and a Trustee of the New York University Law Center Foundation and of the John A. Hartford Foundation, Inc.	200, East 69th Street, New York, USA
Mr. Y. M. Kale, *Director* June 25, 2001	FCA, FCA – England & Wales	President of the Institute of Chartered Accountants of India 1995-96, and Fellow Member of the Institute of Chartered Accountants of England and Wales. Has contributed to various governmental and regulatory bodies, such as committees of the Securities & Exchange Board of India, including the Committee of Offer Documents, the Committee of Takeovers and the Committee on Accounting for Corporate	2, Sumit 31, Carmichael Road,Mumbai 400 026
Ms. Tarjani Vakil, *Director* May 26, 2004	M. A. - University of Mumbai	Retired as the Chairperson and Managing Director of Export – Import Bank of India ("EXIM Bank") in October 1996. Contributed to the development of EXIM Bank as a unique credit agency offering finance, information and advisory services at all stages of the business cycle. Also been a consultant to International Trade Centre, Geneva (1996), Mckinsey Inc	A-1 Iswardas Mansion Nana Chowk Mumbai 400 007
Mr. S. P. Bharucha, *Director* June 14, 2005	Advocate	Enrolled as an Advocate of the Bombay High Court on July 28, 1960. He retired as the Chief Justice of India. He currenly practices in Mumbai.	2 B, Samata General Bhosale Marg Mumbai 400 021
Mr. Charles E. Phillips, Jr.*Director* November 24, 2005 (Represents the Acquirer)	BS in Computer Science – United States Airforce Academy MBA – Hampton University JD – New York University School of Law	Mr. Phillips has served as a Director of OC since January 2004. He has also worked with Morgan Stanley & Co. Incorporated and was a MD there from November 1995 to May 2003.	113 West, 88th Street, New York, NY 10024, USA

s) The audited consolidated financial details of i-flex as per Indian GAAP are as follows:

(Rs. in Lakhs)

	Year Ended March 31			**Six month Period Ended September 30, 2006**
	2004	**2005**	**2006**	
Profit & Loss Statement				
Income from operations	78,812.89	113,859.28	148,230.03	90,245.1
Other Income	1386.09	2601.05	2846.45	2,182.39
Total Income	80,198.98	116,460.33	151,076.48	92,427.49
Total Expenditure.	(56,545.96)	(83,844.72)	(116,188.21)	(74,067.13)
Profit Before Depreciation Interest and Tax	23,653.02	32,615.61	34,888.27	18,360.36
Depreciation	(506.88)	(3,093.47)	(4,603.68)	(3,081.11)
Interest	-	-	-	-
Profit Before Tax	23,146.14	29,522.14	30,284.59	15,279.25
Provision for Tax	(5,267.58)	(6,270.63)	(5,604.17)	(2,474.25)
Profit After Tax	17,878.56	23,251.51	24,680.42	12,805.00

(Rs. in Lakhs)

	As of March 31			**As of September 30, September 30, 2006**
	2004	**2005**	**2006**	
Balance Sheet Statement				
Sources of funds				
Paid up share capital	3,737.01	3,743.98	3,814.42	4,049.16
Reserves and Surplus (excluding revaluation reserves)	91,448.47	110,785.05	134,154.21	204,648.76
Networth	95,185.48	114,529.03	137,968.63	208,697.92
Deferred tax liabilities	-	16.17	16.49	17.66
Secured loans	-	-	-	-
Unsecured loans	-	-	-	-
Total	95,185.48	114,545.20	137,985.12	208,715.58
Uses of funds				
Net fixed assets	16,756.16	23,012.37	31,590.34	32,096.91
Investments	3,556.60	609.05	523.55	577.31
Deferred Tax assets	6.87	12.08	707.62	996.62
Net current assets	74,865.85	90,911.70	105,163.61	175,044.74
Total miscellaneous expenditure not written off	-	-	-	-
Total	**95,185.48**	**114,545.20**	**137,985.12**	**208,715.58**

	Year Ended March 31			**6 Month Period Ended September 30, 2006**
Other Financial Data:	**2004**	**2005**	**2006**	
Dividend (%)	70	100	100	-
Earning Per Share (basic) (Rs.)	24.36	31.08	31.45	16.73
Return on Networth (%)(1)	19	20	18	6.14%
Book Value Per Share (Rs.)	122.29	150.13	180.85	257.73

(1) Return on Networth has been calculated as ratio of Profit after Tax and Networth as of March 31

t) Primary reasons for fall/rise in Total Income and Profits after Tax are as follows:

The Total Income and Profits after Tax have grown consistently over the last three years, in line with growth in business of i-flex. The rise in Total revenue and the profit after tax for the years ended 2006, 2005, and 2004 is normal and there are no exceptional items included in Total revenue and the Profit after tax.

In FY'2005, the total revenues of the company increased by 45.21% and Net Profit After Tax increased by 30.05% over the previous year through a sustained focus on tier-one institutions.

In FY'2006, the total revenues of the company increased by 29.78% and Net Profit After Tax increased by 6.15% over the previous year driven by a substantial increase in customer acquisitions and a commensurate increase in global market share and penetration in new markets.

u) There was no pending litigation involving or against i-flex as of the date of the Public Announcement, except the following:

PortfolioScope, a company based in the United States of America, has filed a lawsuit in a US District Court for the District of Massachusetts alleging misappropriation of confidential and proprietary information by i-flex. i-flex has filed a motion to dismiss PortfolioScope's complaint in its entirety and has instructed its legal advisers to take all appropriate actions to protect its interests and the interests of its customers. The Company firmly believes that the allegations are false, unwarranted and without merit and will vigorously oppose the claims made by PortfolioScope.

v) i-flex was not involved in any restructuring, merger/de-merger, or spin off during last 3 years.

w) Corporate Governance

i-flex solutions limited has complied with the provisions of Corporate Governance.

Board of Directors

i-flex has six Directors including the Chairman. Of these, four Directors are independent Directors. The Chairman of the Board is an Executive Chairman and is also the Managing Director of the Company.

The composition of the Board of the Company as of September 13, 2006 is given below:

Name	Designation	Category
Mr. Rajesh Hukku	Chairman andManaging Director	Executive, Non-Independent Director
Mr. S. P. Bharucha	Director	Non-Executive, Independent Director
Mr. William Twyman Comfort, Jr.	Director	Non-Executive, Independent Director
Mr. Y. M. Kale	Director	Non-Executive, Independent Director
Mr. Charles E. Phillips, Jr.	Director	Non – Executive,Non-Independent Director
Ms. Tarjani Vakil	Director	Non-Executive, Independent Director

i-flex holds regular Board Meetings. A detailed agenda for each meeting, along with explanatory notes, is circulated in advance. Directors can suggest inclusion of any item(s) on the agenda at the Board Meeting.

During the Financial Year 2005-2006, 11 Board Meetings were held on the following dates:

April 29, 2005, June 14, 2005 , July 29, 2005, August 2, 2005 , August 11, 2005 , August 23, 2005, October 28, 2005, November 24, 2005, January 9, 2006 , January 30, 2006 and February 28, 2006.

Audit Committee

The composition of the Audit Committee as of September 13, 2006 was as follows:

Mr. Y. M. Kale	Chairman, Non-Executive, Independent Director
Mr. S. P. Bharucha*	Member, Non-Executive, Independent Director
Mr. William Twyman Comfort, Jr.	Member, Non-Executive, Independent Director
Ms. Tarjani Vakil	Member, Non-Executive, Independent Director

* Mr. S. P. Bahrucha was appointed as a member of the Audit Committee at the Board Meeting held on January 9, 2006.

Shareholders' Grievances Committee

The composition of the Shareholders' Grievances Committee as of September 13, 2006 was as follows:

Ms. Tarjani Vakil	Chairperson, Non-Executive, Independent Director
Mr. Deepak Ghaisas	Chief Executive Officer – India Operations and Company Secretary

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

Remuneration (Compensation) Committee

The scope of this committee is to determine the compensation of the Executive Management Officers ("EMO") comprising Mr. Rajesh Hukku, Chairman and Managing Director; Mr. R. Ravisankar, Chief Executive Officer - International Operations and Technology and Mr. Deepak Ghaisas, Chief Executive Officer - India Operations and Company Secretary and Mr. N R K Raman, Chief Operating Officer – India Operations. The EMO in turn, decides the compensation of key managerial personnel and other employees. The Compensation Committee also approves, allocates and administers the Employee Stock Option Plan 2002, reviews performance appraisal criteria and sets norms for ESOP allocation.

