



**Firstsource Solutions Limited**  
Condensed Financial statements  
together with the Auditors' Report  
as at and for the six months ended 30 September 2007

**Condensed Financial statements together with the Auditors' Report**  
*as at and for the six months ended 30 September 2007*

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# Firstsource Solutions Limited

## Condensed Balance sheet

as at 30 September 2007

(Currency: In thousands of Indian rupees)



	<i>Schedule</i>	<b>30 September 07</b>	<b>31 March 07</b>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	2	4,252,319	4,250,843
Share application money		1,150	-
Reserves and surplus	3	<u>6,384,974</u>	<u>6,039,047</u>
		<b>10,638,443</b>	<b>10,289,890</b>
<b>Loan funds</b>			
Secured loans	4	204,976	659,840
Unsecured loans	5	27,234	61,082
		<u>10,870,653</u>	<u>11,010,812</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	6	2,745,032	2,475,194
Less: Accumulated depreciation and amortisation		<u>1,617,748</u>	<u>1,397,722</u>
Net block		1,127,284	1,077,472
Add: Capital work in progress (including capital advances)		<u>36,102</u>	<u>62,863</u>
		<b>1,163,386</b>	<b>1,140,335</b>
<b>Investments</b>	7	<b>6,279,336</b>	<b>4,398,751</b>
<b>Deferred Tax Asset</b>	8	<b>87,952</b>	<b>-</b>
<b>Current assets, loans and advances</b>			
Sundry debtors	9	1,068,883	1,161,766
Unbilled receivables		201,628	144,037
Cash and bank balances	10	116,689	2,410,644
Loans and advances	11	<u>1,447,392</u>	<u>1,388,278</u>
		<b>2,834,592</b>	<b>5,104,725</b>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	12	540,317	715,850
Provisions	13	<u>91,017</u>	<u>53,870</u>
		<b>631,334</b>	<b>769,720</b>
<b>Net current assets</b>		<b>2,203,258</b>	<b>4,335,005</b>
<b>Amalgamation deficit adjustment account</b>		<u>1,136,721</u>	<u>1,136,721</u>
		<b>10,870,653</b>	<b>11,010,812</b>
<b>Significant accounting policies</b>	1		
<b>Notes to accounts</b>	17-22		

The schedules referred to above form an integral part of this condensed balance sheet.  
As per our report attached

