

Firstsource Solutions Limited

Financial statements
together with the Auditors' Report
for the year ended
31 March 2008

Firstsource Solutions Limited

Financial statements together with the Auditors' Report

for the year ended 31 March 2008

<i>Contents</i>	<i>Page</i>
Auditors' report	3 - 7
Balance sheet	8
Profit and loss account	9
Cash flow statement	10- 11
Schedules to the financial statements	12 - 48
Balance sheet abstract	49 - 50

Auditors' Report

To the Members of Firstsource Solutions Limited

We have audited the attached Balance Sheet of Firstsource Solutions Limited ('the Company') as at 31 March 2008, the Profit and Loss account of the Company for the year ended on that date and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Without qualifying our opinion, we draw attention to Schedules 2.12(b) and 29.2 that the Company has charged the entire amount of premium payable on redemption of zero coupon foreign currency convertible bonds ('FCCB') of Rs. 4,343 million to securities premium account on the date of issue through a corresponding credit to Premium payable on redemption of FCCB account instead of amortising the premium systematically using the interest method over the tenor of the bonds. The aforesaid treatment is followed since the Company considers that the liability for premium accrues on issuance of bonds. This accounting treatment, however, does not have any impact on the profit for the year.
3. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

Auditors' Report (*Continued*)
Firstsource Solutions Limited

- d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- e) on the basis of written representations received from the directors of the Company as on 31 March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- f) in our opinion, and to the best of our information and according to the information and explanations given to us, read with paragraph 2 above, the said accounts give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Co.**
Chartered Accountants

Mumbai
Date :

Akeel Master
Partner
Membership No: 046768

Firstsource Solutions Limited

Annexure to the Auditors' Report – 31 March 2008

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets have to be verified in a phased manner annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) Fixed assets disposed of during the year were not substantial and, therefore, do not affect the going concern assumption.
2. The Company is a service Company, primarily rendering contact centre, transaction processing and debt collection services. It does not hold any physical inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.
3. (a) The following are the particulars of loans granted by the Company to parties covered in the register maintained under section 301 of the Act:

Name of Party	Relationship with Company	Amount Rs.	Year end Balance Rs.	Maximum Balance outstanding Rs.
FirstRing Inc, USA	Subsidiary	700,241,481	720,241,481	720,241,481

- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to parties listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
 - (c) The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest, wherever applicable.
 - (d) There is no overdue amount of loans granted to parties listed in the register maintained under section 301 of the Act.
 - (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, paragraph 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

Firstsource Solutions Limited

Annexure to the Auditors' Report – 31 March 2008 (Continued)

5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh in respect of any party during the year are for the Company's specialized requirements for which suitable alternate sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the prices appear reasonable.
6. The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act for any of the services rendered by the Company. Accordingly, paragraph 4(vii) of the Order is not applicable.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of accounts in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales Tax, Excise duty and Investor Education and Protection Fund.

Further, since the Central Government has till date not prescribed the amount of Cess payable under the Section 441A of the Act, we are not in a position to comment on the regularity or otherwise of the Company in depositing the same. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2008 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the following dues of Income tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Transfer pricing demand	40,929,129	2002-03	Commissioner of Income Tax -Appeals
Income Tax Act, 1961	Assessment under section 143	39,728,490	2003-04	Commissioner of Income Tax- Appeals

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

Firstsource Solutions Limited

Annexure to the Auditors' Report – 31 March 2008 (*Continued*)

11. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to its bankers, bondholders or to any financial institutions.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanation given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are, prima facie, not prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. In our opinion and according to the information and explanation given to us, the Company has not made preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
20. In respect of the end-use of money raised by issue of foreign currency convertible bonds (FCCB) as disclosed in the Schedule 29 to the financial statements, in our opinion and based on the information and explanations given to us and certified by the management, the Company has utilized the amount for purposes as stated/specified in the offering document for the FCCB.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **BSR & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No: 046768

Mumbai
Date :

Firstsource Solutions Limited

Balance sheet

as at 31 March 2008

(Currency: In thousands of Indian rupees)

	<i>Schedule</i>	2008	2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	4,273,130	4,250,843
Reserves and surplus	4	2,019,662	6,039,047
		<u>6,292,792</u>	<u>10,289,890</u>
Loan funds			
Secured loans	5	103,991	659,840
Unsecured loans	6	11,137,356	61,082
		<u>17,534,139</u>	<u>11,010,812</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	7	2,956,966	2,475,194
Less: Accumulated depreciation and amortisation		1,869,766	1,397,722
Net block		<u>1,087,200</u>	<u>1,077,472</u>
Add: Capital work in progress (including capital advances)		60,873	62,863
		<u>1,148,073</u>	<u>1,140,335</u>
Investments	8	17,011,767	4,398,751
Deferred Tax assets	9	193,056	-
Current assets, loans and advances			
Sundry debtors	10	1,086,740	1,161,766
Unbilled receivables		195,073	144,037
Cash and bank balances	11	311,763	2,410,644
Loans and advances	12	1,504,266	1,388,278
		<u>3,097,842</u>	<u>5,104,725</u>
Less: Current liabilities and provisions			
Current liabilities	13	572,140	715,850
Provisions	14	4,481,180	53,870
		<u>5,053,320</u>	<u>769,720</u>
Net current assets		<u>(1,955,478)</u>	<u>4,335,005</u>
Amalgamation deficit adjustment account		1,136,721	1,136,721
		<u>17,534,139</u>	<u>11,010,812</u>
Significant accounting policies	2		
Notes to accounts	19 – 32		

The schedules referred to above form an integral part of this balance sheet.

As per our report attached

For **BSR & Co.**

Chartered Accountants

For and on behalf of the Board of Directors

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

K P Balaraj
Director

Lalita D. Gupte
Director

Y.H.Malegam
Director

Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
April 29, 2008

Donald Layden Jr.
Director

Rajesh Subramaniam
CFO

Sanjay Gupta
Company Secretary

Firstsource Solutions Limited

Profit and loss account

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

	<i>Schedule</i>	2008	2007
Income			
Income from services		4,896,378	4,326,820
Other income	15	107,794	65,833
Other operating income		42,708	-
		<hr/> 5,046,880 <hr/>	<hr/> 4,392,653 <hr/>
Personnel costs	16	2,363,322	1,967,616
Operating costs	18	1,558,798	1,246,366
Depreciation and amortization	7	532,820	412,470
Finance charges, net	17	123,155	3,578
		<hr/> 4,578,095 <hr/>	<hr/> 3,630,030 <hr/>
Profit before tax		468,785	762,623
Provision for taxation			
- Current tax expense		63,969	5,365
- Fringe benefit tax		21,441	14,439
- Deferred tax credit		(193,056)	-
		<hr/> 576,431 <hr/>	<hr/> 742,819 <hr/>
Profit after tax		576,431	742,819
Profit brought forward from previous year		884,240	141,421
		<hr/> 1,460,671 <hr/>	<hr/> 884,240 <hr/>
Accumulated balance carried forward to the balance sheet			
Earnings per share	25		
Weighted average number of equity shares outstanding during the year			
- Basic		425,858	264,852
- Diluted		464,222	389,278
Earnings per share (Rs)			
- Basic		1.35	2.80
- Diluted		1.24	1.91
Nominal value of shares (Rs)		10	10
Significant accounting policies	2		
Notes to accounts	19 – 32		

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

As per our report attached.