The composition of the Remuneration (Compensation) Committee as of September 13, 2006 was as follows:

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

* *Mr. Charles E. Phillips, Jr. was appointed as a member of the Remuneration Committee in the Board Meeting held on January 9, 2006.*

Remuneration Policy

The Compensation Committee determines and recommends to the Board the compensation payable to the directors. Remuneration of the non-executive directors consists of commission and stock options. Remuneration of the Managing Director consists of salary and stock options. No sitting fees are paid to the directors.

The limits on commission to be paid to Board members and the remuneration payable to the Managing Director of the Target Company are approved by the shareholders of the Target Company. The annual compensation of the non-executive directors is approved by the Compensation Committee, within the parameters set by the shareholders at the shareholders' meetings.

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

General Body Meetings

Location, date and time where last four general body meetings were held:

Financial Year	Venue	Date	Time
EGM2005-06	The Leela, Near Sahar Airport, Andheri (East),Mumbai 400 059	September 12, 2006	3.30 p.m.
AGM 2005-06	The Leela, Near Sahar Airport, Andheri (East),Mumbai 400 059	August 10, 2006	3.00 p.m.
AGM2004- 2005	Le Royal Meridian, Sahar Airport Road, Andheri (East), Mumbai – 400 059	August 12, 2005	3.00 p.m.
AGM2003-2004	The Leela, Near Sahar Airport, Andheri (East),Mumbai 400 059	August 19, 2004	3.00 p.m.

The auditors of the Target Company, vide their letter dated July 6, 2006, have certified that i-flex has complied with the conditions of Corporate Governance as stipulated in the listing agreement.

x) Compliance Officer: Mr. Avadhut (Vinay) Ketkar; Address: i-flex solutions limited, i-flex Center, 399, Subhash Road, Vile Parle (E), Mumbai 400 057. Tel: +91 22 6718 5000; Fax: +91 22 2832 3374; Email: vinay.ketkar@i-flexsolutions.com.

y) The equity shareholding in the Target Company before the Offer (as of September 13, 2006) and after the Offer (assuming full acceptances in the Offer) is given in the table below:

A. Of subscribed and paid-up capital of the Target Company

Shareholders' Category	Shareholding/voting rights prior to the Offer (as of September 13, 2006)		Shareholding/ voting rights agreed to be acquired which triggered the SEBI (SAST) Regulations		Shareholding/voting rights to be acquired/ (offered) in the Offer (Assuming full acceptances)		Shareholding/voting rights after the Offer	
	No. of Shares	%	No. of Shares	%(1)	No. of Shares	%(2)	No. of Shares	%(2)
(1) Promoter group								
a. Parties to agreement, if any	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. OGM (Acquirer) - Promoter other than (a) above	40,148,312	52.46	4,447,418	2.61%	16,631, 343	20%	61,227,073	73.63%
Total 1 (a+b)	**40,148,312**	**52.46**	**4,447,418**	**2.61%**	**16,631,343**	**20%**	**61,227,073**	**73.63%**
(2) Acquirers (other than the Promoter referred in (1) b. above)								
a. Acquirer	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. PAC	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total 2 (a+b)	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
(3) Parties to agreement other than (1)(a) & (2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(4) Public (other than parties to agreement, acquirers, & PACs)								
a. FIs/ MFs/ Banks/ SFIs								
1. Financial Institutions (FI and Foreign Mutual Fund)	11,147,179	14.56%	NIL	NIL				
2. Mutual Fund	2,463,652	3.22%	NIL	NIL				
3. Banks	47,055	0.06%	NIL	NIL				
4. State Financial Institutions	NIL	NIL	NIL	NIL				
b. Others ***	22,729,619	29.70%	NIL	NIL				
Total (4) (a+b)	**36,387,505**	**47.54%**	**NIL**	**NIL**	**(16,631,343)**	**(20%)**	**21,929,641**	**26.37%**
Total (1 + 2 +3 +4)	**76,535,817**	**100.00%**	**4,447,418**	**16,631,343**	**83,156,714**	**100%**		

Notes: (1) Based on equity capital post preference issue; (2) Based on equity capital post offer closure

B. Of Emerging Voting Capital of the Target Company

a) As of the date of the PA, the Target Company has 76,535,817 outstanding fully paid up equity shares and 1,756,350 outstanding stock options (including ESOP's) which, when converted, would result in an increase in the equity share capital of the Target Company to 78,292,167 equity shares. Further, the Target Company had issued 395,529 warrants which can be subscribed to no earlier than September 24, 2006.

Voting rights as at the expiration of 15 days after the closure of the Offer "Emerging Voting Capital" is calculated as follows, based on the information currently available:

Sl. No.	Particulars	No. of equity shares
1.	Total equity shares outstanding as of the date of Public Announcement	76,535,817
2.	Add: Warrants/options that can be exercised prior to 15 days after closure of the Offer(1)	395,529
3.	Add: ESOPs which have been vested or will be vested and are eligible to be exercised within 15 days after the closure of the Offer	1,665,380
4.	Add: Preferential Issue described/ referred in paragraph 1 above	4,447,418
5.	Add: ESOPs exercised between the date of the Public Announcement and the date of this	
	Letter of Offer	112,570
6.	"Emerging Voting Capital" (assuming all the above mentioned warrants/options and vested ESOP's are exercised)	83,156,714

(1) : At their meeting held on August 23, 2005, the board of directors of i-flex allotted 395,529 warrants to General Electric Capital Corporation ("GE") at a price of Rs.1,015.55 determined in accordance with the SEBI guidelines. These warrants are convertible at a future date into an equal number of i-flex shares of face value Rs.5/- each. GE is entitled to subscribe to these warrants in two tranches over a period of 13 to 18 months from the date of issue of the warrants, subject to the completion of the predetermined conditions.

b) Change in the shareholding of the Promoter, Acquirer and PAC

Date of Allotment/ Acquisition	No. of shares	Cumulative No. of Shares	Face Value (Rs.)	Reason
November 11, 2005	517,375	517,375	5/-	Acquired through open offer
November 18, 2005	32,236,000	32,753,375	5/-	Negotiated Settlement
				(Acquired from Orbitech Limited)
March 13, 2006 to March 30, 2006	3,782,093	36,535,468	5/-	Open Market
April 4, 2006 to April 19, 2006	2,417,680	38,953,148	5/-	Open Market
May 9,2006 to May 31, 2006	1,122,509	40,075,657	5/-	Open Market
June 1, 2006 to June 2, 2006	72,655	40,148,312	5/-	Open Market
September 14, 2006	4,447,418	44,595,730	5/-	Preferential Allotment

7. OFFER PRICE

a) The reference date for calculating the offer price is the date of the Public Announcement i.e. September 13, 2006.

b) The equity shares of the Target Company are listed on the BSE and the NSE. Based on information available (Source: www.bseindia.com and www.nseindia.com), the equity shares are frequently traded on the BSE and NSE within the meaning of Regulation 20(5) of the SEBI (SAST) Regulations. For the purpose of Regulation 20(4) of the SEBI (SAST) Regulations, the equity shares are most frequently traded on the NSE.

c) The annualized trading turnover during the preceding six months in each of the stock exchanges is detailed below:

Date	Name of Stock Exchange	Total no. of shares traded during the 6 calendar months ending July 31, 2006	Total no. of listed shares as of September 8, 2006	Annualised Trading turnover (in terms of % of total listed shares)	Trading Status in terms of SEBI(SAST) Regulations
February 1, 2006 to July 31, 2006	BSE	29,746,930	76,535,817	38.87%	Frequently Traded
February 1, 2006 to July 31, 2006	NSE	9,875,080	76,535,817	12.90%	Frequently Traded

(Source: www.bseindia.com, and www.nseindia.com)

d) The Offer Price of Rs. 1,475.00 is justified in terms of Regulation 20(4) and 20(11) of the SEBI (SAST) Regulations, since it is the highest of the following:-

(i) The Negotiated Price: Not applicable

(ii) Price paid by the Acquirer for the acquisition of equity shares of the Target Company during the twenty-six week period prior to the date of the Public Announcement : Rs. 1,475.00 being the highest of

(a)	Proposed Preferential Issue price referred in paragraph "i" on page 5	Rs. 1,307.50
(b)	Highest price paid for open market purchases	Rs. 1,475.00

(iii) The historical share price of the Target Company on the NSE, where it is most frequently traded is as under.

