Firstsource Solutions Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH THE AUDITORS' REPORT FOR THE YEAR ENDED MARCH 31, 2009

AUDITORS' REPORT

To the Board of Directors
Firstsource Solutions Limited

We have audited the attached Consolidated Balance Sheet of Firstsource Solutions Limited ("the Company" or "the Parent Company") and its subsidiaries (as per the list appearing in Schedule 1 to the consolidated financial statements) [collectively referred to as "the Group"] as at 31 March 2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto. The audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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. Without qualifying our opinion, we draw attention to Schedule 32 to the consolidated financial statements. During the year, the Company has changed the accounting policy relating to premium payable on redemption of Foreign Currency Convertible Bonds ('FCCB' or 'the bonds'). Accordingly, the premium payable on redemption of FCCB is now amortised on a pro-rata basis over the period of the bonds by debiting Securities premium account as against the earlier policy of charging the entire premium payable on redemption to the Securities premium account upfront in the year of issue of the bonds. Had the Company continued to follow the earlier policy, the balance in Securities premium account as at 31 March 2009 would have been lower by Rs. ('000) 3,305,913 and Current liabilities (Premium payable on redemption of FCCB) would have been higher by Rs. ('000) 3,305,913.

2. Without qualifying our opinion, we draw attention to Schedule 32 to the consolidated financial statements that describes the early adoption by the Group of Accounting Standard (AS-30), Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation, as applicable, along with prescribed limited revisions to other accounting standards, issued by the Institute of Chartered Accountants of India, as in management's opinion, it more appropriately reflects the nature/substance of the related transactions. AS-30, along with limited revisions to the other accounting standards, has not currently been notified by the National Advisory Council for Accounting Standards (NACAS).

   The Group has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards. On 1 July 2008, the Company designated the FCCB as hedging instrument to hedge its net investments made through a subsidiary in a non-integral foreign operation. Accordingly, the translation loss on the FCCB, which is determined to be effective hedge of net investment made in non-integral foreign operation, aggregating to Rs. ('000) 1,778,551 for the year ended 31 March 2009 has been recognised in Translation Reserve. Also, the Company has accounted for embedded derivative option included in FCCB and revalued the same as at year-end. Further, the difference between present value of non – interest bearing deposits and original amount of deposit has been disclosed as 'Unamortized cost' under Loans and Advances, which is charged to the Profit and Loss Account over the period of the related lease. Correspondingly, interest income accrued on the interest free deposits, using the implicit rate of return, over the period of lease is recognized under 'Interest income'.

   In accordance with the transitional provisions of AS-30, income of Rs. ('000) 691,875 on account of reduction in option valuation of FCCB and charge of Rs. ('000) 5,215 on account of fair valuation of deposits have been accounted through General Reserve.

   Had the Group not early adopted AS-30 and the related limited revisions, profit after taxation for the year ended 31 March 2009 would have been lower by Rs. ('000) 1,534,365, Reserves and Surplus would have been lower by Rs. ('000) 717,524, Unsecured loans would have been lower by Rs. ('000) 469,683, Current liabilities would have been higher by Rs. ('000) 1,192,982 and Current assets would have been higher by Rs. ('000) 5,775.

3. *As more fully explained in Schedule 22 to the consolidated financial statements, an application has been made to the Central Government seeking approval for remuneration to the Managing Director and the Joint Managing Director of the Parent Company in excess of the limits prescribed under the Act, for which approval is awaited.*

4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard (AS-21) 'Consolidated Financial Statements', and, read with paragraph 2 above, other accounting standards issued by the Institute of Chartered Accountants of India and other accounting principles generally accepted in India.

5. In our opinion, and to the best of our information and according to the information and explanations given to us, read with paragraphs 1 and 2 above and subject to paragraph 3 above, these consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2009;

   ii. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

   iii. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **BSR & Co.**
Chartered Accountants

Mumbai
Date :