For **BSR & Co.**  
Chartered Accountants

For and on behalf of the Board of Director

**Akeel Master**  
Partner  
Membership No: 046768

**Dr. Ashok S Ganguly**  
Chairman

**Ananda Mukerji**  
Managing Director & CEO

**Raju Venkatraman**  
Joint Managing Director & COO

**Shikha Sharma**  
Director

**Dinesh Vaswani**  
Director

**Lalita D. Gupte**  
Director

**Y.H.Malegam**  
Director

**Shailesh Mehta**  
Director

**Charles Miller Smith**  
Director

Mumbai  
October 29, 2007

**K P Balaraj**  
Director

**Donald Layden Jr.**  
Director

**Rajesh Subramaniam**  
CFO

**Sanjay Gupta**  
Company Secretary

# Firstsource Solutions Limited

## Condensed Profit and loss account

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

	<i>Schedule</i>	<b>Six Months Ended</b>		<b>Three Months Ended</b>	
		<b>30 September 07</b>	30 September 06	<b>30 September 07</b>	30 September 06
<b>Income</b>					
Income from services		<b>2,316,015</b>	2,051,330	<b>1,183,139</b>	1,099,087
Operating Income		<b>51,267</b>	(11,063)	<b>20,290</b>	25,286
Other income	14	<b>137,182</b>	880	<b>72,204</b>	3,604
		<u><b>2,504,464</b></u>	<u>2,041,147</u>	<u><b>1,275,633</b></u>	<u>1,127,977</u>
<b>Expenditure</b>					
Personnel costs	15	<b>1,141,276</b>	915,001	<b>582,659</b>	479,276
Operating costs	16	<b>814,970</b>	618,160	<b>429,047</b>	335,682
Depreciation and amortisation	6	<b>265,147</b>	186,682	<b>141,653</b>	93,751
		<u><b>2,221,393</b></u>	<u>1,719,843</u>	<u><b>1,153,359</b></u>	<u>908,709</u>
<b>Profit before taxation</b>		<b>283,071</b>	321,304	<b>122,274</b>	219,268
<b>Provision for taxation</b>					
- Current tax expense		<b>19,234</b>	2,722	<b>11,154</b>	1,375
- Fringe benefit tax		<b>7,616</b>	4,800	<b>4,089</b>	1,800
- Deferred tax charge / (benefit)		<b>(87,952)</b>	-	<b>(47,561)</b>	-
<b>Profit after taxation</b>		<u><b>344,173</b></u>	<u>313,782</u>	<u><b>154,592</b></u>	<u>216,093</u>
Profit / (loss) brought forward from previous year		<b>884,240</b>	141,421	<b>1,073,821</b>	239,110
<b>Accumulated balance carried forward to the balance sheet</b>		<u><b>1,228,413</b></u>	<u>455,203</u>	<u><b>1,228,413</b></u>	<u>455,203</u>
<b>Earnings per share</b>					
Weighted average number of equity shares outstanding during the period					
- Basic		<b>425,170</b>	202,405	<b>425,210</b>	202,909
- Diluted		<b>446,060</b>	362,377	<b>445,434</b>	365,338
Earnings per share (Rs)					
- Basic		<b>0.81</b>	1.55	<b>0.36</b>	1.06
- Diluted		<b>0.77</b>	0.87	<b>0.35</b>	0.59
Nominal value of shares (Rs)					
		<b>10</b>	10	<b>10</b>	10

### Significant accounting policies

1

### Notes to accounts

17-22

The schedules referred to above form an integral part of this condensed profit and loss account.

As per our report attached  
For **BSR & Co.**

Chartered Accountants

For and on behalf of the Board of Director

**Akeel Master**  
Partner  
Membership No: 046768

**Dr. Ashok S Ganguly**  
Chairman

**Ananda Mukerji**  
Managing Director & CEO

**Raju Venkatraman**  
Joint Managing Director & COO

**Shikha Sharma**  
Director

**Dinesh Vaswani**  
Director

**Lalita D. Gupte**  
Director

**Y.H.Malegam**  
Director

**Shailesh Mehta**  
Director

**Charles Miller Smith**  
Director

Mumbai  
October 29, 2007

**K P Balaraj**  
Director

**Donald Layden Jr.**  
Director

**Rajesh Subramaniam**  
CFO

**Sanjay Gupta**  
Company Secretary

# Firstsource Solutions Limited

## Condensed Cash flow statement

for the six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

	<b>Six Months Ended</b>	
	<b>30 September 07</b>	30 September 06
Net cash generated in operating activities	447,123	154,339
Net cash (used) / generated in investing activities	(2,156,321)	(1,358,029)
Net cash (used) / generated from financing activities	(584,757)	1,209,943
Net (decrease) / increase in cash and cash equivalents	<u>(2,293,955)</u>	<u>6,253</u>
Cash and cash equivalents at the beginning of the period	2,410,644	19,195
Cash and cash equivalents at the end of the period	<u>116,689</u>	<u>25,448</u>

Cash and cash equivalents consist of cash on hand and balances with bank. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	<b>Six Months Ended</b>	
	<b>30 September 07</b>	30 September 06
Cash on hand	358	12
Balances with scheduled banks		
- in current accounts	14,916	19,565
- in deposit accounts *	1,415	5,871
Balances with non scheduled banks		
- in deposit accounts	<u>100,000</u>	-
	<u>116,689</u>	<u>25,448</u>

\* Includes Rs 1,415 ( 30 September 2006: Rs 5,871) under lien for bank guarantees to the Customs authorities.

As per our report attached.