For **BSR & Co.**

Chartered Accountants

For and on behalf of the Board of Directors

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

K P Balaraj

Director

Lalita D. Gupte

Director

Y.H.Malegam

Director

Shailesh Mehta

Director

Charles Miller Smith

Director

Mumbai

April 29,2008

Donald Layden Jr.

Director

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CFO

Sanjay Gupta

Company Secretary

Firstsource Solutions Limited

Cash flow statement

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
<u>Cash flow from operating activities</u>		
Net profit/ (loss) after tax	576,431	742,819
Adjustments for		
Depreciation and amortization	532,820	412,470
Provision for taxes	85,410	19,804
Provision for doubtful debts	1,991	644
(Profit) / loss on sale of fixed assets net	(805)	960
Foreign exchange loss net	176,151	16,578
Interest costs	21,823	70,757
Interest and dividend income	(149,826)	(76,405)
Deferred taxes	(193,056)	-
(Profit)/ loss on sale on investments	(43,282)	(52,619)
Operating cash flow before changes in working capital	1,007,657	1,135,008
Changes in working capital		
(Increase) in Debtors	47,249	(783,276)
Decrease / (Increase) in Loans and advances and unbilled revenue	(99,553)	(345,900)
(Decrease) / Increase in Current liabilities and provisions	20,634	104,572
Net changes in working capital	(31,670)	(1,024,604)
Income taxes paid	(100,730)	(46,706)
Net cash generated / (used) in operating activities (A)	875,257	63,698
<u>Cash flow from investing activities (A)</u>		
Purchase of investment in mutual funds/ government securities	(11,263,940)	(7,178,372)
Sale of investment in mutual funds	12,259,028	6,078,458
Interest and dividend income received	155,438	73,545
Capital expenditure	(588,453)	(591,831)
Sale of fixed assets	6,383	285
Investment in subsidiary	(13,564,821)	(752,249)
Business acquisition, net of cash acquired	(66,638)	(152,165)
Net cash generated / (used) in investing activities (B)	(13,063,003)	(2,522,329)
<u>Cash flow from financing activities</u>		
Proceeds from secured loan	-	-
Proceeds from unsecured loan - FCCB	10,840,500	-
Proceeds from unsecured loan - Others	43,274	111,703
Repayment of secured loan	(509,615)	-
Repayment of unsecured loan	-	(591,086)
Proceeds from issuance of series 'D' participatory optionally convertible preference shares ('POCPS')	-	1,579,243
Proceeds from issuance of equity shares and share application money (Net of share issue expenses)	(214,769)	3,820,977
Interest paid	(21,823)	(70,757)
Net cash generated from financing activities (C)	10,137,567	4,850,080
Effect of exchange gain/(loss) on cash flow hedges (D)	(48,702)	-

Firstsource Solutions Limited

Cash flow statement (*Continued*) for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
Net (decrease) / increase in cash and cash equivalents (A+B+C+D)	(2,098,881)	2,391,449
Cash and cash equivalents at the beginning of the year	2,410,644	19,195
Cash and cash equivalents at the end of the year	<u>311,763</u>	<u>2,410,644</u>

Notes to the cash flow statement

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

	2008	2007
Cash on hand	129	168
Remittances in transit	-	12,874
Balances with scheduled banks		
- in current accounts	9,425	41,731
- in deposit accounts *	201,416	2,355,871
Balances with non scheduled banks		
- in current accounts	793	-
- in deposit accounts	100,000	-
	<u>311,763</u>	<u>2,410,644</u>

* Includes Rs. 1,416 (31 March 2007: Rs 5,870) under lien for bank guarantees to the Customs authorities.

For **BSR & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Akeel Master
Partner

Dr. Ashok S Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

Raju Venkatraman
Joint Managing Director &
COO

Membership No: 046768

Shikha Sharma
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K P Balaraj
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Lalita D. Gupte
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Y.H.Malegam
Director

Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
April 29,2008

Donald Layden Jr.
Director

Rajesh Subramaniam
CFO

Sanjay Gupta
Company Secretary

Firstsource Solutions Limited

Schedules to the financial statements

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

1 Background

Firstsource Solutions Limited, ('Firstsource' or 'the Company') is incorporated on 6 December 2001 and was promoted by ICICI Bank Limited. The Company is engaged in the business of providing contract center, transaction processing and debt collection services including revenue cycle management in the healthcare industry.

During the year, the Company, through its wholly owned subsidiary company Firstsource Solutions Limited USA Inc. acquired 100% of the common stock of MedAssist Holding Inc, a Delaware corporation, a leading provider of revenue cycle management in the healthcare industry in the USA.

The list of subsidiaries as at 31 March 2008 with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
Firstsource Solutions USA Inc ('FSL-USA')	A subsidiary of Firstsource Solutions Limited organized under the laws of State of Delaware, USA	100%	2002-2003
Business Process Management, Inc ('BPM')	A subsidiary of Firstsource Solutions USA Inc. organized under the laws of State of Delaware, USA	100%	2006-2007
MedPlans 2000 Inc ('MP2')	A subsidiary of Business Process Management, Inc organized under the laws of State of Delaware, USA	100%	2006-2007
MedPlans Partners ('MPP')	A subsidiary of Business Process Management, Inc organized under the laws of State of Delaware, USA	100%	2006-2007
Firstsource Solutions Limited, UK ('FSL-UK')	A subsidiary of Firstsource Solutions Limited, organized under the laws of United Kingdom.	100%	2002-2003
FirstRing Inc, USA ('FR-US')	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA	99.8%	2003-2004

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

1 Background (*Continued*)

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
Firstsource Advantage LLC, ("ASG")	A subsidiary of FirstRing Inc, USA, incorporated under the laws of the State of New York, USA	100%	2004-2005
Pipal Research Corporation, ("Pipal")	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA	51%	2004-2005
Pipal Research Analytics and Information Services India Private Limited ("PRAISE")	A subsidiary of Pipal Research Corporation, incorporated under the laws of India	100%	2004-2005
Rev IT Systems Limited ("Rev IT")	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India	100%	2004-2005
Sherpa Business Solutions Inc ("Sherpa")	A subsidiary of Rev IT Systems Limited, incorporated under the laws of the State of Michigan, USA	100%	2004-2005
Firstsource Solutions S.A. ("FSL-Arg")	A subsidiary of Firstsource Solutions Limited UK, incorporated under the laws of S.A.	99.98%	2006-2007
MedAssist Holding, Inc. (MedAssist)	A subsidiary of Firstsource Solutions Limited US, organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist Intermediate Holding, Inc. (MIH)	A subsidiary of MedAssist Holding, Inc., organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist, Incorporated (MI)	A subsidiary of MedAssist Intermediate Holding, Inc., organized under the laws of State of Kentucky, USA	100%	2007-2008
Twin Medical Transaction Services, Inc (Twin)	A subsidiary of MedAssist, Incorporated, organized under the laws of Nevada Corporation, USA	100%	2007-2008
Argent Healthcare Financial Services, Inc (Argent)	A subsidiary of MedAssist, Incorporated, organized under the laws of State of Delaware, USA	100%	2007-2008

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2 Significant accounting policies

2.1. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on accrual basis of accounting and accounting principles generally accepted in India and comply with the Accounting Standards prescribed in the Companies (Accounting Standard) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standard and in accordance with the relevant provisions of the Companies Act, 1956, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

2.2. Use of estimates

The preparation of the 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.