Akeel Master
Partner
Membership No.: 046768

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Schedule	2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,281,897**	4,273,130
Reserve and surplus	4	**9,512,425**	3,127,250
		13,794,322	7,400,380
Minority interest		**54,668**	36,420
Loan funds			
Secured loans	5	**1,855,638**	596,631
Unsecured loans	6	**12,089,971**	11,955,218
		27,794,599	19,988,649
APPLICATION OF FUNDS			
Goodwill on consolidation	7	**22,875,613**	18,880,034
Fixed assets	8		
Gross block		**6,348,219**	5,340,421
Less: Accumulated depreciation and amortization		**4,157,497**	3,203,586
Net block		**2,190,722**	2,136,835
Add: Capital work in progress (including capital advances)		**70,228**	89,224
		2,260,950	2,226,059
Investments	9	**18,181**	221,168
Deferred tax asset, (net)	10	**140,504**	184,489
Current assets, loans and advances			
Sundry debtors	11	**2,379,474**	2,053,785
Unbilled revenues		**605,033**	400,178
Cash and bank balances	12	**966,939**	1,024,650
Loans and advances	13	**1,187,104**	1,050,577
		5,138,550	4,529,190
Less: Current liabilities and provisions			
Current liabilities	14	**2,167,833**	1,432,660
Provisions	15	**471,366**	4,619,631
		2,639,199	6,052,291
Net current assets		**2,499,351**	(1,523,101)
		27,794,599	19,988,649
Significant accounting policies	2		
Notes to accounts	20-34		

The accompanying schedules form an integral part of this consolidated balance sheet.

As per our report attached.

For **BSR & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly — *Chairman*
Ananda Mukerji — *Managing Director & CEO*
K. P. Balaraj — *Director*

Shikha Sharma — *Director*
Mohit Bhandari — *Director*
Lalita D. Gupte — *Director*

Y. H. Malegam — *Director*
Shailesh Mehta — *Director*
Charles Miller Smith — *Director*

Donald Layden Jr. — *Director*
Carl Saldanha — *Global CFO*
Sanjay Gupta — *Company Secretary*

Mumbai
28 April 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Schedule	2009	2008
INCOME			
Income from services		**17,525,208**	12,406,138
Other operating income		**(31,510)**	581,811
Other income	16	**298,233**	349,233
		17,791,931	13,337,182
EXPENDITURE			
Personnel costs	17	**10,252,884**	7,120,369
Operating costs	18	**5,042,512**	3,558,135
Depreciation and amortization	8	**961,318**	860,820
		16,256,714	11,539,324
Profit before finance charges, taxation, minority interest		**1,535,217**	1,797,858
Finance charges, net	19	**1,028,317**	365,990
Profit before taxation, minority interest		**506,900**	1,431,868
Provision for taxation			
– Current tax expense		**268,694**	287,698
– Fringe benefits tax		**25,268**	23,208
– Deferred tax (release)		**(69,921)**	(184,426)
– Minimum alternate tax credit entitlement		**(24,967)**	-
Profit after taxation before minority interest		**307,826**	1,305,388
Minority interest		**1,104**	(10,208)
Profit after taxation and minority interest		**306,722**	1,315,596
Add: Accumulated balance brought forward from previous year		**2,607,130**	1,296,938
Appropriation:			
– Dividend Tax paid		-	242
– Capital redemption reserve		-	5,162
Accumulated balance carried forward to the balance sheet		**2,913,852**	2,607,130
Earnings per share	27		
Weighted average number of equity shares outstanding during the year			
– Basic		**427,914**	425,858
– Diluted		**427,914**	464,222
Earnings per share (Rs..)			
– Basic		**0.72**	3.09
– Diluted		**0.72**	2.83
Significant accounting policies	2		
Notes to accounts	20-34		

The accompanying schedules form an integral part of this consolidated 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
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Membership No.: 046768

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Mumbai
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Sanjay Gupta
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
Cash flow from operating activities		
Profit after tax	**306,722**	1,315,596
Adjustments for		
Depreciation and amortization	**961,318**	860,820
Deferred taxes	**(69,921)**	(184,426)
Provision for current tax, FBT and MAT credit entitlement	**268,995**	310,906
Provision for doubtful debts (written back)	**64,194**	(7,824)
Foreign exchange loss/ (gain), net	**320,958**	(257,385)
Interest costs	**271,320**	315,845
Exchange (gain) / loss on foreign currency loans	**796,788**	150,365
Interest and dividend income	**(49,155)**	(134,746)
Profit on sale on investments	**(12,834)**	(42,093)
Gain on FCCB Buyback	**(634,980)**	–
Minority interest	**1,104**	(10,208)
Rent expenses on account of adoption of AS 30	**17,822**	–
Gain on sale of fixed asset	**(1,474)**	(829)
Operating cash flow before changes in working capital	**2,240,857**	2,316,021
Changes in working capital		
Decrease / (Increase) in Debtors	**(442,424)**	115,102
Decrease / (Increase) in Loans and advances and unbilled revenue	**(189,760)**	196,837
(Decrease) / Increase in Current liabilities and provisions	**411,969**	(76,445)
Net changes in working capital	**(220,215)**	235,494
Income taxes paid	**(281,254)**	(283,020)
Net cash generated from operating activities (A)	**1,739,388**	2,268,495
Cash flow from investing activities		
Purchase of investment in mutual funds / government securities	**(4,582,654)**	(11,263,940)
Sale of investment in mutual funds	**4,798,476**	12,237,398
Interest and dividend income received	**31,789**	146,153
Goodwill	**(202,352)**	–
Capital expenditure	**(918,064)**	(1,224,180)
Sale of Fixed Assets	**59,142**	11,355
Business acquisitions, net of cash acquired	**(66,586)**	(14,059,044)
Net cash generated used in investing activities (B)	**(880,249)**	(14,152,258)
Cash flow from financing activities		
Proceeds from secured loans	**1,354,967**	443,152
Repayment secured loans	**(180,025)**	(509,615)
Proceeds from unsecured loans – FCCB	–	10,840,500
Proceeds from unsecured loans – Others	**74,693**	43,274
Repayment unsecured loans	**(803,839)**	(384,969)
Repayment of unsecured loan – FCCB, including expenses	**(1,257,182)**	–
Proceeds from issuance of equity shares, net of expenses	**23,389**	(214,769)
Interest paid	**(128,853)**	(319,114)
Net cash generated / (used) in financing activities (C)	**(916,850)**	9,898,459