(a)	Average of the weekly high and low of the closing prices of the shares of the Target Company during the 26-week period preceding August 14, 2006, *i.e.* the date of the Board resolution of the Target Company authorising the Preferential Issue.	Rs.1,196.15
(b)	Average of the daily high and low of the shares of the Target Company during the 2-week period preceding August 14, 2006, *i.e.* the date of the Board resolution of the Target Company authorising the Preferential Issue.	Rs. 1,308.89

(1) As per Explanation (i) to Regulation 20(11), the market price may be adjusted for quotations, if any, on cum-dividend basis during the same period. In the current situation, the Board of Directors of the Target Company in its meeting held on May 05, 2006, recommended a dividend of 100% *i.e.,* Rs.5/- per equity share, subject to the approval of the shareholders of the Target Company at the AGM. The shares of the Target Company traded on ex-dividend basis from August 3, 2006. Hence the shares of the Target Company were trading on cum-dividend basis from May 6, 2006 to August 2, 2006. However, based on a conservative approach, the Acquirer has not considered the downward adjustment of the price for the cum-dividend trade dates.

In view of the above, the Offer Price of Rs.1,475.00 per equity share is justified as per the SEBI (SAST) Regulations.

e) Price and volume data of the Target Company on the NSE (where it is most frequently traded) is as under:

26 weeks weekly high/ low of daily closing prices

Week No.	Week Ending	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume for the Week
1	19-Feb-06 Sun	1,095.90	1,080.10	1,088.00	755,222
2	26-Feb-06 Sun	1,079.00	1,041.75	1,060.38	725,786
3	05-Mar-06 Sun	1,119.80	1,063.15	1,091.48	2,075,246
4	12-Mar-06 Sun	1,208.55	1,144.10	1,176.33	2,083,210
5	19-Mar-06 Sun	1,225.65	1,200.95	1,213.30	893,233
6	26-Mar-06 Sun	1,395.95	1,248.90	1,322.43	5,051,423
7	02-Apr-06 Sun	1,360.20	1,321.80	1,341.00	1,506,765
8	09-Apr-06 Sun	1,404.70	1,352.30	1,378.50	919,692
9	16-Apr-06 Sun	1,417.45	1,318.10	1,367.78	1,552,411
10	23-Apr-06 Sun	1,374.20	1,315.90	1,345.05	1,611,551
11	30-Apr-06 Sun	1,267.35	1,185.20	1,226.28	1,008,467
12	07-May-06 Sun	1,301.70	1,261.55	1,281.63	532,775
13	14-May-06 Sun	1,322.25	1,287.75	1,305.00	676,785
14	21-May-06 Sun	1,265.15	1,116.45	1,190.80	613,156
15	28-May-06 Sun	1,144.90	1,060.90	1,102.90	980,601
16	04-Jun-06 Sun	1,183.25	1,105.35	1,144.30	549,920
17	11-Jun-06 Sun	1,097.90	881.95	989.93	296,311
18	18-Jun-06 Sun	942.95	859.70	901.33	408,671
19	25-Jun-06 Sun	1,059.80	980.50	1,020.15	317,150
20	02-Jul-06 Sun	1,124.50	997.25	1,060.88	426,471
21	09-Jul-06 Sun	1,184.45	1,111.35	1,147.90	592,743
22	16-Jul-06 Sun	1,348.15	1,215.75	1,281.95	1,555,924
23	23-Jul-06 Sun	1,262.95	1,141.30	1,202.13	846,501
24	30-Jul-06 Sun	1,319.00	1,173.00	1,246.00	1,924,975
25	06-Aug-06 Sun	1,326.85	1,291.20	1,309.03	1,220,878
26	13-Aug-06 Sun	1,321.90	1,289.30	1,305.60	1,208,525
	26 weeks Average			**1,196.15**	

2 weeks daily high/ low

Day No.	Date	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume
1	31-Jul-06 Mon	1,347.00	1,305.00	1,326.00	244,689
2	01-Aug-06 Tue	1,338.90	1,260.00	1,299.45	282,913
3	02-Aug-06 Wed	1,327.00	1,279.95	1,303.48	277,807
4	03-Aug-06 Thu	1,333.80	1,282.55	1,308.18	261,750
5	04-Aug-06 Fri	1,321.80	1,290.00	1,305.90	153,719
6	07-Aug-06 Mon	1,303.00	1,281.50	1,292.25	72,784
7	08-Aug-06 Tue	1,312.00	1,292.25	1,302.13	101,442
8	09-Aug-06 Wed	1,332.70	1,280.25	1,306.48	432,925
9	10-Aug-06 Thu	1,335.00	1,300.00	1,317.50	347,527
10	11-Aug-06 Fri	1,345.90	1,309.15	1,327.53	253,847
	2 weeks Average			**1,308.89**	

f) In the opinion of the Manager to the Offer, Acquirer and the PAC, the Offer Price of Rs. 1,475.00 per fully paid-up equity share is justified.

g) Acquirer, PAC and any advisor, broker, or other financial institution acting as their agent shall not acquire, during the Offer Period, any Equity Shares in i-flex except in compliance with the SEBI (SAST) Regulations and the details of such acquisitions, including numbers, percentage, price, broker (if any), mode of acquisition and time of execution, shall be disclosed to the stock exchanges and to the Manager within 24 hours thereof, in terms of the Regulation 22(17). As per Regulation 22(17), the stock exchanges shall forthwith disseminate such information to the public. The Acquirer, PAC and any advisor, broker, or other financial institution acting as their agent will also disclose in the United States of America, information regarding such purchases otherwise than pursuant to the Offer, to the extent such information is made public in India.

h) If the Acquirer, PAC or any advisor, broker, or other financial institution acting as their agent acquires Equity Shares in the open market or through negotiation or otherwise, after the date of Public Announcement and until the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all acceptances received under the Offer. However, no acquisition will be made by the Acquirer, PAC or any advisor, broker, or other financial institution acting as their agent in the open market during the last seven working days prior to the Offer Closing Date.

8. FINANCIAL ARRANGEMENT

a) The total funding requirement for the acquisition of up to 16,631,343 equity shares held by shareholders in the Target Company at Rs.1,475.00 per share is Rs.24,531 million (Rupees Twenty Four Thousand Five Thirty One Million) (the “Maximum Consideration”).

b) Pursuant to the Resolution of the Board of Directors of PAC dated August 8, 2006, PAC has confirmed that it will supervise the management of the Acquirer (PAC’s subsidiary) so as to enable the management of the Acquirer to be able to fulfill its obligations under Regulation 29 of the SEBI (SAST) Regulations, and that all funds necessary to consummate the Offer have been or will be made available on behalf of the Acquirer.

c) Wells Fargo, N.A., who is the banker for PAC, has via letter dated September 7, 2006 confirmed that PAC has sufficient means and capability to fund Acquirer, to enable Acquirer to meet its obligations under the SEBI (SAST) Regulations.

d) Acquirer, DSPML, HSBC Bank (Mauritius) Limited, having its registered office at 5th Floor, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius (“HSBC Mauritius”), and HSBC, a banking corporation incorporated under the laws of Hong Kong Special Administrative Region (HK SAR) and having its registered office at 1 Queen’s Road Central, Hong Kong SAR and a branch office at Hong Kong Bank Building, 52/60 Mahatma Gandhi Road, Mumbai 400 001, India (“HSBC India”), have entered into an open Offer Escrow Agreement (the “Escrow Agreement”) in accordance with Regulation 28 of the SEBI (SAST) Regulations. Pursuant to the Escrow Agreement, the Acquirer had made a cash deposit of US $62.0 million in a bank account which is in excess of 25% of the value of the total consideration up to Rs. 100 crores and 10% of the value of the total consideration beyond Rs. 100 crores payable under the Offer (assuming full acceptances) with HSBC Mauritius (the “Foreign Escrow Account”). DSPML had been duly authorized to realize the value of the aforesaid Foreign Escrow Account in terms of the SEBI (SAST) Regulations.

e) Subsequently, the requisite approval from RBI has been received for opening and operating an escrow account in India and in accordance with the Escrow Agreement Rs. 2,797.44 million have been transferred to the Indian Escrow Account. DSPML has been duly authorized to realize the value of the aforesaid Indian Escrow Account in terms of the SEBI (SAST) Regulations.

f) Based on the above, DSPML is satisfied about the ability of OGM & OC to implement the Offer in accordance with the SEBI (SAST) Regulations as firm financial arrangements are in place to fulfil the obligations under the SEBI (SAST) Regulations.