2.3. 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 financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2. Significant accounting policies (*Continued*)

2.4. 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.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2 Significant accounting policies (*Continued*)

2.5. 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.

The employees of the Company are entitled to compensated absence. The employees can carry-forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at termination of employment for the unutilized accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated 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.

2.6. 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 nature, in the carrying value of such investments. Current investments are valued at the lower of cost and market value.

2.7. 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 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.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2 Significant accounting policies (*Continued*)

2.7 Income tax (*Continued*)

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 assets and 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.

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

Provision for Fringe Benefits Tax (FBT) is made on the basis of applicable FBT on the taxable value of eligible expenses of the Company as prescribed under the Income Tax Act, 1961.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2 Significant accounting policies (*Continued*)

2.8. 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 charge/(expense) and principal repayment.

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/(income) and principal amount using the implicit rate of return. The finance charge/(income) is recognized as income, and principal received 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.

2.9. Foreign currency transactions, derivative instruments and hedge accounting

a. 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 except for the resultant net exchange gain or loss on account of imported fixed assets, which is adjusted in the carrying amount of the related fixed assets. 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.

The premium or discount on all the forward contracts arising at the inception of each contract is amortised as income or expense over the life of the contract.

b. Derivative instruments and hedge accounting

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions. The company designates these as cash flow hedges applying the principles set out in the Accounting Standard 30 "Financial Instruments : Recognition Measurement" (AS-30).

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2 Significant accounting policies (*Continued*)

2.9 Foreign currency transactions, derivative instruments and hedge accounting (*Continued*)

Foreign currency derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in shareholder's funds and the ineffective portion is recognized immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholders' funds is transferred to the profit and loss account for the period.

2.10. 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.

2.11. 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 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

2 Significant accounting policies (*Continued*)

2.11 Provisions and contingencies (*Continued*)

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

2.12. Foreign currency convertible bonds (FCCB)

- a) Foreign Currency Convertible Bonds are considered monetary in nature. Any gain / loss arising on account of exchange fluctuation is accounted in Profit and loss account.
- b) Premium payable on redemption of FCCB is fully charged to the Securities Premium account in the period of issue. Net gain or loss resulting from restatement of this liability at period end rates is accounted in Securities Premium Account.

3 Share capital

Authorised

	2008	2007
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
	8,500,000	8,500,000
	<hr/> <hr/>	<hr/> <hr/>
Issued, subscribed and paid-up		
427,312,964 (31 March 2007: 425,084,296) equity shares of Rs.10 each fully paid up	4,273,130	4,250,843
	4,273,130	4,250,843
	<hr/> <hr/>	<hr/> <hr/>

During the year 2,228,668 (31 March 2007: 10,314,498) options were allotted. For details of options in respect of equity shares, refer to schedule 20.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
4 Reserves and surplus		
Securities premium		
Securities premium at the beginning of the year	5,154,807	42,405
Add : Premium on shares issued during the year	14,014	5,320,920
Less: Premium utilised on expenses incurred for issue of share capital	-	208,518
Less: Premium utilised on expenses incurred for issue of FCCB	217,436	-
Less: Premium payable on redemption of FCCB (Refer note 2.12 (b) and 29)	4,343,692	-
	<hr/>	<hr/>
Securities premium at the end of the year	607,693	5,154,807
Profit and loss account	1,460,671	884,240
Hedging reserve account	(48,702)	-
	<hr/>	<hr/>
	2,019,662	6,039,047
	<hr/> <hr/>	<hr/> <hr/>
5 Secured loans		
External commercial borrowings (ECB) * (Secured against fixed assets and receivables)	100,300	652,050
Finance lease obligation (Secured against assets taken on lease)	3,691	7,790
	<hr/>	<hr/>
	103,991	659,840
	<hr/> <hr/>	<hr/> <hr/>
* Repayable within a year Rs. 100,300 (31 March 2007 Rs. 543,375)		
6 Unsecured loans		
Working capital demand loan	104,356	61,082
Foreign currency convertible bond (Refer note 29)	11,033,000	-
	<hr/>	<hr/>
	11,137,356	61,082
	<hr/> <hr/>	<hr/> <hr/>

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

7 Fixed assets

	Gross block			Accumulated depreciation/amortisation				Net block		
	As at 1 April 2007	Additions during the year	Deletions during the year	As at 31 March 2008	As at 1 April 2007	Charge for the year	On deletions during the year	As at 31 March 2008	As at 31 March 2008	As at 31 March 2007
<i>Intangible assets</i>										
Domain name	6,720	-	-	6,720	626	2,244	-	2,870	3,850	6,094
Software	121,612	74,465	-	196,077	52,949	37,974	-	90,923	105,154	68,663
<i>Tangible assets</i>										
Computers *	604,451	78,766	-	683,217	441,539	90,872	-	532,411	150,806	162,912
Service equipment	327,883	52,999	(2,407)	378,475	218,800	64,048	(2,404)	280,444	98,031	109,083
Furniture and fixtures and office equipment.	673,337	111,375	(23,968)	760,744	340,969	138,121	(22,116)	456,974	303,770	332,368
Vehicles	3,041	1,453	(1,005)	3,489	1,357	969	(383)	1,943	1,546	1,684
Leasehold improvements	738,150	229,066	(38,972)	928,244	341,482	198,592	(35,873)	504,201	424,043	396,668
Total	2,475,194	548,124	(66,352)	2,956,966	1,397,722	532,820	(60,776)	1,869,766	1,087,200	1,077,472
31 March 2007	1,819,773	659,535	4,114	2,475,194	987,488	412,470	2,236	1,397,722	1,077,472	

Note

* The above assets includes assets taken on lease having gross block of Rs 12,326 (31 March 2007: 12,326) and net block of Rs 3,565 (31 March 2007: 7,720)

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
8 Investments		
Long –term (at cost)		
<i>Trade</i>		
Investments in subsidiaries (Unquoted)		
6,775,276,550 (31 March 2007: 6,771,860,000) fully paid-up common stock of USD 0.001 each of Firstsource Solutions USA Inc.	14,343,023	773,040
2,834,672 (31 March 2007: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions Limited, UK	18,349	18,349
40,509,637 (31 March 2007: 40,509,637) Series ‘F’ Convertible Preferred Stock of FirstRing Inc, US (‘FR-US’) of USD 0.00001 each, fully paid up	1,350,859	1,350,859
136,093 (31 March 2007: 136,093) equity shares of Pipal Research Corporation of Rs 10 each, fully paid up.	157,260	157,260
9,088,886 (31 March 2007: 9,088,886) Equity Shares of Rev IT Systems Limited of Rs 10 each, fully paid up.	941,547	941,547
Nil (31 March 2007: 5,162) Preference Shares of Rev IT	-	5,162
	16,811,038	3,246,217