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(57,711)**	(1,985,304)
Cash and cash equivalents at the beginning of the year	**1,024,650**	3,009,954
Cash and cash equivalents at the end of the year	**966,939**	1,024,650

Notes to the cash flow statement

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.

Cash on hand	**1,136**	851
Balances with scheduled banks		
– in current accounts	**3,159**	5,548
– in deposit accounts*	**1,524**	201,520
– in Exchange earning in foreign currency accounts	**492**	447
Balances with non-scheduled banks		
– in current accounts	**758,782**	670,991
– in deposit accounts**	**171,509**	179,687
Remittances in transit	**111,603**	–
	1,048,205	1,059,044
Less: Current account balance held in trust for customers in non-scheduled banks**	**81,266**	34,394
	966,939	1,024,650

* Includes Rs. 1,524 (31 March 2008: Rs. 1,416) under lien for bank guarantees to the customs authorities.

** Includes Rs. 39,344 (31 March 2008: Nil) placed in Escrow account towards buyback of FCCB during the year, and includes Rs. 38,040 (31 March 2008: Nil) towards line of credit for FAL.

As per our report attached.

For **BSR & Co.**

Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly *Chairman*

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Mumbai
28 April 2009

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SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

1. Background

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

The list of subsidiaries considered in these consolidated financial statements as at 31 March 2009 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
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	99.80%	2003-2004
Firstsource Advantage LLC,('FAL')	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 Private Limited ("Rev IT")	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India	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
Firstsource Healthcare Advantage, Inc. (FSA)	A Subsidiary of MedAssist, Incorporated, organized under the laws of State of Delaware, USA	100%	2007-2008
Business Process Management, Inc. ("BPM")*	A subsidiary of Firstsource Solutions USA Inc., organized under the laws of State of Delaware, USA, merged with FSL – USA effective 1 February 2009	100%	2006-2007
MedPlans 2000 Inc. ("MPL")*	A subsidiary of Business Process Management, Inc. organized under the laws of State of Kansas, USA merged with FSL – USA effective 1 February 2009	100%	2006-2007
MedPlans Partners ("MPP")*	A subsidiary of Business Process Management, Inc organized under the laws of State of Delaware, USA merged with FSL – USA effective 1 February 2009	100%	2006-2007
Sherpa Business Solutions Inc. ("Sherpa")*	A subsidiary of Rev IT Systems Private Limited, incorporated under the laws of the State of Michigan, USA merged with FSL – USA effective 1 February 2009	100%	2004-2005

* In January 2009, RevIT transferred its entire shareholding of 1,000 shares in its wholly-owned subsidiary Sherpa, USA to the Parent Company for a consideration of Rs. 55,930. The Company subsequently merged Sherpa with FSL USA effective 1 February 2009. Consequent to the merger, the Company was allotted 21,641,000 shares at USD 0.001 each in FSL USA in exchange for the shares held by it in Sherpa.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

The Company also merged BPM along with its step down subsidiaries with FSL USA effective 1 February 2009. As this is an internal restructuring within the group, there is no impact on Goodwill on consolidation. Further, consequent to the above restructuring, FSL USA is classified as a non-integral operation as against is earlier classification as an integral operation. However, the impact of this change in classification is not considered material.