9. STATUTORY APPROVALS

a) The Acquirer has obtained all relevant statutory approval and as of the date of this Letter of Offer, no other statutory approval is required.

b) Due to the delay in the Offer, the Acquirer and the PAC will pay interest of Rs.11.35 per fully paid Equity Share of i-flex, computed at a rate of 10% per annum for a period from the original scheduled date of payment up to the revised scheduled date of payment. In case of further delay in receipt of any statutory approval(s), SEBI has the power to grant an extension of time to the Acquirer for payment of consideration to shareholders of the Target Company, subject to the Acquirer agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the SEBI (SAST) Regulations. Further, if the delay occurs on account of the willful default or neglect or inaction or non-action by the Acquirer in obtaining the requisite approvals Regulation 28(12) of the SEBI (SAST) Regulations will also become applicable.

c) The Acquirer does not require any approvals from financial institutions or banks for the Offer.

d) None of the Acquirer, the PAC or the Target Company has been prohibited by SEBI from dealing in securities, pursuant to any direction issued under Section 11B of the SEBI Act or under any of the regulations made under the SEBI Act.

10. TERMS AND CONDITIONS OF THE OFFER

a) The Letter of Offer together with the Form of Acceptance cum Acknowledgement will be mailed to the shareholders of the Target Company (except OGM), whose names appear on the Register of Members of the Target Company and to the beneficial owners of the equity shares of the Target Company whose names appear on the beneficial records of the respective Depositories, in either case, at the close of business on Friday October 6, 2006 (the "Specified Date"). The Letter of Offer shall also be sent to the warrant holders and to holders of options or ESOPs where the period of exercise of option or conversion falls within the offer period.

b) All owners (registered or unregistered) of Shares of Target Company (except OGM) are eligible to participate in the Offer anytime before the closure of the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer, on a plain paper stating the Name, Address, number of Shares held, number of Shares offered, Distinctive numbers, Folio number, together with the original Share Certificate(s), valid transfer deeds and the original contract notes issued by the broker through whom they acquired their Shares. No indemnity is required from the unregistered owners.

c) Shares that are subject to any charge, lien or encumbrance are liable to be rejected. Locked in shares can be tendered in the open offer subject to applicable laws including the continuation of the lock-in in the hands of the Acquirer. The Manager to the Offer will ensure that there is no discrimination in the acceptance between locked in and non-locked in shares. Shares that are subject to any other charge, lien or encumbrance are liable to be rejected.

11. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

a) Shareholders of the Target Company who are holding equity shares in physical form and who wish to tender their equity shares will be required to send the Form of Acceptance cum Acknowledgement, original Share Certificate(s) and transfer deed(s) duly signed to the Registrar to the Offer – Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup - West, Mumbai - 400 078, India; Telephone +91 22-2596 0320 to 28, Fax +91 22-25960329 ("Registrar to the Offer"), either by hand delivery on weekdays or by Registered Post, so as to reach on or before the close of the Offer, i.e., no later than Saturday December 23, 2006, in accordance with the instructions to be specified in the Letter of Offer and in the Form of Acceptance cum Acknowledgement.

b) Shareholders are advised to ensure that the Form of Acceptance cum Acknowledgement and other documents are complete in all respects, otherwise the same is liable to be rejected. In the case of demat shares, the shareholders are advised to ensure that their shares are credited in favor of the Special Depository Account before the closure of the Offer. The Form of Acceptance cum Acknowledgement of such demat shares, not credited in favor of the Special Depository Account before the closure of the Offer, will be rejected.

- For equity shares held in physical form:

  Registered Shareholders should enclose:

  - Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates.
  - Original Share Certificate(s).
  - Valid Share Transfer form(s) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with "iflex" and duly witnessed at the appropriate place. A blank Share Transfer form is enclosed along with this Letter of Offer.

  Unregistered owners should enclose:

  - Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein.
  - Original Share Certificate(s).
  - Original broker contract note.
  - Valid Share Transfer form(s) as received from the market.

    The details of buyer should be left blank failing which the same will be invalid under the Offer. The details of buyer will be filled upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be preconditions for valid acceptance.

  For Equity shares held in demat form:

  Beneficial owners should enclose:

  - Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the DP.
  - Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP.
  - For each Delivery Instruction, the beneficial owner should submit separate Form of Acceptance.

c) The Registrar to the Offer, Intime Spectrum Registry Limited has opened a special depository account with the National Securities Depositories Ltd. ("NSDL") namely, "Escrow Account – Iflex Open Offer". The name of Depository Participant ("DP") is DSP Merrill Lynch Ltd., DP ID is IN 302638 and Client ID is 10023099. Shareholders of the Target Company having their beneficiary account with the CDSL should use the inter-depository delivery instruction slip for the purpose of crediting their shares in favor of the special depository account under NSDL.

d) Beneficial owners (holders of shares in dematerialized form) who wish to tender their shares of the Target Company will be required to send their Form of Acceptance cum Acknowledgement along with the photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instructions in "Off-market" mode, duly acknowledged by the DP, in favour of the special depository account to the Registrar to the Offer – Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup - West, Mumbai - 400 078, India. Telephone +9122-2596 0320 to 28, Fax +9122-2596 0329, either by hand delivery on weekdays or by Registered Post acknowledgement due, so as to reach on or before the close of the Offer, i.e., no later than Saturday December 23, 2006, in accordance with the instructions to be specified in the Letter of Offer and in the Form of Acceptance cum Acknowledgement. The credit for the delivered shares should be received in the special depository account on or before the close of the Offer, i.e., no later than Saturday, December 23, 2006.

e) The share certificate(s), share transfer form(s) and the Form of Acceptance should be sent only to the Registrar to the Offer and not to the Manager to the Offer, the Acquirer/PAC or i-flex.

f) In addition to the above-mentioned address, the shareholders of the Target Company who wish to accept the Offer can also deliver the Form of Acceptance cum Acknowledgement along with all of the relevant documents at any of the collection centers below in accordance with the procedure set out in the Letter of Offer. All of the centers of Intime Spectrum Registry Limited mentioned below will be open as follows:

(Monday to Friday and on Offer closing date: 10 a.m. to 4 p.m. and on Saturday: 10 a.m. to 1.00 p.m.)

No	City	Contact Person	Address	Tel. No.	Fax No.	Mode of Delivery
1.	Mumbai	Vishwas Attavar	Intime Spectrum Registry Limited, C-13, Panalal Silk Mills Compound, L B S Marg,Bhandup (W), Mumbai -400078.	022-25960320-28	022-25960329	Hand Delivery & Registered Post
2.	Mumbai	Vivek Limaye	Intime Spectrum Registry Limited, 203, Davar House, Next to Central Camera, D N Road, Fort Mumbai - 400 001	022-22694127	022-25960329	Hand Delivery
3.	Ahmedabad	Hitesh Patel	Intime Spectrum Registry Limited, 211 Sudarshan Complex, Near Mithakhali Underbridge, Navrangpura, Ahmedabad - 380 009	079-2646 5179	079-26465179 (Telefax)	Hand Delivery
4.	Bangalore	Chandra Shekhar	Intime Spectrum Registry Ltd., No:658-57,1st Floor, Laxmi Venkateshwar Archade, 11th Main,4th Block Jayanagar, Opp Vijay Party Hall, Bangalore- 560 011	080-32720640	080-26910054	Hand Delivery
5.	Kolkata	S.P. Guha	Intime Spectrum Registry Limited, 59C,Chowringhee Road, 3rd Floor,Kolkata -700020	033-22890539/40	033-22890539/40 (Telefax)	Hand Delivery
6.	New Delhi	Bharat Bhushan	Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	011-41410592/93/94	011-41410591	Hand Delivery

g) All owners (registered or unregistered) of equity shares of the Target Company (except OGM) are eligible to participate in the Offer anytime before the closing of the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer, on a plain paper stating the name, address, number of shares held, number of shares tendered, Distinctive numbers, Folio number, together with the original share certificate(s), valid transfer deeds and the original contract notes issued by the broker through whom they acquired their shares. No indemnity is required from the unregistered owners.

h) In case of non-receipt of the Letter of Offer, the eligible persons may send their consent to the Registrar to the Offer, on a plain paper stating the name, address, number of shares held, distinctive numbers, folio number, number of shares offered along with documents as mentioned above so as to reach the Registrar to the Offer on or before the close of the Offer, i.e., no later than Saturday December 23, 2006, or in case of beneficial owners, send the application in writing to the Registrar to the Offer, on a plain paper stating the name, address, number of shares held, number of shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favour of the special depository account, so as to reach the Registrar to the Offer, on or before the close of the Offer, i.e., no later than Saturday December 23, 2006.

i) Pursuant to Regulation 22(5A) of the SEBI (SAST) Regulations, equity shareholders desirous of withdrawing the acceptance tendered by them in the Offer may do so up to three (3) working days prior to the closing date of the Offer. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar to the Offer at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before Tuesday December 19, 2006.