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

8 Investments (<i>Continued</i>)	2008	2007
Short term (at lower of cost and fair value) *		
<i>Trade (Unquoted)</i>		
Investment in treasury bills in connection with Philippines branch.		98
<i>Non-trade (Unquoted)*</i>		
Investments in market mutual funds		
611,232 (31 March 2007: Nil) units of Kotak Liquid (institutional premium) – Growth	10,000	-
Nil (31 March 2007: 15,004,955) units of ICICI Prudential Institutional Liquid Plan -Super Institutional Weekly Dividend	-	150,207
Nil (31 March 2007: 5,629) units of Kotak Liquid Fund – Institutional Premium Plan Daily Dividend	-	69
Nil (31 March 2007: 25,211,750) units of Standard chartered FMP - Quarterly series 5 - Dividend	-	252,118
Nil (31 March 2007: 25,004,227) units of Birla FTP- Quarterly - Series7-Dividend –Payout	-	250,042
Nil (31 March 2007: 25,000,000) units of ICICI Prudential FMP Series 37 Three Month Plus Plan A-Retail Dividend	-	250,000
Nil (31 March 2007: 25,000,000) units of ICICI Prudential FMP Series 37 One Month Plan -Retail Dividend	-	250,000
3,890,142 (31 March 2007: Nil) Birla Cash Plus - Institutional Premium - Growth Option.	50,000	-
4,986,870 (31 March 2007 Nil) ING Liquid Fund Super Institutional - Growth Option	60,099	-
18,603 (31 March 2007: Nil) Reliance Liquid Plus Fund - Institutional Option - Growth Plan	20,348	-
3,291,382 (31 March 2007: Nil) Reliance Liquidity Fund - Growth Option	40,000	-
15,243 (31 March 2007: Nil) UTI Liquid Cash Plan Institutional - Growth Option	20,282	-
(Net asset value of unquoted investments aggregate Rs 201,081 (31 March 2007:1,156,296))	200,729	1,152,436
	17,011,767	4,398,751

* Refer Schedule 30 for summary of investments purchased and sold during the year.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
9 Deferred tax assets		
Difference between tax and book value of fixed assets	166,433	-
Gratuity and leave encashment	26,623	-
	<u>193,056</u>	<u>-</u>
10. Sundry debtors		
<i>(Unsecured)</i>		
Debtors outstanding for a period exceeding six months		
- considered doubtful	8,521	6,530
	<u>8,521</u>	<u>6,530</u>
Others debts		
- considered good*	1,086,740	1,161,766
	<u>1,086,740</u>	<u>1,161,766</u>
Less: Provision for doubtful debts	(8,521)	(6,530)
	<u>1,086,740</u>	<u>1,161,766</u>
*Sundry debtors include debts outstanding from companies under the same management		
FSL-USA	163,609	103,751
FSL-UK	468,783	827,123
ASG	41,649	61,352
11 Cash and bank balances		
Cash on hand	129	168
Remittances in transit	-	12,874
Balances with scheduled banks		
- in current accounts	9,425	41,731
- in deposit accounts *	201,416	2,355,871
Balances with non scheduled banks		
- in current accounts **	793	-
- in deposit accounts **	100,000	-
	<u>311,763</u>	<u>2,410,644</u>

* Includes Rs 1,416 (31 March 2007: Rs 5,870) under lien for bank guarantees to the Customs authorities.

** From ABN Amro Bank. Maximum amount of outstanding balance in current accounts and deposit accounts amounts to Rs. 6,814 and Rs. 250,000 respectively.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

12 Loans and advances

(Unsecured, considered good)

	2008	2007
Loans to subsidiaries	720,241	568,420
Advances to subsidiaries*	243,450	357,063
Deposits	256,314	245,627
Mark to market premium on forward contracts	-	28,616
Prepaid expenses	48,253	25,650
Advances recoverable in cash or in kind or for value to be received	55,346	70,010
Lease rentals receivable, net (refer Schedule 19)	47,988	27,690
Advance tax and tax deducted at source	125,561	52,479
Accrued interest on loans and deposits	7,113	12,723
	1,504,266	1,388,278

* Includes amount outstanding from companies under the same management.

FSL-USA	11,121	16,169
Rev IT	14,927	17,975
ASG	64,177	33,493
FSL-UK	108,023	75,572
FSL-Arg	25,714	7,752
BPMS	19,488	5,786
Maximum outstanding balance during the year		
FSL-USA	56,363	123,368
FR-US	-	15,733
Rev IT	28,236	265
FSL-UK	108,023	75,572
ASG	66,788	-
FSL-Arg	26,467	7,752
BPMS	19,488	5,786

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

as at 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
13 Current liabilities		
Amount payable to subsidiary *	4,289	-
Sundry creditors**		
- for expenses	242,762	368,204
- for capital goods	109,754	147,969
Payable on business acquisition	66,586	133,224
Other liabilities	64,442	49,397
Mark to market premium on forward	65,410	-
Tax deducted at source payable	18,897	17,056
	<u>572,140</u>	<u>715,850</u>

* includes amount outstanding to companies under the same management

Pipal	4,289	-
Maximum outstanding balance during the year		
FSL-UK	-	27,818
FR-US	-	11,688
ASG	-	49,721
Rev IT	-	938
Pipal	4,310	-

** Based on the information and records available with the Company, no amount is payable to small scale industrial undertakings as well as Micro and small enterprises as at 31 March 2008 (31 March 2007: Nil) (Refer Schedule 31)

14 Provisions

Income tax	59,161	1,400
Gratuity	44,794	30,202
Leave encashment	33,533	22,268
Premium payable on redemption of FCCB (Refer note 2.12 (b) and 29)	4,343,692	-
	<u>4,481,180</u>	<u>53,870</u>

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
15 Other income		
Profit on sale/redemption of non trade investments, net	43,282	52,619
Profit on sale of fixed assets, net	805	-
Miscellaneous income	31,407	1,785
Dividend on investments	32,300	11,429
	<u>107,794</u>	<u>65,833</u>
16 Personnel costs		
Salaries, bonus and other allowances	2,032,184	1,776,439
Contribution to provident and other funds	132,839	92,396
Staff welfare	198,299	98,781
	<u>2,363,322</u>	<u>1,967,616</u>
17 Finance Charge, net		
On External commercial borrowings and term loan	18,900	60,106
On Working capital and demand loan	2,803	10,485
Finance charge	120	166
	<u>21,823</u>	<u>70,757</u>
Less: Interest income		
- on deposits with banks [Tax deducted at source: Rs 15,703 (31 March 2007: Rs 5,140)]	72,129	27,091
- on loan to subsidiary	41,439	35,525
- on others	3,958	2,360
	<u>(95,703)</u>	<u>5,781</u>
Add :Exchanges (gain)loss on Foreign currency loan and FCCB, net	218,859	(2,203)
	<u>123,155</u>	<u>3,578</u>

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

	2008	2007
18. Operating costs		
Connectivity charges	205,256	215,774
Rent, rates and taxes	304,380	196,522
Car and other hire charges	214,458	171,107
Maintenance and upkeep	185,093	144,593
Recruitment and training	68,184	99,037
Electricity, water and power consumption	146,190	81,794
Travel and conveyance	130,663	112,228
Legal and professional fees	104,239	66,278
Computer expenses	64,383	44,232
Communication	39,490	21,350
Insurance	16,105	13,003
Foreign exchange loss, net	-	18,781
Printing and stationery	24,422	15,017
Marketing and support fees	8,175	10,548
Auditors' remuneration		
- Statutory audit	8,294	5,350
- Tax audit	150	150
- Other services	2,138	702
Meeting and seminar	9,264	4,526
Advertisement and publicity	2,666	2,159
Loss on sale of fixed assets net	-	960
Membership fees	1,126	1,054
Directors' sitting fees	1,250	123
Provision for doubtful debts	1,991	644
Bank charges and guarantee Commission	11,329	11,811
Miscellaneous expenses	9,552	8,623
	<u>1,558,798</u>	<u>1,246,366</u>

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

19. Leases

Operating lease

The company is obligated under non-cancelable operating leases for office space and office equipments which are renewable on a periodic basis at the option of both the lesser and lessee. Rental expenses under non-cancelable operating leases for the year ended 31 March 2008 aggregated to Rs 175,032 (31 March 2007: 180,439). Rs. 25,744 (31 March 2007: 12,821) and Rs. 7,999 (31 March 2007: Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work in progress respectively.