For **BSR & Co.**

Chartered Accountants

For and on behalf of the Board of Director

**Akeel Master**

Partner

Membership No: 046768

**Dr. Ashok S Ganguly**

Chairman

**Ananda Mukerji**

Managing Director & CEO

**Raju Venkatraman**

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**Shikha Sharma**

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**Y.H.Malegam**

Director

**Shailesh Mehta**

Director

**Charles Miller Smith**

Director

Mumbai

October 29, 2007

**K P Balaraj**

Director

**Donald Layden Jr.**

Director

**Raiesh Subramaniam**

CFO

**Saniav Gupta**

Company Secretary

# Firstsource Solutions Limited



## Schedules to the condensed financial statements

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

### 1 Significant accounting policies

#### 1.1. Basis of preparation

These interim financial statements of Firstsource Solutions Limited have been prepared in accordance with Accounting Standard 25 "Interim Financial Reporting" ('AS 25') issued by the Institute of Chartered Accountants of India ('ICAI'). These condensed Financial statements should be read in conjunction with annual financial statements of the company for the year ended and as at 31 March, 2007 and as at 30 September 2007. In the opinion of the management all the adjustments which are necessary for a fair presentation have been included. The results of interim periods are not necessarily indicative of the results that may be expected for any interim period or for the full year. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

#### 1.2. Use of estimates

The preparation of the condensed financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates are recognized prospectively in current and future periods.

#### 1.3. Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognized on completion of the related services and is billed in accordance with the contractual terms specified in the respective customer contracts. Revenue from fixed fee based service contracts is recognized on achievement of performance milestones specified in the customer contracts. Built Operate and Transfer (BOT) contracts are treated as service contracts and accordingly, revenue is recognized as the services are rendered and is billed in accordance with the respective contractual terms specified in the contracts.

Unbilled receivables represent costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized using the time proportion method, based on the underlying interest rates.

# Firstsource Solutions Limited



## Schedules to the condensed financial statements

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

### 1 Significant accounting policies (Continued)

#### 1.4. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the fixed assets. Depreciation on fixed assets is provided pro rata to the period of use based on management's best estimate of useful lives of the assets (which are shorter than those prescribed under the Companies Act, 1956) as summarized below:

Asset category	Useful life (in years)
<i>Intangible</i>	
Software	3
Domain name	3
<i>Tangible</i>	
Leasehold improvements	Lease term or the estimated useful life of the asset whichever is shorter
Computers	3
Service equipment including networks	2 - 3
Furniture and fixtures	3 - 5
Vehicles	2 - 5

Software purchased together with the related hardware is capitalized and depreciated at the rates applicable to related assets. Intangible assets other than above mentioned software are amortised over the best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and accordingly the asset is amortised over the remaining useful life.

Individual assets costing upto Rs 5 are depreciated in full in the period of purchase.

In accordance with AS 28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account or against revaluation surplus where applicable.

## **Schedules to the condensed financial statements**

*for the three months and six months ended 30 September 2007*

(Currency: In thousands of Indian rupees)

### **1 Significant accounting policies (Continued)**

#### **1.5 Retirement benefits**

##### *Gratuity and leave encashment*

The Company provides for gratuity and leave encashment benefits, which are defined benefit plans, covering all its eligible employees. Provisions in respect of gratuity and leave encashment benefits have been made based on an actuarial valuation carried out by an independent actuary as at the balance sheet date.

##### *Provident fund*

All employees of the Company receive benefits from a provident fund, which is a defined contribution retirement plan in which both, the Company and the employees, contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the profit and loss account as incurred.

#### **1.6 Investments**

Long-term investments are carried at cost and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are valued at the lower of cost and market value.

#### **1.7 Taxation**

Income tax expense comprises current tax expense, fringe benefit tax and deferred tax expense or credit.

##### *Current taxes*

Provision for current income-tax is recognized in accordance with the provisions of Indian Income-tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions. In case of matter under appeal, full provision is made in the financial statement when the Company accepts the liability.