(i) The withdrawal option can be exercised by submitting the Form of Withdrawal, which is enclosed with the Letter of Offer.

(ii) In case of non-receipt of the Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application along with the following details:

a. In case of physical shares: Name, Address, Distinctive Numbers, Folio Number, Number of shares tendered; and

b. In case of dematerialized shares: Name, Address, Number of shares offered, DP name, DP ID, Beneficiary Account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favor of the special depository account.

j) The Registrar to the Offer will hold in trust the shares/share certificates, shares held in credit of the special depository account, Form of Acceptance cum Acknowledgement, if any, and the transfer form(s) on behalf of the shareholders of the Target Company who have accepted the Offer, until the cheques/drafts for the consideration or the unaccepted shares/share certificates are dispatched/returned.

k) If the aggregate of the valid responses to the Offer exceeds the Offer size, then OGM shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations. The equity shares of the Target Company are compulsorily traded in dematerialized form; hence the minimum acceptance will be one share.

l) Unaccepted share certificates, transfer forms and other documents, if any, will be returned by Registered Post/Speed Post at the shareholders'/unregistered owners' sole risk to the sole/first shareholder. Unaccepted shares held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance cum Acknowledgement.

m) Shareholders who have sent their shares for dematerialization need to ensure that the process of getting their shares dematerialized is completed in time for the credit in the special depository account to be received on or before the closing date of the Offer, i.e., no later than Saturday December 23, 2006, or else their application will be rejected.

n) While tendering the shares under the Offer, NRIs/ OCBs/foreign shareholders will be required to submit the previous RBI approvals (specific or general) that they obtained to acquire the shares of the Target Company. In case the previous RBI approvals are not submitted, OGM reserves the right to reject such shares tendered. While tendering shares under the Offer, NRI/ OCBs/ foreign shareholders will be required to submit a Tax Clearance Certificate from the Income Tax authorities, indicating the amount of tax to be deducted by OGM under the Income Tax Act, 1961 (the "Income Tax Act"), before remitting the consideration. In case the aforesaid Tax Clearance certificate is not submitted, OGM will arrange to deduct tax at the rate as may be applicable to the category of the shareholder under the Income Tax Act, on the entire consideration amount payable to such shareholder.

o) A schedule of the activities pertaining to the Offer is given below:-

Activities	**Original Schedule**	**Revised Schedule**
Original Public Announcement Date	Wednesday, September 13, 2006	Wednesday, September 13, 2006
Specified Date *	Friday, October 06, 2006	Friday, October 06, 2006
Last date for a competitive bid	Wednesday, October 04, 2006	Wednesday, October 04, 2006
Public Announcement of Revised Schedule	Wednesday, November 22, 2006	
Last Date by which Letter of Offer to be dispatched to shareholders	Thursday, October 26, 2006	Saturday, November 25, 2006
Date of opening of the Offer	Monday, November 06, 2006	Monday, December 4, 2006
Last date for upward revision of the Offer Price	Wednesday, November 15, 2006	Wednesday, December 13, 2006
Last date for withdrawing acceptance of the Offer	Tuesday, November 21, 2006	Tuesday, December 19, 2006
Date of closing of the Offer	Saturday, November 25, 2006	Saturday, December 23, 2006
Last date of communicating rejection/acceptance and payment of consideration for accepted tenders and / or the unaccepted equity shares / share certificates will be dispatched / credited.	Saturday, December 09, 2006	Saturday, January 6, 2007

***** "Specified Date" is only for the purpose of determining the shareholders to whom the Letter of Offer is to be mailed and all owners (registered or unregistered) of the shares of the Target Company (except OGM) as of such date are eligible to participate in the Offer anytime before the closing of the Offer.

p) Shareholders of the Target Company who have accepted the Offer by tendering the requisite documents, in accordance with the terms of this PA and the Letter of Offer, shall have the option to withdraw acceptance tendered by them up to three (3) working days prior to the date of closing of the Offer (Saturday December 23, 2006), in terms of Regulation 22(5A) of the SEBI (SAST) Regulations i.e. , Tuesday, December 19, 2006.

q) The Acquirer can revise the Offer Price upwards up to seven (7) working days prior to the closing of the Offer (i.e., Saturday December 23, 2006). If there is any upward revision in the Offer Price by the Acquirer until the last date of revision i.e., Wednesday December 13, 2006 the same will be informed by way of a public announcement in the same newspapers in which this Public Announcement has appeared. The Acquirer would pay such revised price for all the shares validly tendered any time during the Offer and accepted under the Offer.

r) If there is a withdrawal of the Offer by the Acquirer, the same will be informed by way of a public announcement in the same newspapers in which this PA has appeared.

12. TAX TO BE DEDUCTED AT SOURCE

As per the provisions of section 195(1) of the Income Tax Act, any person responsible for paying to a non-resident any sum chargeable to tax is required to deduct tax at source (including surcharge and education cess as applicable).

Since the consideration payable under the Offer would be chargeable to capital gains under section 45A of the Income Tax Act or as business profits as the case may be, Acquirer will need to deduct tax at source (including surcharge and education cess) at the applicable tax rate on the gross consideration payable to the following categories of shareholders, as given below:

a) Non-resident Indians: The Acquirer will deduct tax at source at the rate of 30% on the Offer Price in case of short-term capital gains or business profits, and at the rate of 20% on the Offer Price in case of long-term capital gains. In the event that the aforesaid amount of gross proceeds exceeds Rs.10,00,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount so arrived at will be further increased by an education cess of 2% of the aggregate of the tax and surcharge to be deducted in all cases.

b) Overseas Corporate Bodies/ Non-domestic companies: The Acquirer will deduct tax at source (including education cess and surcharge) at the rate of 41.82% on the Offer Price in the case of short-term capital gains or business profits, and at the rate of 20.91% on the Offer Price on the case of long-term capital gains.

c) Foreign Institutional Investors ("FII"): The Acquirer will not deduct tax at source if the Shares are held by the FII being tax resident in Mauritius or Cyprus, on investment/capital account. Tax will be deducted at source at 41.82% on the Offer Price if the Shares are held on trade account or if the FII fails to certify in the Bid Form that the Shares are held by it on investment/capital account if the FII is a company. If the FII is a person other than a company, then tax will be deducted at the rate of 30% and will be further increased by a surcharge and education cess as indicated above viz., (1) in the case of an individual or an association of persons in the event the aforesaid amount exceeds Rs.10,00,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount so arrived at will be further increased by an education cess of 2% of the aggregate of the tax and surcharge to be deducted. (2) in the case of a firm, the surcharge would be 10% and further increased by an education cess of 20%.

d) Other persons who are not resident in India: The Acquirer will deduct tax at source at the rate of 30% on the Offer Price in the case of short-term capital gains or business profits, and at the rate of 10% on the Offer Price in the case of long-term capital gains. In the case of individual and association of person. In the event that the aforesaid amount exceeds Rs.10,00,000/- the aforesaid rate will be increased by a surcharge of 10% of the sum. The amount so arrived at will be further increased by an education cess of 2% of the aggregate of the tax and surcharge to be deducted in all cases in the case of firms, the surcharge would be 10% and further increased by an education cess of 2%.

e) For the purpose of determining as to whether the capital gains are short-term or long-term in nature, the Acquirer shall take the following actions based on the information submitted by the shareholders.

f) In the case of any ambiguity, incomplete or conflicting information or the information not being provided to the Acquirer, the capital gain shall be assumed to be short-term in nature.

g) In the event the aforementioned categories of shareholders require the Acquirer not to deduct tax or to deduct tax at a lower rate or on a lower amount, they would need to obtain a certificate from the Income Tax authorities either under section 195(3) or under section 197 of the Income Tax Act, and submit the same to Acquirer while submitting the Bid Form. In the absence of any such certificate from the Income Tax authorities, the Acquirer will deduct tax as aforesaid, and a certificate in the prescribed form shall be issued to that effect.

h) The aforementioned categories of shareholders should certify in the Form of Acceptance whether the equity shares are held by them on investment/capital account or on trade account.

i) No tax will be deducted at source for any other category of shareholders who are residents in India except as discussed in para below relating to interest.