The future minimum lease payments in respect of non-cancelable operating leases are as follows:

	2008	2007
Amount due within one year from the balance sheet date	203,356	166,771
Amount due in the period between two year and five years	436,537	175,137
	<u>639,893</u>	<u>341,908</u>

The Company also leases office facilities and residential facilities under cancelable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancelable operating leases for the year ended 31 March 2008 aggregated Rs 129,348 (31 March 2007: Rs 27,955).

Finance lease

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2008, the future minimum lease rentals receivables are as follows :

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2008			
Amount receivable within one year from the balance sheet date	17,978	3,913	14,065
Amount receivable in the period between one year and five years	37,820	3,897	33,923
	<u>55,798</u>	<u>7,810</u>	<u>47,988</u>
As at 31 March 2007			
Amount receivable within one year from the balance sheet date	12,533	2,429	10,104
Amount receivable in the period between one year and five years	19,995	2,409	17,586
	<u>32,528</u>	<u>4,838</u>	<u>27,690</u>

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

20. Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ("the Scheme"), which covers the employees and directors of the Company including its holding Company and subsidiaries. The Scheme was administered and supervised by the members of the Board Governance Committee (the 'Committee').

As per the scheme, the Committee shall issue stock options to the employees at an exercise price, equal to the fair value on the date of grant, as determined by an independent valuer. The Scheme provides that these options would vest in tranches over a period of 4 years as follows:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25.0
End of 18 months from the date of grant of options	12.5
End of 24 months from the date of grant of options	12.5
End of 30 months from the date of grant of options	12.5
End of 36 months from the date of grant of options	12.5
End of 42 months from the date of grant of options	12.5
End of 48 months from the date of grant of options	12.5

Further, the participants shall exercise the options within a period of nine years commencing on or after the expiry of twelve months from the date of the grant of the options.

Employee stock option activity under Scheme 2002 is as follows:

	2008	2007
Outstanding at beginning of the year	351,125	1,968,750
Granted during the year	-	-
Forfeited during the year	-	(32,500)
Exercised during the year	(230,500)	(1,585,125)
Outstanding at the end of the year (Refer note 1 below)	120,625	351,125
Vested and exercisable at the end of the year	120,625	351,125
Note 1: Exercise price range 10.00 – 14.99	120,625	351,125

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

20. Employee Stock Option Plan (*Continued*)

Employee stock option scheme 2003 ('Scheme 2003')

In September 2003, the Board and the members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003') effective 11 October 2003. The terms and conditions under this Scheme are similar to those under 'Scheme 2002' except for the following, which were included in line with the amended "SEBI (Employee stock option scheme and employee stock purchase scheme) guidelines, 1999":

- The Scheme would be administered and supervised by the members of the Compensation committee.
- Exercise period within which the employees would exercise the options would be 5 years from the date of grant; and

Employee stock option activity under Scheme 2003 is as follows:

	2008	2007
Outstanding at beginning of the year	33,083,627	20,168,000
Granted during the year (Refer note 2 and 4 below)		
	42,982,712	24,802,500
Forfeited during the year	(2,237,193)	(3,321,250)
Exercised during the year	(1,998,168)	(8,565,623)
Outstanding at the end of year (Refer note 1 below)	<u>71,830,978</u>	<u>33,083,627</u>
Vested and exercisable at the end of the year	7,234,742	2,867,875
Note 1:		
Exercise price range		
10.00 – 14.99	2,043,867	3,424,627
15.00 – 19.99	1,226,625	1,510,625
20.00 – 24.99	4,049,625	4,378,375
30.00 – 34.99	18,364,849	19,322,500
35.00 - 39.99	19,520,884	2,027,500
50.00 – 54.99	1,670,000	-
60.00 – 64.99	1,722,500	2,420,000
70.00 – 74.99	23,062,628	-
75.00 – 79.99	60,000	-
80.00 – 84.99	110,000	-
Outstanding at the end of the year	<u>71,830,978</u>	<u>33,083,627</u>

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

20 Employee Stock Option Plan (*Continued*)

Note 2: The Compensation Cum Board Governance Committee of Firstsource, at its meeting held on 27 April 2006 amended the vesting schedule for stock options granted on 1 May 2006 to General Managers and above grade employees and to non-executive directors. The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

Period within which options will vest unto the participant	% of options that will vest
End of 24 months from the date of grant of options	50.0
End of 36 months from the date of grant of options	50.0

Note 3: The aggregate stock option pool available for issuance of option under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 12% of the equity capital on a fully diluted basis.

Note 4. The Compensation Cum Board Governance Committee of Firstsource, at its meeting held on 22 November 2007 amended the scheme to include 'Executive Options'.

50% of the vesting for 'Executive Options' is time linked and the balance 50% is performance linked.

The vesting schedule for time linked 'Executive Options' is set forth below:

Period within which Executive Options shall vest	% of Executive Options which shall vest unto the Option grantee
End of 24 months from date of grant of Options	20%
End of 36 months from date of grant of Options	10%
End of 48 months from date of grant of Options	10%
End of 60 months from date of grant of Options	10%

The vesting schedule for Performance Linked options is set forth below:

50% of 'Executive Options' which were performance linked shall vest in proportion to the achievement of 5 year performance targets to be decided by the Committee, with the first vesting being at the end of the second year from the date of grant of 'Executive Options'. The number of 'Executive Options' vesting at the end of each year would be in proportion to the percentage achievement against the targets and if the targets were not met, the vesting period would be extended beyond 5 years. If performance was better than targets, the Options would vest in less than 5 years.

Note 5. The Guidance Note on 'Accounting for employee share based payments' issued by ICAI ('Guidance Note') establishes financial accounting and reporting principles for employee's share based payment plans. The Guidance Note applies to employee share based payments, the grant date in respect of which falls on or after 1 April 2005. The Company follows the intrinsic value method to account compensation expense arising from issuance of stock options to the employees. Since all stock options are granted at intrinsic value, no compensation cost has been recorded in respect of these options. Had compensation cost been determined under the fair value approach described in the Guidance Note using the Black Scholes pricing model, the Company's net income and basic and diluted earnings per share (as restated) would have been reduced to the proforma amounts as set out below:

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

20 Employee Stock Option Plan (*Continued*)

Particulars	2008	2007
Net income as reported	576,431	742,819
Less: Stock-based employee compensation expense (fair value method)	183,562	54,511
Proforma net income	392,869	688,308
Basic earnings per share as reported (Rs)	1.35	2.80
Proforma basic earnings per share (Rs)	0.92	2.60
Diluted earnings per share as reported (Rs)	1.24	1.91
Proforma diluted earnings per share (Rs)	0.85	1.77

The key assumptions used to estimate the fair value of options are :

Dividend yield	0%
Expected Life	3-5 years
Risk free interest rate	6.50% to 8.75%
Volatility	0% to 50%

21. Managerial remuneration

Particulars	2008	2007
Salaries and allowances	21,192	12,790
Contribution towards retirement benefits	901	425
Perquisites	243	173
Total	22,336	13,388

The above does not include gratuity and leave encashment benefits as the provisions for these are determined for the Company as a whole and therefore separate amounts for the director are not available.