2. Significant Accounting Policies

2.1 Basis of preparation

These consolidated financial statements of Firstsource together with its subsidiaries (collectively 'the Group') have been prepared and presented under the historical cost convention (except for certain financial instruments, which are measured on fair value basis) on accural basis of accounting and accounting principles generally accepted in India and comply with the Accounting Standards (AS) prescribed by the Institute of Chartered Accountants of India ('ICAI') and in accordance with the relevant provisions of the Companies Act,1956, to the extent applicable. The Company has adopted Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31- 'Financial Instruments: Presentation' issued by ICAI from 1 July 2008 effective 1 April 2008. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

2.2 Basis of consolidation

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed under AS 21-'Consolidated Financial Statements' for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the Parent Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. Minority interest's share of profits or losses is adjusted against income to arrive at the net income attributable to the Company's shareholders. Minority interest's share of net assets is disclosed separately in the balance sheet.

The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group.

2.3 Use of estimates

The preparation of 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.

2.4 Revenue recognition

Revenue from contact center 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 customer contracts. Revenue from fixed fee based service contracts is recognized on achievement of performance milestones specified in the customer contracts. Revenue from debt collection services is recognized when debts are realized. Build Operate and Transfer (BOT) contracts are treated as service contracts and accordingly, revenue is recognized as and when the services are rendered and billed in accordance with the respective contractual terms specified in the contracts. Revenue from contingency based contracts, in which the client is invoiced for a percentage of the hospital's third party reimbursement, is recognized once the hospital receives payment.

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.

2.5 Government Grants

Revenue grants are recognised when reasonable certainty exists that the conditions precedent will be/are met and the grants will be realised, on a systematic basis in the profit and loss statement over the period necessary to match them with the related cost which they are intended to compensate.

2.6 Goodwill on consolidation

The excess of cost to the Parent company of its investment in the subsidiaries over its portion of equity in the subsidiaries, as at the date on which the investment was made, is recognized as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorate with adverse market conditions.

2.7 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. 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)**
Intangible	
Software	3 – 4
Domain name	3
Goodwill on aquired assets	5 or estimated useful life, whichever is shorter
Tangible	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 – 4
Networking equipment	3 – 5
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.

Software product development costs are expensed as incurred during the research phase until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over the estimated useful life of the products as determined by the management. This capitalisation is done only if there is an intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available and such expenses can be accurately measured. Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product.

The amortization of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The amortization period and the amortization method is reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortization period is changed accordingly.

2.8 Impairment of assets

a) Financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Group estimates the amount of impairment loss. The amount of loss for short-term receivables is measured as the difference between the assets carrying amount and

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

undiscounted amount of future cash flows. Reduction, if any, is recognized in the profit and loss account. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, the recognised impairment loss is reversed, subject to maximum of initial carrying amount of the short-term receivable.

b) *Non-financial assets*

The Group assesses at each balance sheet date whether there is any indication that a non financial asset including goodwill may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2.9 Employee benefits

Gratuity

The Company's gratuity scheme with insurer is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the Profit and Loss account.

Leave encashment

Provision for leave encashment cost has been made based on actuarial valuation by an independent actuary at balance sheet date.

The employees of the Company are entitled to compensated absence. The employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilised 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

In accordance with Indian regulations, all employees of the Indian entities receive benefits from a Government administered provident fund scheme. Contributions payable to the provident fund are charged to the profit and loss account as incurred.

The subsidiaries in US have a savings and investment plan under Section 401 (k) of the Internal Revenue Code of the United Sates of America. This is a defined contribution plan. Contributions made under the plan are charged to the profit and loss account in the period in which they accrue. Other retirement benefits are accrued based on the amounts payable as per local regulations.

2.10 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 lower of cost and market value.

2.11 Taxation

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

Current taxes

Provision for current income-tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the tax laws applicable to the respective companies. In case of matters under appeal, full provision is made in the financial statements when the Company accepts its liability.

Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result from differences between the profits offered for income taxes and the profits as per the financial statements in respect of each entity within the Group. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively 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 recognised 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 recognised only if there is virtual certainty of realization 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 Indian operations of the Group are exempt from taxes under the Indian Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A of the Indian Income tax Act, 1961, exemption can be availed of profits from these operations from income tax for a period up to March 2010 in relation to its undertakings set up in the Software Technology Park at Bangalore, Mumbai, Kolkata and Chennai. The Company also has operations in Special Economic Zones (SEZ's). Income from SEZ are eligible for 100% deduction for the first five years, 50% deduction for next 5 years and 50% deduction for another 5 years, subject to fulfilling certain conditions. In this regard, the Group recognises 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 Tax

Provisions 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.