Due to the delay in Offer, the Acquirer and the PAC will pay interest of Rs.11.35 per fully paid Equity Share of i-flex, computed at a rate of 10% per annum for a period from the original scheduled date of payment (December 9, 2006) up to the revised scheduled date of payment (January 6, 2007). Under Sections 194A and Section 195 of the Income Tax Act, Oracle is required to deduct withholding tax whilst making interest payments to i-flex shareholders who tender their shares in the open offer. The rate of withholdtax depending on the category of the shareholder is as follows:-

S.No.	Category	Withholding Rate of Tax
1.	Person resident in India who is an individual / HUF/ Association of Persons, having an aggregate income upto Rs. 10,00,000	10.20%
2.	Person resident in India who is an individual / HUF/ Association of Persons, having an aggregate income exceeding Rs. 10,00,000	11.22%
3.	Person resident in India which is a partnership firm	11.22%
4.	Person resident in India who is a domestic company	22.44%
5.	Person resident outside India who is a company	41.82%
6.	Person resident outside India who is an individual / association of persons having aggregate income upto Rs.10,00,000	30.60%
7.	Person resident outside India who is an individual / association of persons having aggregate income upto Rs.10,00,000	33.66%
8.	Domestic venture capital fund and mutual Fund who is a domestic company	22.44%
9.	International venture Capital Fund who is a foreign company	41.82%
10.	Person resident outside India which is a Partnership firm	33.66%

No tax needs to be withheld if the amount of interest payable to a person resident in India does not exceed Rs.5,000.

The aforesaid tax rate is subject to benefits, if any, available under the concerned Double Taxation Avoidance Agreement between two countries.

No Tax Deductable at Source (TDS) is applicable for interest payments made to a banking company, LIC, UTI, Insurance Company or any financial corporation established in India.

Domestic Venture Capital Fund, Mutual Fund and International Venture Capital Fund may contemplate procuring a nil withholding tax certificate under section 197 of the Income Tax Act which if granted by the tax authorities would ensure that payer shall not deduct withholding tax whilst making such payment.

Shareholders are advised to consult their tax advisors for the treatment that may be given by their respective Assessing Officers in their case, and the appropriate course of action that they should take. The Acquirer and the Manager to the Offer do not accept any responsibility for the accuracy or otherwise of such advice.

The tax rate and other provisions may undergo changes.

13. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection to the Shareholders at DSP Merrill Lynch Ltd., 10th Floor, Mafatlal Centre, Nariman Point, Mumbai, 400 021, between 10:00 a.m. and 4:00 p.m. on all working days except Saturdays until the Offer Closing Date (i.e., December 23, 2006):

1. Copy of Certificate of Incorporation and Articles of Association of OGM.
2. Copy of Certificate of Incorporation and Articles of Association of OC.
3. Copy of Certificate of Incorporation and Memorandum & Articles of Association of i-flex.
4. Certified financials of OGM for the period ending May 31, 2006.
5. Annual Report of OC pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended May 31, 2006.
6. Audited accounts of i-flex for the accounting years ended March 31, 2004, March 31, 2005 and March 31, 2006.
7. Auditors report of i-flex for 6 months period ending September 30, 2006.
8. Escrow Agreement dated August 23, 2006 among Acquirer, HSBC India, HSBC Mauritius, and DSPML and confirmation of cash deposit in HSBC India Escrow Account of Rs 2797.44 mm
9. Copy of Board Resolutions of OGM and OC relating to the Offer.
10. Letter dated September 7, 2006 by Wells Fargo, N.A., 550 California Street, 10th Floor, San Francisco, California, 94104, U.S.A., regarding the adequacy of financial resources held by the Acquirer to fulfill the Offer obligations.
11. Copy of Public Announcement made on September 13, 2006, by Acquirer and PAC for acquiring up to 16,629,023 paid-up equity shares of i-flex.
12. SEBI Observation Letter dated October 20, 2006.
13. Copy of Power of Attorney from OGM, authorizing Mr. Eric Ball and Ms. Jacklyn Park, in addition to the authorised directors of OGM, to execute and perform all acts in relation to the Offer, including signing of all papers on its behalf.
14. Copy of RBI Approval dated November 9, 2006 for acquiring shares under the open offer in accordance with SEBI (SAST) Regulations; opening escrow and special rupee account.
15. Copy of the agreement with Depository participant for opening a special depository Escrow account.

14. DECLARATION BY ACQUIRER AND PERSON ACTING IN CONCERT

The Acquirer and the PAC accept full responsibility for the information contained in this Letter of Offer, Form of Acceptance and Form of Withdrawal.

The Acquirer and the PAC shall be, severally and jointly, responsible for ensuring compliance with the SEBI (SAST) Regulations and for its obligations laid down in the SEBI (SAST) Regulations. All information contained in this document is as of the date of the Public Announcement, unless stated otherwise.

Mr. Richard Hoag is authorized by the Acquirer to sign the Letter of Offer. Mr. Charles E. Phillips, Jr. is authorized by the Person Acting in Concert to sign the Letter of Offer.

On behalf of OGM

Sd/-

Richard Hoag
Authorised Signatory

Date : November 22, 2006

On behalf of OC

Sd/-

Charles E. Phillips,
Jr.Authorised Signatory

Date : November 22, 2006

Date : November 23, 2006

Attached:

1. *Form of Acceptance*
2. *Form of Withdrawal*
3. *Transfer deed for shareholders holding shares in physical form*

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT

i-flex Solutions Limited Open Offer

OFFER OPENS ON	**:**	**MONDAY**	**DECEMBER 4,**	**2006**
OFFER CLOSES ON	**:**	**SATURDAY**	**DECEMBER 23,**	**2006**

From
Folio No./DP ID No./Client ID No.:

To

The Acquirer: I-flex Solutions Limited Open Offer
C/o Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup - West
Mumbai 400 078, India
Tel: +91 22-2596 0320 to 28
Fax: +91 22-2596 0329

	Please tick (✓) shareholder status (For taxation / TDS purpose)
☐	Person resident in India who is an individual / HUF/ Association of Persons having an aggregate income upto Rs. 10,00,000
☐	Person resident in India who is an individual / HUF/ Association of Persons having an aggregate income exceeding Rs. 10,00,000
☐	Person resident in India which is a partnership firm
☐	Person resident in India who is a domestic company
☐	Person resident outside India who is a company
☐	Person resident outside India who is an individual / association of persons having aggregate income upto Rs.10,00,000
☐	Person resident outside India who is an individual / association of persons having aggregate income upto Rs.10,00,000
☐	Domestic venture capital fund and mutual Fund who is a domestic company
☐	International venture Capital Fund who is a foreign company
☐	Person resident outside India which is a Partnership firm
☐	Non-Resident Indian(s)
☐	Foreign Institutional Investors
☐	Multilateral Agency
☐	Bilateral Development Financial Institution
☐	Financial Institutions
☐	Banks
☐	Insurance Company
☐	Others (Specify ____________________)

Dear Sir,

"Sub: Open Offer for purchase of up to 16,631,343 Shares, representing up to 20% of the emerging voting capital of i-flex Solutions Limited, at the Offer Price by Oracle Global (Mauritius) Ltd. along with Oracle Corporation in accordance with the Public Announcements ("PA") dated Wednesday, September 13, 2006, Monday, November 6, 2006 and Wednesday, November 22,2006 and the Letter of Offer (the "Letter of Offer")

I/We refer to the Public Announcements dated Wednesday, September 13, 2006, Monday, November 6, 2006 and Wednesday, November 22 ,2006 and the Letter of Offer for acquiring the equity shares held by me/us in i-flex Solutions Limited. I/We, the undersigned have read the PA and Letter of Offer and understood their contents including the terms and conditions as mentioned therein.

☐ **SHARES IN DEMATERIALIZED FORM**

I/We, holding Shares in the dematerialized form, accept the Offer and enclose the photocopy of the Delivery Instruction in "Off-market" mode, duly acknowledged by the Depository Participant ("DP") in respect of my Shares as detailed below:

DP Name	DP ID	Client ID	Beneficiary Name	No of Shares

I/We have executed an off-market transaction for crediting the Shares to the special depository account as per the details below

☐ via a delivery instruction from my account with NSDL

☐ via an inter-depository delivery instruction from my account with CDSL

Depository Name	National Securities Depository Limited (NSDL)
DP Name	DSP Merrill Lynch Ltd.
DP ID Number	IN302638
Beneficiary Account Name	Escrow Account – Iflex Open Offer
ISIN	INE 881D01027
Market	Off market

**Shareholders should ensure that the Shares are credited in the aforementioned account not later than 3:00 p.m. on December 23,2006*

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ACKNOWLEDGEMENT SLIP

i-flex Solutions Limited Open Offer

Received from Mr./Ms./M/s. ____________________ residing at ____________________

____

a Form of Acceptance cum Acknowledgement for ____________________ shares along with:

☐ copy of delivery instruction slip from DP ID ____________________ Client ID ____________________

☐ ____________ Share Certificate(s) ____________ transfer deed(s) under folio number (s) ____________________for accepting the Offer made by the Acquirer.