##### *Deferred taxes*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date. The effect of a change in tax rates on deferred tax and assets liabilities is recognized in the period that includes the enactment date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of recognition of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.



# Firstsource Solutions Limited



## Schedules to the condensed financial statements

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

### 1 Significant accounting policies (Continued)

#### 1.7. Taxation (Continued)

The profits of the Company are exempt from taxes under the Income Tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A of the Income Tax Act, 1961, the Company can avail of an exemption of profits from income tax for a period of up to fiscal year 2009 in relation to its undertakings set up in the Software Technology Park at Bangalore, Kolkata and Mumbai. In this regard, the Company recognized deferred taxes in respect of those originating timing differences, which reverse after the tax holiday period resulting in tax consequences. Timing differences which originate and reverse within the tax holiday period do not result in tax consequence and, therefore, no deferred taxes are recognized in respect of the same.

##### Fringe Benefits

Provisions for Fringe Benefits Tax (FBT) have been recognized on the basis of harmonious contextual interpretation of the provision of the Income Tax Act, 1961.

#### 1.8. Leases

##### Finance lease

Assets acquired on finance leases, including assets acquired on hire purchase, have been recognized as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges and principal repayment, which are debited to the profit and loss account and reduction in lease obligations recorded at the inception of the lease

Assets given out on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the financial charge and principal amount using the implicit rate of return, which is recognized as income, and against principal outstanding which is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

##### Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the profit and loss account as incurred.

# Firstsource Solutions Limited



## Schedules to the condensed financial statements

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

### 1 Significant accounting policies (Continued)

#### 1.9. Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is recognized in the profit and loss account. Foreign currency denominated current assets and current liabilities at period end are translated at the period end exchange rates and the resulting net gain or loss is recognized in the profit and loss account.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitments or highly probable forecast transactions. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets purchased from foreign countries is adjusted in the carrying amount of the related fixed asset. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or as expense for the period. In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference on such a forward exchange contract are recognised in the profit and loss account in the reporting period in which the exchange rates change. Gains or losses on forward contracts to hedge the foreign currency risk of firm commitments or highly probable forecast transactions are recognised in the profit and loss account in period in which the forecasted transaction occurs.

#### 1.10. Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

#### 1.11. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

# Firstsource Solutions Limited



## Schedules to the condensed financial statements as at 30 September 2007

(Currency: In thousands of Indian rupees)

	30 September 07	31 March 07
<b>2 Share capital</b>		
<b>Authorised</b>		
600,000,000 (31 March 2007: 600,000,000) equity shares of Rs 10 each	6,000,000	6,000,000
250,000,000 participatory optionally convertible preference shares ('POCPS') (31 March 2007: 250,000,000) of Rs 10 each	2,500,000	2,500,000
	<u>8,500,000</u>	<u>8,500,000</u>
<b>Issued, subscribed and paid-up</b>		
425,231,921 (31 March 2007: 425,084,296) equity shares of Rs. 10 each, fully paid up	4,252,319	4,250,843
	<u>4,252,319</u>	<u>4,250,843</u>
<b>3 Reserves and surplus</b>		
<b>Securities premium</b>		
Securities premium at the beginning of the period	5,154,807	42,405
Add : Premium on shares issued during the period	1,754	5,320,920
Less: Premium utilised on expenses incurred for issue of share capital	-	208,518
Securities premium at the end of the period	<u>5,156,561</u>	<u>5,154,807</u>
Profit and loss account	1,228,413	884,240
	<u>6,384,974</u>	<u>6,039,047</u>
<b>4 Secured loans</b>		
External commercial borrowings (ECB) * (Secured against fixed assets and receivables )	199,225	652,050
Finance lease obligation (Secured against assets taken on lease)	5,751	7,790
	<u>204,976</u>	<u>659,840</u>
* Repayable within a year Rs 199,225 (31 March 2007: Rs 543,375)		
<b>5 Unsecured loans</b>		
Working capital demand loan	27,234	61,082
	<u>27,234</u>	<u>61,082</u>