2.12 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, 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 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 on a straight line basis. (Refer Schedule 20)

2.13 Foreign currency transactions and 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 recognised in the profit and loss account. Monetary 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 recognised in the profit and loss account except for the exchange differences arising on monetary items that qualify as hedging instruments in a cash flow hedge or hedge of a net investment. In such cases, the exchange difference is initially recognized in hedging reserve account or translation reserve account respectively. Such exchange differences are subsequently recognized in the profit and loss account on occurrence of the underlying hedged transaction or on disposal of the investment, as the case may be.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

b) *Derivative instruments and hedge accounting.*

The Company is exposed to foreign currency fluctuations on net investments in foreign operations and forecasted cash flows denominated in foreign currencies. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments, where the counterparty is a bank.

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.

The use of foreign currency forward contracts is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

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.

The impact of adoption of AS 30 has been described in Schedule 32 to the financial statements.

c) *Non-derivative financial instruments and hedge accounting*

Financial assets of the Company include cash and bank balances, sundry debtors, unbilled revenues, finance lease receivables, employee travel and other advances, other loans and advances and derivative financial instruments with a positive fair value. Financial liabilities of the Company comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value. Financial assets/liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits are discounted to their present value.

The Company also designates financial instruments as hedges of net investments in non-integral foreign operations. The portion of changes in fair value of financial instrument that is determined to be an effective hedge is recognised in Translation reserve account and would be recognised in profit and loss account upon sale/disposal of the related non-integral foreign operations. Changes in fair value relating to the ineffective portion of hedges are recognized in the profit and loss account as they arise.

The Company measures the financial liabilities, except for derivative financial liabilities, at amortised cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

2.14 Foreign currency translation

The consolidated financial statements are reported in Indian rupees. The translation of the local currency of each integral foreign subsidiary within the Group into Indian rupees is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the balance sheet date and for revenue and expense items other than the depreciation costs, using average exchange rate during the reporting period. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

(Currency: In thousands of Indian rupees)

Net exchange difference resulting from the above translation of the financial statements of integral foreign subsidiaries is recognised in the consolidated profit and loss account.

In respect of non-integral subsidiaries, assets and liabilities are translated at exchange rates prevailing at the date of the balance sheet. The items in the profit and loss account are translated at the average exchange rate during the period. Goodwill arising on the acquisition of non-integral operation is translated at exchange rates prevailing at the date of the balance sheet. The difference arising out of the translations are transferred to Translation reserve under Reserves and surplus.

2.15 Earnings per share

The basic earnings per equity share is computed by dividing the net profit or loss for the period attributable to the equity shareholders 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.

2.16 Provisions and contingencies

A provision is created when there is present obligation as a result of a past event that 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 an outflow of resources would be required to settle the obligation, the provision is reversed.

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.

2.17 Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

2.18 Foreign Currency Convertible Bonds (FCCB)

a) Foreign Currency Convertible Bonds are considered monetary in nature. These are designated as hedging instrument to hedge the net investment in non-integral foreign operation (Refer Schedules 31 and 32). Accordingly, any gain/loss arising on account of exchange fluctuation is accounted in Translation reserve account.

b) Premium payable on redemption of FCCB is amortised on pro-rata basis at implicit rate of return over the period of the bonds and charged to the Securities Premium account periodically. Net gain or loss resulting from restatement of this liability at period end rates is accounted in Securities Premium Account. (Refer Schedule 32)

3. Share capital	2009	2008
Authorised		
600,000,000 (31 March 2008: 600,000,000) equity shares of Rs. 10 each	**6,000,000**	6,000,000
250,000,000 (31 March 2008: 250,000,000) participatory optionally convertible preference shares ('POCPS') of Rs. 10 each	**2,500,000**	2,500,000
	8,500,000	8,500,000
Issued, subscribed and paid-up 428,189,682 (31 March 2008: 427,312,964) equity shares of Rs. 10 each, fully paid-up	**4,281,897**	4,273,130
	4,281,897	4,273,130

During the year 876,718 (31 March 2008: 2,228,668) options were allotted. Refer Schedule 21.

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(Currency: In thousands of Indian rupees)

4. Reserves and surplus	2009	2008
Securities premium		
Securities premium at the beginning of the year*	**568,423**	5,115,537
Add:		
Premium on shares issued during the year	**14,621**	14,014
Premium applicable to periods till March 31 2008 reversed on cancellation of FCCB on buyback (refer Schedule 31)	**44,810**	–
Premium payable on redemption of FCCB reversed (refer Schedule 32)	**4,095,749**	–
Less:		
Premium utilised on expenses incurred for issue of FCCB	–	217,436
Foreign exchange loss on premium payable on FCCB (refer Schedules 2.18 b and 32)	–	75,785
Premium payable on redemption of FCCB for the year (refer Schedules 2.18 b and 32)	**696,086**	4,267,907
Securities premium at the end of the year	**4,027,517**	568,423
Capital redemption reserve	**5,162**	5,162
Profit and loss account	**2,913,852**	2,607,130
General reserve		
General reserve at the beginning of the year	–	–
Add: Transition adjustment on adoption of AS 30 (refer Schedule 32)	**667,944**	–
General reserve at the end of the year	**667,944**	–
Hedging reserve account (refer Schedule 33)		
Balance at the beginning of the year	**(48,702)**	–
Movement during the year	**(8,024)**	(48,702)
Balance at the end of the year	**(56,726)**	(48,702)
Translation reserve		
Balance at the beginning of the year	**(4,763)**	–
Exchange difference on FCCB translation (refer Schedules 2.18 a and 32)	**(1,778,551)**	–
Exchange difference on consolidation of non-integral subsidiaries	**3,737,990**	(4,763)
Balance at the end of the year	**1,954,676**	(4,763)
	9,512,425	3,127,250