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

22 Related party transactions

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2008 are summarized below:

Parties with substantial interests	<ul style="list-style-type: none">• ICICI Bank Limited• Metavante Investments (Mauritius) Limited• Aranda Investments (Mauritius) Pte Limited
Subsidiaries wherein control exists	<ul style="list-style-type: none">• The related parties where control exists are subsidiaries as referred to in Schedule 1 to the financial statements.
Companies in which directors are interested	<ul style="list-style-type: none">• ICICI Prudential Life Insurance Company Limited (I-Prudential)• Metavante Investments (Mauritius) Limited
Key Managerial Personnel including relatives	<ul style="list-style-type: none">• Ananda Mukerji• Raju Venkatraman• Rajesh Subramaniam• Rahul Basu
Non Executive Directors	<ul style="list-style-type: none">• Ashok Shekhar Ganguly• Charles Miller Smith• K P Balaraj• Shikha Sharma• Shailesh Mehta• Dinesh Vaswani• Y. H. Malegam• Donald Layden, Jr.• Lalita D. Gupte

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*) for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

22 Related party transactions (*Continued*)

Particulars of related party transactions during the year ended 31 March 2008

Name of the related party	Description	Transaction value during the year ended 31 March 2008	Transaction value during the year ended 31 March 2007	Receivable / (Payable) at 31 March 2008	Receivable / (Payable) net at 31 March 2007
FSL-USA	Income from services	357,815	536,113	-	-
	Reimbursement of expenses	40,846	39,275	-	-
	Investment in equity	13,569,982	752,250	14,343,023	-
				174,730	119,920
FSL-UK	Income from services	1,586,122	1,426,740	-	-
	Reimbursement of expenses	35,987	68,496	-	-
	Investment in equity	-	-	18,349	-
				576,806	902,695
FR-US	Income from services	-	7,238	-	-
	Interest Income	41,387	35,525	6,239	-
	Reimbursement of expenses	-	229	-	-
	Loan outstanding	175,627	-	700,241	568,420
	Investment in equity	-	-	1,350,859	-
Firstsource Advantage, LLC	Income from services	174,306	94,188	41,649	-
	Reimbursement of expenses	33,295	63,699	64,177	94,845
Rev IT	Reimbursement of expenses	15,973	15,073	14,927	17,975
	Investment in shares	-	-	941,547	-
Pipal	Reimbursement of expenses	4,351	405	(4,289)	-
	Loan Given	20,000	-	20,000	-
	Interest income	53	-	41	-

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*) for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

22 Related party transactions (*Continued*)

Particulars of related party transactions during the year ended 31 March 2008

Name of the related party	Description	Transaction value during the year ended 31 March 2008	Transaction value during the year ended 31 March 2007	Receivable / (Payable) at 31 March 2008	Receivable / (Payable) net at 31 March 2007
Pipal	Investment in equity			157,260	
FSL-Arg	Reimbursement of expenses and income from services	18,715	7,752	25,714	7,752
BPMS	Reimbursement of expenses and income from services	19,488	5,786	19,488	5,786
ICICI Bank Limited	Income from services	252,073	117,156	64,880	20,063
	Interest income on fixed deposits	25,905	22,990	548	9,552
	Rent paid		3,036		(759)
	Software Expenses & Professional Fees	1,498	1,559	(270)	(67)
	Corporate administrative expenses		821		(134)
	Interest expenditure	21,703	70,590	(533)	
	Bank balance			33,015	34,678
	Bank Overdraft			(105,938)	(61,082)
	Fixed deposit placed	1,900,000	1,755,870	201,416	1,456,186
	Fixed deposit matured	2,954,456			
	External Commercial Borrowings Paid	569,188		(100,300)	(652,050)
Fees and commission	101,721			-	
Guarantee Commission paid	9,041	11,811	4,358	5,009	

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*) for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

22 Related party transactions (*Continued*)

Particulars of related party transactions during the year ended 31 March 2008

Name of the related party	Description	Transaction value during the year ended 31 March 2008	Transaction value during the year ended 31 March 2007	Receivable / (Payable) at 31 March 2008	Receivable / (Payable) net at 31 March 2007
Metavante Investments (Mauritius) Limited	Income from services	27,771	61,969	3,189	61,969
ICICI- Prudential Life Insurance company Limited	Insurance premium paid	2,190	3,481	2,801	-
	Rent paid	22,029	24,576		
ICICI-Prudential	Income from services	182,582	147,753	67,604	20,518
Key management personnel and relatives	Remuneration	33,979	38,314	-	-
Non executive directors	Directors sitting fees	1,250	123	-	-
				-	-

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

23 Retirement Benefit

Gratuity Plan

The following table sets out the status of the gratuity plan as required under AS 15

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of plan assets:

Particulars	2008	2007
Change in present value of obligations		
Obligations at beginning of the year	30,202	21,745
Service Cost	21,000	13,942
Interest cost	2,145	1,401
Actuarial (gain)/loss	(3,279)	(2,831)
Benefits paid	(3,198)	(1,979)
	<hr/>	<hr/>
Obligations at the end of the year	46,870	32,278
Change in plan assets		
Fair value of plans assets at beginning of the year,	(2,076)	(2,076)
Expected return on plan assets	164	(21)
Actuarial (gain)/loss	(164)	(1,958)
Contributions	3,198	-
Benefits paid	(3,198)	1,979
	<hr/>	<hr/>
Fair value of plans assets at end of the year,	(2,076)	(2,076)
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligations at the end of the year	46,870	32,278
Fair value of plan assets at the end of year	(2,076)	(2,076)
	<hr/>	<hr/>
Funded status being amount of liability recognized in the balance sheet	44,794	30,202
Gratuity cost for the year		
Service cost	21,000	13,942
Interest cost	2,145	1,401
Expected return on plan assets	(3,115)	(4,788)
Actuarial (gain)/loss	(164)	(21)
	<hr/>	<hr/>
Net gratuity cost	19,866	10,534
	<hr/>	<hr/>
Assumptions		
Interest rate	8.75%	7.50%
Estimated rate of return on plan assets	7.90%	7.90%
Rate of growth in salary levels	10.00%	10.00%
Withdrawal rate	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 years of service

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

24. Transfer Pricing

The Company's management is of the opinion that its international transactions with related parties are at arms length and that the parent company and its subsidiaries are in compliance with transfer pricing legislations. Company's management believes that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and the provision for taxation.

25 Computation of number of shares for calculating diluted earnings per share

	(No. of shares in '000)	
	2008	2007
Number of shares considered as basic weighted average shares outstanding	425,858	264,852
Add: Effect of potential issue of shares/ stock options	-	124,426
Add: Adjustment for options relating to Foreign currency convertible bonds	38,364	-
Number of shares considered as weighted average shares and potential shares outstanding	464,222	389,278

26 Capital and other commitments and contingent liabilities

	2008	2007
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	114,515	19,891
Guarantees and letters of credit given	2,041,105	1,648,603

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

26 Capital and other commitments and contingent liabilities (*Continued*)

Direct tax matters

Income tax demand amounting to Rs 4,295 (31 March 2007: 4,295) relating to with-holding tax on software imports for earlier assessment years by CAST India is disputed and in appeal. The appellat tribunal has decided in favor of the company.