## Firstsource Solutions Limited



### Schedules to condensed financial statements (Continued)

as at 30 September 2007

(Currency: In thousands of Indian rupees)

#### 6 Fixed assets

	Gross block		Accumulated depreciation / amortisation							
	As at 1 April 2007	Additions during the period	Deletions during the period	As at 30 September 2007	As at 1 April 2007	Charge for the period	On deletions during the period	As at 30 September 2007	As at 30 September 2007	As at 31 March 2007
<i>Intangible assets</i>										
Domain name	6,720	-	-	6,720	626	1,120	-	1,746	4,974	6,094
Software	121,612	12,017	-	133,629	52,949	17,136	-	70,084	63,544	68,663
<i>Tangible assets</i>										
Computer *	604,451	30,207	-	634,658	441,539	48,377	-	489,916	144,742	162,912
Service equipment	327,883	35,042	(2,407)	360,518	218,800	34,793	(2,404)	251,189	109,329	109,083
Furniture and fixture and office equipment	673,337	60,827	(22,158)	712,006	340,969	70,516	(20,579)	390,907	321,100	332,368
Leasehold improvements	738,150	180,147	(25,238)	893,059	341,482	92,798	(22,138)	412,142	480,917	396,668
Vehicles	3,041	1,401	-	4,442	1,357	407	-	1,764	2,678	1,684
<b>Total</b>	<b>2,475,194</b>	<b>319,641</b>	<b>(49,803)</b>	<b>2,745,032</b>	<b>1,397,722</b>	<b>265,147</b>	<b>(45,121)</b>	<b>1,617,748</b>	<b>1,127,284</b>	<b>1,077,472</b>
31 March 07	1,819,773	659,535	4,114	2,475,194	987,488	412,470	2,236	1,397,722	1,077,472	

\* The above assets include assets taken on lease having gross block of Rs. 12,326 (31 March 2007: Rs. 12,326) and net block of Rs. 5,646 (31 March 2007: Rs. 7,720).

# Firstsource Solutions Limited



## Schedules to the condensed financial statements as at 30 September 2007

(Currency: In thousands of Indian rupees)

	30 September 07	31 March 07
<b>7 Investments</b>		
<b>Long - Term (at cost) Trade</b>		
- Investments in subsidiaries (Unquoted)	6,168,850	3,246,217
<b>Short Term (at lower of cost and fair value)</b>		
- Trade (Unquoted)		
Investment in Treasury bills	96	98
- Non - Trade (Unquoted)		
Investments in market mutual funds	110,390	1,152,436
(Net assets value of Non - Trade investments Rs 110,575 (31 March 2007 Rs 1,156,296))		
	<u>6,279,336</u>	<u>4,398,751</u>
<b>8 Deferred tax asset</b>		
Difference between tax and book value of fixed assets	85,511	-
Gratuity	2,441	-
	<u>87,952</u>	<u>-</u>
<b>9 Sundry debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
- considered good	-	-
- considered doubtful	6,530	6,530
	<u>6,530</u>	<u>6,530</u>
Others debts		
- considered good	1,068,883	1,161,766
	<u>1,075,413</u>	<u>1,168,296</u>
Less: Provision for doubtful debts	<u>(6,530)</u>	<u>(6,530)</u>
	<u>1,068,883</u>	<u>1,161,766</u>
<b>10 Cash and bank balances</b>		
Cash on hand	358	168
Remittances in transit	-	12,874
Balances with scheduled banks		
- in current accounts	14,916	41,731
- in deposit accounts *	1,415	2,355,871
Balances with non scheduled banks		
- in deposit accounts	100,000	-
	<u>116,689</u>	<u>2,410,644</u>

\* Includes Rs 1,415 (31 March 2007 Rs. 5,870) under lien for bank guarantees to the Customs authorities.