* Net securities premium of Rs. 39,270 (31 March 2008: Rs. 39,270) of Customer Assets India Limited has been eliminated on consolidation and considered as part of goodwill.

5. Secured loans	2009	2008
External commercial borrowings ('ECB')	****1,262,012**	*100,300
*(Secured against fixed assets and receivables of the Company)		
**(For buyback of FCCB – Secured against pari passu charge on all assets of FSL USA)		
Finance lease obligation	**86,426**	20,906
(Secured against assets acquired on lease) (refer Schedule 20)		
Other secured debts (Secured against all assets of the subsidiary (Sherpa))	–	74,225
Term loan (Secured against shares of subsidiary (Medassist))	**507,200**	401,200
	1,855,638	596,631

6. Unsecured loans	2009	2008
Working capital demand loan	**160,183**	118,379
Term loan	–	803,839
Foreign currency convertible bonds (FCCB) (refer Schedules 31 and 32)	***11,896,899**	11,033,000
Loan from others	**32,889**	–
	12,089,971	11,955,218

*includes premium payable on redemption of FCCB amounting to Rs. 899,220 (31 March 2008: Rs. 4,343,692 – refer Schedule 15)

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

7. Business acquisitions

Goodwill on consolidation

Entity Name	Date of acquisition	2009	2008
MedAssist	20 September 2007	**16,996,801**	13,393,943
BPM	29 December 2006	**1,737,398**	1,344,677
FAL	22 September 2004	**1,617,633**	1,617,633
RevIT	31 March 2005	**970,768**	970,768
Pipal	26 July 2004	**90,510**	90,510
FR US	3 September 2003	**728,896**	728,896
Customer Asset India Ltd.	22 April 2002	**733,607**	733,607
		22,875,613	18,880,034

Acquisition of MedAssist Holding, Inc. (MedAssist)

Pursuant to 'Share Purchase Agreement' ('SPA') dated 28 August 2007 entered into between the Company, FSL-US and the erstwhile shareholders of MedAssist, on 20 September 2007, the Company through its wholly owned subsidiary FSL-US acquired 100% of the common stock of MedAssist Holding, Inc. a Delaware corporation, including its 100% owned US based subsidiaries MedAssist Intermediate Holding, Inc., MedAssist, Incorporated, Twin Medical Transaction Services, Inc and Argent Healthcare Financial Services, Inc. for a cash consideration of Rs. 13,406,932 (equivalent to USD 332.79 million). MedAssist, together with its subsidiary companies, are a leading provider of revenue cycle management services, in healthcare industry, in the U.S. The Company incurred direct expenses related to the acquisition aggregating to Rs. 557,507 which have been included in the cost of investment in MedAssist.

The excess of cost of investment over the value of net assets acquired has been recorded as goodwill, as detailed hereunder:

Amount Rs. '000

Purchase consideration (including acquisition expenses Rs. 557,507) (A)		**13,964,439**
Assets taken over less liabilities assumed (B)		
– Fixed assets	107,625	
– Debtors, net	566,520	
– Cash and bank balance	38,876	
– Other assets	212,756	
– Deferred Tax assets, net	859	
– Current liabilities	(356,140)	
		570,496
Effect of revaluation on goodwill (Refer Note 2.14) (C)		**3,468,678**
Goodwill (A - B+C)		**16,862,621**

During the year, the Company has made an additional payment of Rs.6,243 (equivalent to USD 0.12 million) to erstwhile shareholders of MedAssist and made an adjustment to deferred taxes amounting to Rs. 127,937 (equivalent to USD 2.5 million). Accordingly the goodwill is increased by Rs. 134,180.

Total Goodwill on MedAssist acquisition amounts to Rs. 16,996,801 (31 March 2008: Rs. 13,393,943).