Income tax demand amounting to Rs 91,038 (31 March 2007: 91,038) for the assessment years 2003-04 and 2004-05 are disputed in appeal by the Company in respect of which the company has favorable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The company have paid Rs.10,381 tax under protest against the demand raised for the assessment year 04-05.

- 27 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 recovers such tax from the employee. The company's obligation to pay FBT arises only upon the exercise of the stock option. During the year ended 31 March, 2008 the Company recognised FBT liability and related recovery of Rs 6,970 (31 March 2007: Nil) arising from the exercise of stock options

28 Supplementary statutory information

	2008	2007
(i). <i>Value of imports calculated on CIF basis</i>		
Capital goods	91,936	135,739
(ii). <i>Earnings in foreign exchange</i>		
Income from services	3,669,348	3,904,764
Interest Income	41,387	35,525
(iii). <i>Expenditure in foreign currency</i>		
Marketing and support services	-	132
Travel and conveyance	35,124	21,048
Interest	18,900	49,047
Connectivity charges	77,791	80,671
Legal fees	19,573	7,333

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

29 Issue of Foreign Currency Convertible Bonds (FCCB)

29.1 On 3 December 2007, the Company issued US \$ 275,000,000 Zero Coupon Convertible bonds. The terms are as under:

Issue	0% FCCB due 2012
Issued on	3 December 2007
Issue Amount	USD 275,000,000
Face Value	USD 100,000
Conversion price per share and fixed exchange rate	Rs 92.2933 Rs. 39.27 = USD 1
Number of shares to be issued if converted	117,010,135
Exercise period	On or after 14 January 2008 upto 4 December 2012
Early conversion at the option of the Company subject to certain conditions	On or after 4 December 2009 and prior to 24 November 2012
Redeemable on	4 December 2012
Redemption percentage of the principal amount	139.37%
Bonds outstanding as on 31 March 2008	2750

The proceeds from the issue of the bonds were utilised to subscribe for shares in a wholly owned subsidiary Firstsource Solutions USA Inc. (FSL-USA). FSL-USA has then utilised the funds received by it for repayment of debt taken by it in connection with the acquisition of MedAssist Holding Inc.

29.2 Premium payable on redemption of FCCB is provided for by charge to the Securities Premium Account as permitted by Section 78 of the Companies Act, 1956, in the year of issue. As the premium is not being charged to the Profit and Loss Account the need for matching expenditure with revenue does not arise and consequently it is not considered necessary to amortize the premium over the period of the bonds. The gain / loss arising on the restatement of the outstanding liability at period end rates is also credited / debited to the Securities Premium Account.

30 Summary of investments purchased and sold during the year

Mutual Fund Scheme	2008		2007	
	Units purchased	Purchase value	Units purchased	Purchase value
Birla Cash Plus - Institutional Premium – Growth	16,104,494	200,000	57,136,452	650,000
HSBC Cash Fund- Institutional Plus – Growth	-	-	25,487,683	285,000
Prudential ICICI Institutional Liquid Plan – Super Institutional Growth	353,294,228	3,988,827	104,131,836	1,075,000
DSP Merrill Lynch Liquidity Fund- Institutional- Growth	-	-	310,669	325,000
Templeton India Treasury management account - Institutional Plan - Growth	4,496,841	100,009	322,984	355,000
Kotak Liquid (Institutional Premium) – Growth	7,099,093	110,000	26,179,703	380,000
DWS Money plus fund Institutional Plan – Daily	-	-	25,072,628	250,932

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

30 Summary of investments purchased and sold during the year (*Continued*)

Mutual Fund Scheme	2008		2007	
	Units purchased	Purchase value	Units purchased	Purchase value
Standard Chartered liquidity Manager Plus Daily Dividend	-	-	1,002,006	1,002,106
ICICI Prudential FMP Series 35 One Month Plan- Retail – Dividend	-	-	25,000,000	250,000
ICICI Prudential FMP Series 37 Three Months Plus Plan A Retail Dividend	25,000,000	250,000	25,000,000	250,000
ICICI Prudential FMP Series 37 One Month Plan – Retail Dividend	25,000,000	250,000	25,000,000	250,000
Standard Chartered FMP Series –Quarterly Series 5- Dividend	25,515,299	255,153	25,211,750	252,118
Birla FTP Quarterly Series 7 Dividend payout	25,004,227	250,042	25,004,227	250,042
Birla Cash Plus - Institutional Premium - Daily Dividend Reinvestment	-	-	24,955,563	250,042
HSBC Cash Fund – Institutional Plus - Daily Dividend	-	-	10,037,984	100,436
ICICI Prudential Institutional Liquid Plan - Super Institutional Weekly Dividend	15,223,972	152,398	90,185,105	902,489
Kotak Liquid Fund – Institutional Premium Plan Daily Dividend	5,783	71	8,183,514	100,068
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option	-	-	24,955,434	250,041
UTI Liquid Cash Plan Institutional - Growth	316,124	410,000	-	-
ICICI Prudential Interval Fund 1 Month Plan A - Retail Dividend	18,000,733	180,007	-	-
ICICI Prudential Liquid Fund super Institutional plan - daily dividend	25,404,165	254,047	-	-
ICICI Prudential Flexible Income Plan - Growth	12,166,669	170,000	-	-
HSBC Liquid Plus Fund- Institutional Plus - Growth	23,647,594	250,000	-	-
Reliance Liquidity Fund - Daily Dividend Reinvestment Plan	65,440,267	654,606	-	-
Reliance Liquid Plus Fund - Institutional Option Daily Dividend Plan	50,096	50,164	-	-
Reliance Liquid Plus Fund - Institutional Option - Growth Plan	216,642	230,427	-	-
Reliance Liquidity Fund - Growth Option	25,973,005	310,000	-	-
Reliance Monthly Interval Fund - Series I- Institutional Dividend Plan	25,304,839	253,434	-	-
DWS credit opportunities cash fund - Growth Plan	39,757,737	400,034	-	-