# Firstsource Solutions Limited



## Schedules to the condensed financial statements as at 30 September 2007

(Currency: In thousands of Indian rupees)

30 September 07      31 March 07

### 11 Loans and advances

*(Unsecured, considered good)*

Loans to subsidiaries	<b>695,442</b>	568,420
Advances to subsidiaries	<b>208,725</b>	357,063
Deposits	<b>234,507</b>	245,627
Market to market and premium on forward contracts	<b>56,693</b>	28,616
Prepaid expenses	<b>23,082</b>	25,650
Advances recoverable in cash or in kind or for value to be received	<b>80,556</b>	70,010
Lease rentals receivable, net	<b>33,037</b>	27,690
Advance tax and tax deducted at source	<b>87,473</b>	52,479
Accrued interest	<b>16,509</b>	12,723
MAT credit entitlement	<b>11,368</b>	-
	<b><u>1,447,392</u></b>	<b><u>1,388,278</u></b>

### 12 Current liabilities

Sundry creditors		
- for expenses	<b>311,361</b>	368,204
- for capital goods	<b>79,564</b>	147,969
Payable on acquisition	<b>66,586</b>	133,224
Other liabilities	<b>60,477</b>	49,397
Tax deducted at source payable	<b>22,329</b>	17,056
	<b><u>540,317</u></b>	<b><u>715,850</u></b>

### 13 Provisions

Income tax	<b>29,111</b>	1,400
Gratuity	<b>38,478</b>	30,202
Leave encashment	<b>23,428</b>	22,268
	<b><u>91,017</u></b>	<b><u>53,870</u></b>

**Schedules to the condensed financial statements**  
for the three months and six months ended 30 September 2007  
(Currency: In thousands of Indian rupees)

	Six months ended		Three months Ended	
	30 September 07	30 September 06	30 September 07	30 September 06
<b>14 Other income</b>				
<b>Interest income (net)</b>				
Income				
- on deposit with banks	65,957	6,139	16,921	-
- on loan to subsidiary	19,269	18,144	11,281	9,165
- on others	1,644	1,208	851	1,208
	<u>86,870</u>	<u>25,491</u>	<u>29,053</u>	<u>10,373</u>
Less: Interest Cost				
- on External Commercial Borrowings and Term Loan	15,444	33,404	4,903	22,134
- on Working capital demand loan and others	2,526	3,367	952	(4,643)
- Finance Charge	70	29	32	29
	<u>68,830</u>	<u>(11,309)</u>	<u>23,166</u>	<u>(7,147)</u>
Profit on Sale redemption of non trade investments , net	35,634	12,048	30,780	10,361
Profit on sale of fixed assets, net	251	-	2,699	355
Dividend on investments	30,573	-	14,512	-
Miscellaneous income	1,894	141	1,047	35
	<u>137,182</u>	<u>880</u>	<u>72,204</u>	<u>3,604</u>
<b>15 Personnel costs</b>				
Saleries, bonus and other allowances	1,021,370	826,698	515,858	431,711
Contribution to provident and other funds	66,643	42,212	38,968	23,304
Staff welfare	53,263	46,091	27,833	24,261
	<u>1,141,276</u>	<u>915,001</u>	<u>582,659</u>	<u>479,276</u>
<b>16 Operating costs</b>				
Connectivity charges	105,743	102,120	49,170	55,695
Rent, rates and taxes	144,549	98,150	71,099	50,931
Car and other hire charges	106,071	85,787	57,028	41,570
Maintenance and upkeep	89,438	53,204	42,036	32,280
Recruitment and training	37,071	44,671	19,306	29,746
Electricity, water and power consumption	76,573	43,624	38,393	22,522
Travel and conveyance	76,087	47,642	44,256	33,610
Legal and professional fees	63,818	45,973	42,577	12,520
Computer expenses	27,195	20,587	13,209	10,823
Communication	16,718	9,741	9,052	5,307
Insurance	6,886	9,445	3,421	4,500
Foreign exchange loss, net	33,023	20,319	28,113	15,857
Printing and stationery	13,495	7,231	3,720	3,715
Marketing and support fees	2,229	3,033	1,475	1,742
Auditors' remuneration				
-Statutory audit	1,870	2,076	186	756
Meeting and seminar	1,746	1,587	1,086	464
Advertisements and publicity	1,561	4,530	811	3,955
Loss on sale of fixed assets net	-	1,141	-	-
Registration fees	3	41	-	15
Membership fees	547	2,183	92	1,768
Directors' sitting fees	489	28	435	7
Provision for doubtful debts	-	644	-	644
Bank change and guaratee commission	5,553	9,761	2,811	4,390
Miscellaneous expenses	4,305	4,642	771	2,865
	<u>814,970</u>	<u>618,160</u>	<u>429,047</u>	<u>335,682</u>