Acquisition of Business Process Management, Inc. (BPM)

Pursuant to 'Share Purchase Agreement' ('SPA') dated 21 December 2006 entered into between the Company, FSL-US and the erstwhile shareholders of BPM, on 29 December 2006, the Company through its wholly-owned subsidiary FSL-US acquired 100% of the common stock of BPM, a Delaware corporation, including its 100% owned US based subsidiaries MedPlans 2000 Inc. ("MP2") and MedPlans Partners ("MPP") for a purchase consideration of Rs. 1,597,680 (equivalent to USD 31.5 million). BPM, and its two subsidiary companies, MP2 and MPP are BPO companies providing services principally to customers in the Healthcare industry in transaction processing and claims adjudication. The Company incurred direct expenses related to the acquisition aggregating to Rs. 57,802 which has been considered as part of cost of investment

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in BPM. The excess of cost of investment over the value of net assets acquired has been recorded as goodwill amounting to Rs. 1,541,288.

Further, as stipulated in the SPA, based on performance criterion to be achieved by BPM by way of Earnings before interest, tax, depreciation and amortization (EBIDTA) targets for the year ending 31 December 2007, the Company was liable to compensate the erstwhile members of BPM. During the year, the payment has been crystalised at Rs. 196,110 (equivalent to USD 3.9 million). Goodwill has been restated accordingly.

Total goodwill of BPM as on 31 March 2009 is Rs. 1,737,398.

Acquisition of Firstsource Advantage LLC (ASG)

On 22 September 2004, the Company through its subsidiary, FRUS acquired 100% voting right in ASG, a limited liability company in New York, USA. The Company paid Rs. 1,333,214 (equivalent of USD 29.08 million) upfront on that date. Excess of cost of investment over the value of net assets acquired was Rs. 1,260,590 including direct expenses relating to the acquisition aggregating to Rs. 68,114.

Upto 31 March 2007 additional compensation of Rs. 272,411 was paid to the erstwhile members of ASG based on the EBIDTA earnings of year 2004 and 2005. Further direct expenses of Rs. 17,789 were incurred relating to acquisition.

In 2007-2008, additional amount of Rs. 53,288 was crystalised on finalisation of arbitration with the erstwhile members of ASG and direct expenses amounting to Rs. 13,555 were paid.

Total goodwill of ASG as on 31 March 2009 is Rs. 1,617,633.

Acquisition of RevIT Systems Private Limited (RevIT)

Pursuant to Share Purchase and Sale Agreement ('SPA') dated 25 March 2005 entered into between the Company and the promoters, promoter affiliates, employees and erstwhile shareholders of RevIT Systems Private Limited (and its 100% owned US based subsidiary Sherpa Solutions Inc.), on 31 March 2005, the Company acquired 100 % equity interest in RevIT for a purchase consideration aggregating Rs. 936,524 (equivalent of USD 22,318,897) and preference shares at par for Rs. 5,160. As a result of this acquisition, RevIT became a subsidiary of the Company effective 31 March 2005 and has been consolidated as such. The Company incurred direct expenses related to acquisition aggregating Rs. 5,082 which have been considered as part of the cost of investment in RevIT.

Rs. 970,768 being the excess of cost of investment over the value of net assets acquired, has been recorded as goodwill in these consolidated financial statements.

Acquisition of Pipal Research Corporation, USA (Pipal)

On 26 July 2004, the Company subscribed to 136,093 equity shares of Pipal aggregating to Rs. 151,798 thereby acquiring 51% voting interest in Pipal. The Company incurred direct expenses related to the acquisition aggregating to Rs. 5,462 which have been considered as part of the cost of investment in Pipal.

Rs. 90,510 being the excess of cost of investment over the value of net assets acquired, has been recorded as goodwill in these consolidated financial statements.

Acquisition of Firstring Inc., USA ('FR-US')

On 3 September 2003, the Company subscribed to 23,842,970 Series 'F' convertible preference shares of FR-US, aggregating Rs. 596,862. Firstsource currently holds 99.8 % voting interest in FR-US on a fully diluted basis. The Company incurred direct expenses related to the acquisition aggregating to Rs. 20,357 which have been considered as part of the cost of investment in FR-US Firstsource intends to purchase the minority interest stake amounting to Rs. 4,301 at a premium of Rs. 3,456.

Networth of FR-US on the date of acquisition representing the residual interest in the assets of FR-US after deducting its liabilities aggregated Rs. 111,617. Firstsource's cost of investment in FR-US in excess of FR-US's equity on the date of investment aggregating Rs. 728,896 has been recorded as goodwill in the consolidated financial statements.