Stamp of Collection Centre:		Signature of Official:		Date of Receipt:	

I/We note and understand that the Shares would lie in the special depository account until the time the Acquirer dispatches the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirer will pay the purchase consideration only after verification of the documents and signatures.

☐ SHARES IN PHYSICAL FORM

I/We, accept the Offer and enclose the original share certificate(s) and duly signed transfer deed(s) in respect of my/our Shares as detailed below.

S. No.	Ledger Folio No(s).	Certificate No(s)	Distinctive No(s)		No of Shares
			From	To	
1					
2					
3					
4					
5					
(In case the space provided is inadequate, please attach a separate sheet with details.)				**Total No. of Equity Shares**	

I/We note and understand that the Registrar to the Offer will hold the original share certificate(s) and valid share transfer deed in trust for me/us until the time the Acquirer dispatches the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirer will pay the purchase consideration only after verification of the documents and signatures.

For NRIs/ OCBs/ FIIs/ Foreign Shareholders:

I/We have enclosed the following documents

☐ No Objection Certificate / Tax Clearance Certificate from Income Tax Authorities.

☐ RBI approvals for acquiring Shares of i-flex Solutions Limited hereby tendered in the Offer.

I/We confirm that the equity shares of i-flex Solutions Limited, which are being tendered herewith by me/us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever.

I/We authorize the Acquirer to accept the Shares so offered which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I/We further authorize the Acquirer to return to me/us, share certificate(s)/Shares in respect of which the Offer is not found valid/not accepted without specifying the reasons thereof.

I/We authorize the Acquirer and the Registrar to the Offer and the Manager to the Offer to send by Registered Post/UPC as may be applicable at my/our risk, the draft/cheque/warrant, in full and final settlement of the amount due to me/us and/or other documents or papers or correspondence to the sole/first holder at the address mentioned below. In case I have tendered my Shares in dematerialized form, I authorize Acquirer and the Registrar to the Offer and the Manager to the Offer to use my details regarding my address and bank account details as obtained from my depository participant for the purpose of mailing the aforementioned instruments.

I/We authorize the Acquirer to accept the Shares so offered or such lesser number of Shares that it may decide to accept in terms of the Letter of Offer and I/We authorize the Acquirer to split / consolidate the share certificates comprising the Shares that are not acquired to be returned to me/us and for the aforesaid purposes the Acquirer is hereby authorized to do all such things and execute such documents as may be found necessary and expedient for the purpose.

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE SHAREHOLDERS	SIGNATURE(S)
First / Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of First/Sole Shareholder____

Place:

Date:

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All future correspondence, if any, should be addressed to the Registrar to the Offer at the following address quoting your reference Folio No / DP ID / Client ID :

Intime Spectrum Registry Limited,
(Unit : i-flex Solutions Limited - Open Offer)
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup - West,
Mumbai - 400 078, India;
Telephone +91 22-2596 0320 to 28,
Fax +91 22-25960329

Bank Details

So as to avoid fraudulent encashment in transit, the shareholder(s) holding Shares in physical form should provide details of bank account of the first/sole shareholder and the consideration cheque or demand draft will be drawn accordingly. For Shares that are tendered in demat form, the Bank account as obtained from the beneficiary position download to be provided by the depositories will be considered and the warrants will be issued with the said Bank particulars, and not any details provided herein.

Name of the Bank		Branch	
Account No.		Current/Savings/(Others : please specify)	

No.	City	Contact Person	Address	Phone No.	Fax	Mode of delivery
1.	Mumbai	Vishwas Attavar	Intime Spectrum Registry Limited, C-13, Panalal Silk Mills Compound, L B S Marg,Bhandup (W), Mumbai -400078.	022-25960320-28	022-25960329	Hand Delivery & Registered Post
2.	Mumbai	Vivek Limaye	Intime Spectrum Registry Limited, 203, Davar House, Next to Central Camera, D N Road, Fort Mumbai - 400 001	022-22694127	022-25960329	Hand Delivery
3.	Ahmedabad	Hitesh Patel	Intime Spectrum Registry Limited, 211 Sudarshan Complex, Near Mithakhali Underbridge, Navrangpura, Ahmedabad - 380 009	079-2646 5179	079-26465179 (Telefax)	Hand Delivery
4.	Bangalore	Chandra Shekhar	Intime Spectrum Registry Ltd., No:658-57,1st Floor, Laxmi Venkateshwar Archade, 11th Main,4th Block Jayanagar, Opp Vijay Party Hall, Bangalore- 560 011	080-32720640	080-26910054	Hand Delivery
5.	Kolkata	S.P. Guha	Intime Spectrum Registry Limited, 59C,Chowringhee Road,3rd Floor, Kolkata –700020	033-22890539/40	033-22890539/40 (Telefax)	Hand Delivery
6.	New Delhi	Bharat Bhushan	Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	011-41410592/93	011-41410591	Hand Delivery

** Working hours for the above collection centres: 10 a.m. to 4 p.m. from Monday to Friday and on Offer Closing Date and 10 a.m. to 1 p.m. on Saturday*

PLEASE NOTE THAT NO SHARES / FORMS SHOULD BE SENT DIRECTLY TO THE ACQUIRER OR TO THE MANAGER TO THE OFFER

(1) **All queries** pertaining to this Offer may be directed to the Registrar to the Offer.

(2) **Shareholders holding registered physical Shares** should submit the Form duly completed and signed in accordance, by the holders of the Shares, along with the original equity share certificate(s) and valid equity share transfer form(s) duly signed as per the specimen signatures lodged with the Target Company and duly witnessed at the appropriate place. Please do not fill in any other details in the transfer deed.

(3) **Shareholders holding Shares in dematerialised form** should submit the Form duly completed and signed in accordance with the instructions contained therein by all the beneficial holders of the Shares, as per the records of the Depository Participant ("DP").

(4) **In case of shares held in joint names**, names should be filled up in the same order in the Form and in the transfer deed(s) as the order in which they hold Shares in the Target Company, and should be duly witnessed. This order cannot be changed or altered nor can any new name be added for the purpose of accepting the Offer.

(5) **In case where the signature is subscribed by thumb impression**, the same shall be verified and attested by a Magistrate, Notary Public or Special Executive Magistrate or a similar authority holding a Public Office and authorized to use the seal of his office.

(6) **Persons who own physical Shares (as on the Specified Date or otherwise) but are not the registered holders** of such Shares and who desire to accept the Offer, will have to communicate their acceptance in writing to the Registrar to the Offer together with the original contract note issued by the broker, the share certificate(s), the transfer deed(s) with the buyers details not filled in and other relevant documents. In case the share certificate(s) and transfer deed(s) are lodged with the Target Company/its transfer agents for transfer, then the Form shall be accompanied by the acknowledgment of lodgment with, or receipt by, the Target Company/its transfer agents, of the share certificate(s) and transfer deed(s). Persons under this clause should submit their acceptance and necessary documents by registered post or courier or in person to the Registrar at their offices as mentioned above.

The sole/first holder may also mention particulars relating to savings/current account number and the name of the bank and branch with whom such account is held in the respective spaces allotted in the Form, to enable the Registrar to print the said details in the cheques after the name of the payee.

(7) **Non-resident Shareholders** should enclose copy(ies) of permission received from Reserve Bank of India to acquire Shares held by them in the Target Company.

(8) **Non-resident Shareholders** are advised to refer to the clause on taxation in Section VII of the Letter of Offer regarding important disclosures regarding the taxation of the consideration to be received by them.

(9) **US Shareholders/US resident Shareholders** are advised that the Form of Acceptance can be submitted at anytime from receipt till the closure of the Offer. However, it may be noted that the credit to the Escrow Account – Iflex Open Offer is permitted during the Offer open period viz. December 4, 2006 to December 23, 2006.

(10) **In case of bodies corporate**, certified copies of appropriate authorization (including Board/shareholder resolutions, as applicable) authorizing the sale of Shares along with specimen signatures duly attested by a bank must be annexed. The common seal should also be affixed.

(11) **All the Shareholders** should provide all relevant documents which are necessary to ensure transferability of the Shares in respect of which the acceptance is being sent. Such documents may include (but not be limited to):

(a) Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired.