# Firstsource Solutions Limited



## Schedules to the condensed financial statements

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

### 17 Employee Stock Option Plan

During the six months period the Company has granted 110,000 and 60,000 options at the fair value of Rs. 84.85 and Rs. 78.10 respectively. The market price of the underlying equity shares were equal to the above exercise price on the date of grant.

### 18 Computation of number of shares for calculating diluted earnings per share

	Six months ended		Three months ended	
	30 September 07	30 September 06	30 September 07	30 September 06
Number of shares considered as basic weighted average shares outstanding	425,170	202,405	425,210	202,909
Add: effect of potential issue of shares/ stock options	20,890	159,972	20,224	162,429
Number of shares considered as weighted average shares and potential shares outstanding	446,060	362,377	445,434	365,338

### 19 Capital and other commitments and contingent liabilities

	30 September 07	31 March 07
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	60,168	19,891
Foreign currency forward contracts outstanding	3,262,644	3,292,263
Unamortized premium on forward exchange contracts	2,355	18,956
Forward exchange difference on highly probable forecasted	23,637	34,797
Guarantees and letters of credit given	13,786,163	1,648,603

20 The Finance Act, 2007 has introduced Fringe Benefit Tax (FBT) on employee stock options. The difference between the fair value of the underlying share on the date of vesting and the exercise price paid by the employee is subject to FBT. The company will recover such tax from the employee. The company's obligation to pay FBT arises only upon the exercise of the stock option and the hence the FBT liability and the related recovery will be recorded at the time of exercise. Such FBT Liability and the amounts recovered from employees on options exercised during the six months period ended 30 September 2007 amounted to Rs. 1,454 (31 March 2007: Nil)

### 21 Statement of utilisation of Initial Public Offer ('IPO') as on 30 September 2007

	Number of shares	Price	Amount
Amount raised through Public Issue	60,000,000	64	3,840,000
Share issue expenses paid			197,963
Net proceeds			<u>3,642,037</u>
Deployment of funds:			
1. Utilised for Capital Expenditure for office facilities			462,850
2. Utilised for repayment of ECB loan			411,084
3. Acquisitions			2,768,103
Total			<u>3,642,037</u>



# Firstsource Solutions Limited



## Schedules to the condensed financial statements

for the three months and six months ended 30 September 2007

(Currency: In thousands of Indian rupees)

### 22 Prior period comparatives

Prior period figures have been appropriately reclassified to conform to current period presentation. Figures for the period of three months ended September 2006 have not been audited or reviewed.

For and on behalf of the Board of Director

**Dr. Ashok S Ganguly**  
*Chairman*

**Ananda Mukerji**  
*Managing Director & CEO*

**Raju Venkatraman**  
*Joint Managing Director & COO*

**Shikha Sharma**  
*Director*

**Dinesh Vaswani**  
*Director*

**Lalita D. Gupte**  
*Director*

**Y.H.Malegam**  
*Director*

**Shailesh Mehta**  
*Director*

**Charles Miller Smith**  
*Director*

Mumbai  
October 29, 2007

**K P Balaraj**  
*Director*

**Donald Layden Jr.**  
*Director*

**Rajesh Subramaniam**  
*CFO*

**Sanjay Gupta**  
*Company Secretary*