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

30 Summary of investments purchased and sold during the year (continued)

Mutual Fund Scheme	2008		2007	
	Units purchased	Purchase value	Units purchased	Purchase value
DWS insta cash plus fund - Institutional Premium - Growth Option	23,992,800	290,000	-	-
DWS insta cash plus fund - Institutional Premium - Dividend Option	9,983,967	100,034	-	-
Kotak Flexi Debt Scheme - Growth	8,434,050	100,000	-	-
Grindlays Floating Rate Fund-LT-Inst Plan B-Daily Div.	10,013,854	100,164	-	-
ING Liquid Fund Super Institutional - Growth Option	88,518,682	1,020,000	-	-
ING Liquid Plus Fund - Institutional Growth	14,749,408	150,000	-	-
ING Liquid Plus Fund - Institutional Daily Dividend	24,425,479	244,335	-	-
Fidelity Cash Fund - Daily Dividend	11,509,423	115,094	-	-
Fidelity Cash Fund - Super Institutional - Growth Option	12,745,773	135,094	-	-
DSP Merrill Lynch Cash Plus Institutional - Growth Option	283,482	290,000	-	-
Mutual Fund Scheme	2008	2007		
	Units Sold	Sale value	Units Sold	Sale value
Birla Cash Plus - Institutional Premium - Growth	(25,004,227)	(150,908)	(57,136,452)	(656,727)
HSBC Cash Fund- Institutional Plus – Growth	-	-	(25,487,683)	(291,497)
Prudential ICICI Institutional Liquid Plan – Super Institutional Growth	(353,294,228)	(4,005,537)	(104,131,836)	(1,105,723)
DSP Merrill Lynch Liquidity Fund-Institutional-Growth	-	-	(310,669)	(327,210)
Templeton India Treasury management account - Institutional Plan - Growth	(4,496,841)	(100,042)	(322,984)	(359,982)
Kotak Liquid (Institutional Premium) – Growth	(6,487,861)	(100,017)	(26,179,703)	(381,085)
DWS Money plus fund Institutional Plan -Daily	-	-	(25,072,628)	(250,932)
Standard Chartered liquidity Manager Plus Daily Dividend	-	-	(1,002,006)	(1,002,106)
ICICI Prudential FMP Series 35 One Month Plan- Retail - Dividend	-	-	(25,000,000)	(250,000)
ICICI Prudential FMP Series 37 Three Months Plus Plan A Retail Dividend	(25,000,000)	(257,030)	-	-
Birla Cash Plus - Institutional Premium - Daily Dividend Reinvestment	-	-	(24,955,563)	(250,042)
ICICI Prudential FMP Series 37 One Month Plan – Retail Dividend	(25,000,000)	(252,028)	-	-
Standard Chartered FMP Series –Quarterly Series 5- Dividend	(25,515,299)	(258,188)	-	-
Birla FTP Quarterly Series 7 Dividend payout	(25,004,227)	(253,571)	-	-

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*) for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

30 Summary of investments purchased and sold during the year (*Continued*)

Mutual Fund Scheme	2008		2007	
	Units Sold	Sale value	Units Sold	Sale value
HSBC Liquid Plus Fund- Institutional Plus - Growth	(23,647,594)	(254,921)	-	-
HSBC Cash Fund – Institutional Plus -Daily Dividend	-	-	(10,037,984)	(100,436)
ICICI Prudential Institutional Liquid Plan -Super Institutional Weekly Dividend	(15,223,972)	(154,602)	(75,180,150)	(752,677)
Kotak Liquid Fund – Institutional Premium Plan Daily Dividend	(5,783)	(73)	(8,177,885)	(100,000)
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option	-	-	(24,955,434)	(250,041)
UTI Liquid Cash Plan Institutional - Growth	(300,881)	(390,709)	-	-
ICICI Prudential Interval Fund 1 Month Plan A - Retail Dividend	(18,000,733)	(181,390)	-	-
ICICI Prudential Liquid Fund super Institutional plan - daily dividend	(25,404,164)	(256,719)	-	-
ICICI Prudential Flexible Income Plan - Growth	(12,166,669)	(170,583)	-	-
Reliance Liquidity Fund - Daily Dividend Reinvestment Plan	(65,440,267)	(655,970)	-	-
Reliance Liquid Plus Fund - Institutional Option Daily Dividend Plan	(50,096)	(50,345)	-	-
Reliance Liquid Plus Fund - Institutional Option - Growth Plan	(198,038)	(211,486)	-	-
Reliance Liquidity Fund - Growth Option	(22,681,623)	(270,927)	-	-
Reliance Monthly Interval Fund - Series I- Institutional Dividend Plan	(25,304,839)	(256,675)	-	-
DWS credit opportunities cash fund - Growth Plan	(39,757,737)	(406,225)	-	-
DWS insta cash plus fund - Institutional Premium - Growth Option	(23,992,800)	(290,257)	-	-
DWS insta cash plus fund - Institutional Premium - Dividend Option	(9,983,967)	(100,069)	-	-
Kotak Flexi Debt Scheme - Growth	(8,434,050)	(101,975)	-	-
Grindlays Floating Rate Fund-LT-Inst Plan B-Daily Div.	(10,013,854)	(100,327)	-	-
ING Liquid Fund Super Institutional - Growth Option	(83,531,812)	(961,953)	-	-
ING Liquid Plus Fund - Institutional Growth	(14,749,408)	(153,013)	-	-
ING Liquid Plus Fund - Institutional Daily Dividend	(24,425,479)	(248,166)	-	-
Fidelity Cash Fund - Daily Dividend	(11,509,423)	(115,188)	-	-
Fidelity Cash Fund - Super Institutional - Growth Option	(12,745,773)	(135,651)	-	-
DSP Merrill Lynch Cash Plus Institutional - Growth Option	(283,482)	(290,905)	-	-

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

31 Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006 and on the basis of the information and records available with the Management:

- Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end - Nil
- Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year - Nil
- Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED - Nil
- Amount of interest accrued and remaining unpaid at the end of the accounting year - Nil

This being the first year of registration of suppliers under MSMED, previous year comparatives are not relevant.

32 Prior period comparatives

Prior year figures have been appropriately reclassified to conform to current year presentation.

For and on behalf of the Board of Directors

Dr. Ashok S Ganguly <i>Chairman</i>	Ananda Mukerji <i>Managing Director & CEO</i>	Raju Venkatraman <i>Joint Managing Director & COO</i>	K P Balaraj <i>Director</i>
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Shikha Sharma <i>Director</i>	Lalita D. Gupte <i>Director</i>	Dinesh Vaswani <i>Director</i>
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Y.H.Malegam <i>Director</i>	Shailesh Mehta <i>Director</i>	Charles Miller Smith <i>Director</i>
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Mumbai April 29,2008	Donald Layden Jr. <i>Director</i>	Rajesh Subramaniam <i>CFO</i>	Sanjay Gupta <i>Company Secretary</i>
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Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

Balance sheet abstract and Company's general business profile

I Registration details

Registration No	134147	State code	11
Balance sheet date	31	03	2008

II Capital raised during the year (amount in thousand of indian rupees)

Public issue		Rights issue	-
Bonus issue	-	Private placement	36,301

III Position of mobilisation and deployment of funds (amount in thousand of indian rupees)

Total liabilities	22,587,459	Total assets	22,587,459
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Source of funds

Paid-up capital	4,273,130	Reserves and surplus	2,019,662
Share application money	-		
Secured loans	103,991	Unsecured loans	11,137,356

Application of funds

Net fixed assets	1,148,073	Net current assets	(+)	(1,955,478)	
Accumulated losses	(+)	-		Deferred tax	193,056
Investments	(+)	17,011,767		Amalgamation deficit account	1,136,721

Firstsource Solutions Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2008

(Currency: In thousands of Indian rupees)

Balance sheet abstract and Company's general business profile (*Continued*)

IV Performance of the Company (amount in thousand of indian rupees)

	Turnover		Total expenditure
	4,896,378		4,578,095
(+/-)	Profit/loss before tax	(+/-)	Profit/loss after tax
(+)	468,785	(+)	576,431
	Earning per share (Rs)		Dividends%
	1.35 Basic		-
	1.24 Diluted		

V Generic names of principal products/ Services of the Company (as per monetary terms)

Item code No
(ITC Code)

Not applicable

Service description

IT enabled transaction processing services

For and on behalf of the Board of Directors

Dr. Ashok S Ganguly
Chairman

Ananda Mukerji
*Managing Director &
CEO*

Raju Venkatraman
*Joint Managing
Director & COO*

K P Balaraj
Director

Shikha Sharma
Director

Lalita D. Gupte
Director

Dinesh Vaswani
Director

Y.H.Malegam
Director

Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
April 29,2008

Donald Layden Jr.
Director

Rajesh Subramaniam
CFO

Sanjay Gupta
Company Secretary