(b) Duly attested power of attorney if any person apart from the shareholder has signed acceptance form or transfer deed(s).

(c) No objection certificate from any lender, if the Shares in respect of which the acceptance is sent, were under any charge, lien or encumbrance.

FORM OF WITHDRAWAL

i-flex Solutions Limited Open Offer

From

Folio No./DP ID No./Client ID No.:

OFFER OPENS ON	**:**	**MONDAY**	**DECEMBER 4, 2006**
LAST DATE OF WITHDRAWAL	**:**	**TUESDAY**	**DECEMBER 19, 2006**
OFFER CLOSES ON	**:**	**SATURDAY**	**DECEMBER 23, 2006**

To

The Acquirer: i-flex Solutions Limited Open Offer
C/o Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup - West,
Mumbai - 400 078, India;
Telephone +91 22-2596 0320 to 28,
Fax +91 22-25960329

	Please tick (✓) shareholder status (For taxation / TDS purpose)
	Person resident in India who is an individual / HUF/ Association of Persons, having an aggregate income upto Rs. 10,00,000
	Person resident in India who is an individual / HUF/ Association of Persons having an aggregate income exceeding Rs. 10,00,000
	Person resident in India which is a partnership firm
	Person resident in India who is a domestic company
	Person resident outside India who is a company
	Person resident outside India who is an individual / association of persons having aggregate income upto Rs.10,00,000
	Person resident outside India who is an individual / association of persons having aggregate income upto Rs.10,00,000
	Domestic venture capital fund and mutual Fund who is a domestic company
	International venture Capital Fund who is a foreign company
	Person resident outside India which is a Partnership firm
	Non-Resident Indian(s)
	Foreign Institutional Investors
	Multilateral Agency
	Bilateral Development Financial Institution
	Financial Institutions
	Banks
	Insurance Company
	Others (Specify ______________________)

Dear Sir,

Sub: Open Offer for purchase of up to 16,631,343 Shares, representing up to 20% of the emerging voting capital of i-flex Solutions Limited, at the Offer Price by Oracle Global (Mauritius) Ltd. along with Oracle Corporation in accordance with the Public Announcements ("PA") dated Wednesday, September 13, 2006, Monday, November 6, 2006 and Wednesday November 22,2006 and the Letter of Offer (the "Letter of Offer")

I/We refer to the Public Announcements dated Wednesday, September 13, 2006, Monday, November 6, 2006 and Wednesday, November 22,2006 and the Letter of Offer for acquiring the equity shares held by me/us in i-flex Solutions Limited. I/We, the undersigned have read the PA and Letter of Offer and understood their contents including the terms and conditions as mentioned therein.

I / We hereby consent unconditionally and irrevocably to withdraw my / our Shares from the Offer and I / we further authorize the Acquirer to return to me / us, the tendered Share Certificate(s) / Share(s) at my / our sole risk.

I / We note that upon withdrawal of my / our Shares from the Offer, no claim or liability shall lie against the Acquirer / Manager to the Offer / Registrar to the Offer.

I / We note that this Form of Withdrawal should reach the Registrar to the Offer on or before the last date of withdrawal i.e. Tuesday, December 19, 2006.

I / We note the Acquirer / Manager to the Offer / Registrar to the Offer shall not be liable for any postal delay / loss in transit of the Shares held in physical form and also for the non-receipt of Shares held in the dematerialized form in the DP account due to inaccurate / incomplete particulars/ instructions.

I / We also note and understand that the Acquirer will return the original share certificate(s), share transfer deed(s) / Shares in dematerialized form only on completion of verification of the documents, signatures and beneficiary position as available with the depositories from time to time.

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ACKNOWLEDGEMENT SLIP

i-flex Solutions Limited Open Offer

Received from Mr./Ms./M/s. ______________________ residing at ______________________

____

a Form of Withdrawal for ______________________ shares along with :

- ☐ copy of depository instruction slip from DP ID ______________________ Client ID ______________________
- ☐ copy of acknowledgement slip issued when depositing dematerialized Shares
- ☐ copy of acknowledgement slip issued when depositing physical Shares

for withdrawing from the Offer made by the Acquirer.

Stamp of Collection Centre:		Signature of Official:		Date of Receipt:	

The particulars of tendered original share certificate(s) and duly signed transfer deed(s) are detailed below:

S. No.	Ledger Folio No(s).	Certificate No(s)	Distinctive No(s)		No of Shares
			From	To	
1					
2					
3					
4					
5					
(In case the space provided is inadequate, please attach a separate sheet with details.) **Total No. of Equity Shares**					

I / We hold the following Shares in dematerialized form and had executed an off-market transaction for crediting the Shares to the "Escrow Account – Iflex Open Offer". Please find enclosed a photocopy of the depository delivery instruction(s) duly acknowledged by DP. The particulars of the account from which my / our Shares have been tendered are as follows:

DP Name	DP ID	Client ID	Beneficiary Name	No. of Shares

I / We note that the Shares will be credited back only to that depository account, from which the Shares have been tendered and necessary standing instructions have been issued in this regard.

I / We confirm that the particulars given above are true and correct.

In case of dematerialized Shares, I / we confirm that the signatures have been verified by the DP as per their records and the same have been duly attested.

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE SHAREHOLDERS	SIGNATURE(S)
First / Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of First/Sole Shareholder____

____

Place:

Date:

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All future correspondence, if any, should be addressed to the Registrar to the Offer at the following address quoting your reference Folio No / DP ID / Client ID :

Intime Spectrum Registry Limited,
(Unit : i-flex Solutions Limited - Open Offer)
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup - West,
Mumbai - 400 078, India;
Telephone +91 22-2596 0320 to 28,
Fax +91 22-25960329

No.	City	Contact Person	Address	Phone No.	Fax	Mode of delivery
1.	Mumbai	Vishwas Attavar	Intime Spectrum Registry Limited, C-13, Panalal Silk Mills Compound, L B S Marg,Bhandup (W), Mumbai -400078.	022-25960320-28	022-25960329	Hand Delivery & Registered Post
2.	Mumbai	Vivek Limaye	Intime Spectrum Registry Limited, 203, Davar House, Next to Central Camera, D N Road, Fort Mumbai - 400 001	022-22694127	022-25960329	Hand Delivery
3.	Ahmedabad	Hitesh Patel	Intime Spectrum Registry Limited, 211 Sudarshan Complex, Near Mithakhali Underbridge, Navrangpura, Ahmedabad - 380 009	079-2646 5179	079-26465179 (Telefax)	Hand Delivery
4.	Bangalore	Chandra Shekhar	Intime Spectrum Registry Ltd., No:658-57,1st Floor, Laxmi Venkateshwar Archade, 11th Main,4th Block Jayanagar, Opp Vijay Party Hall, Bangalore- 560 011	080-32720640	080-26910054	Hand Delivery
5.	Kolkata	S.P. Guha	Intime Spectrum Registry Limited, 59C,Chowringhee Road,3rd Floor, Kolkata –700020	033-22890539/40	033-22890539/40 (Telefax)	Hand Delivery
6.	New Delhi	Bharat Bhushan	Intime Spectrum Registry Ltd., 3rd Floor, A-31, Naraina Industrial Area, Phase I, New Delhi -110 028	011-41410592/93	011-41410591	Hand Delivery

** Working hours for the above collection centres: 10 a.m. to 4 p.m. from Monday to Friday and on Offer Closing Date and 10 a.m. to 1 p.m. on Saturday*

(1) **All queries** pertaining to this Offer may be directed to the Registrar to the Offer.

(2) **In case of Shares held in joint names**, names should be filled up in the same order in the Form and in the transfer deed(s) as the order in which they hold Shares in the Target Company, and should be duly witnessed. This order cannot be changed or altered nor can any new name be added for the purpose of accepting the Counter Offer.

(3) **In case where the signature is subscribed by thumb impression**, the same shall be verified and attested by a Magistrate, Notary Public or Special Executive Magistrate or a similar authority holding a Public Office and authorized to use the seal of his office.

(4) **In case of bodies corporate**, certified copies of appropriate authorization (including Board/shareholder resolutions, as applicable) authorizing the sale of Shares along with specimen signatures duly attested by a bank must be annexed. The common seal should also be affixed.

(5) **All the Shareholders** should provide all relevant documents which are necessary to ensure transferability of the Shares in respect of which the withdrawal is being sent. Such documents may include (but not be limited to):

(a) Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired.

(b) Duly attested power of attorney if any person apart from the shareholder has signed withdrawal form or transfer deed(s).

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