Acquisition of Customer Asset India Limited ('CAST India')

Pursuant to 'Share Purchase and Sale agreement' dated 22 April 2002 entered into between the Company, Customer Asset Mauritius and the promoters and investors of Customer Asset Mauritius, on 27 May 2002 the Company acquired 100% equity interest in CAST India for cash purchase consideration aggregating Rs. 947,727. As a result of this acquisition, CAST India became a wholly-owned subsidiary of the Company. The Company incurred direct expenses related to acquisition aggregating Rs. 11,796 which have been considered as part of the cost of investment in CAST India.

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Equity of CAST India on the date of acquisition representing the residual interest in the assets of CAST India after deducting its liabilities aggregated Rs 225,916. Firstsource's cost of investment in CAST India in excess of CAST India's equity on the date of investment aggregating Rs 733,607 has been recorded as goodwill in the consolidated financial statements.

Total goodwill on consolidation resulting due to the above acquisitions aggregates to Rs 22,875,613 (31 March 2008: 18,880,034).

8. Fixed assets

	Gross block (at cost)					Accumulated depreciation/amortisation					Net block	
	As at 1 April 2008	Additions during the year	Addition on account of business acquisitions	Deletions/ adjustments during the year	**As at 31 March 2009**	As at 1 April 2008	Accumulated depreciation on business acquisitions	Charge for the year	On deletions during the year	**As at 31 March 2009**	**As at 31 March 2009**	As at 31 March 2008
Intangible assets												
Domain name	6,720	–	–	–	**6,720**	2,870	–	2,239	–	**5,109**	**1,611**	3,850
Software	664,626	121,595	–	(348)	**785,873**	431,060	–	138,833	(17)	**569,876**	**215,997**	233,566
Goodwill on asset acquisition	127,387	1,834	–	(15,343)	**113,878**	1,686	–	26,941	–	**28,627**	**85,251**	125,701
Tangible assets												
Computers *	1,242,533	218,267	–	(22,025)	**1,438,775**	895,148	–	171,632	(4,799)	**1,061,981**	**376,794**	347,385
Service equipment*	820,728	115,217	–	(20,370)	**915,575**	575,398	–	111,470	(1,403)	**685,465**	**230,110**	245,330
Furniture and fixtures and office equipment*	1,196,543	306,521	–	(6,989)	**1,496,075**	699,909	–	241,991	(1,188)	**940,712**	**555,363**	496,634
Leasehold improvements	1,271,707	306,232	–	–	**1,577,939**	592,789	–	266,130	–	**858,919**	**719,020**	678,918
Vehicles	10,177	3,207	–	–	**13,384**	4,726	–	2,082	–	**6,808**	**6,576**	5,451
Total	**5,340,421**	**1,072,873**	**–**	**(65,075)**	**6,348,219**	**3,203,586**		**961,318**	**(7,407)**	**4,157,497**	**2,190,722**	**2,136,835**
31 March 2008	3,891,335	1,180,345	347,585	(78,844)	5,340,421	2,171,124	239,960	860,820	(68,318)	3,203,586	2,136,835	

Note:

* The above assets include assets taken on lease having gross block of Rs. 134,199 (31 March 2008: Rs. 53,738) and net block of Rs. 89, 554 (31 March 2008: Rs. 19,930).

The useful life of fixed assets has been reviewed by the management and the original estimate of the useful life of assets has been revised from three years to three-four years for computers and software and from three years to three-five years for networking equipment and leasehold improvements. However, the impact of this change (decrease in depreciation charge for the year with corresponding increase in profit before tax for the year) is not readily ascertainable (decrease in depreciation charge for the three months ended 30 June 2008 aggregated Rs. 40,326.

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(Currency: In thousands of Indian rupees)

		2009	2008
9.	**Investments**		
	Short-term		
	Trade (Unquoted)		
	In Mutual Fund (Philippines Treasury bills)*	**1,487**	
	Non-trade (Unquoted)		
	Super Ahorro Pesos (Mutual Fund in Argentina)	**13,414**	–
	252,513 units (31 March 2008: Nil) Prudential ICICI Liquid Plan - Dividend Option	**3,280**	–
	NIL (31 March 2008: 1,715,142) units of Prudential ICICI Institutional Liquid Plan – Super Institutional Growth	–	20,440
	NIL (31 March 2008: 611,232) units of Kotak Liquid (institutional premium) – Growth	–	10,000
	NIL (31 March 2008: 3,890,142) units Birla Cash Plus - Institutional Premium – Growth Option.	–	50,000
	NIL (31 March 2008 4,986,870) ING Liquid Fund Super Institutional – Growth Option	–	60,098
	NIL (31 March 2008: 18,603) Reliance Liquid Plus Fund - Institutional Option – Growth Plan	–	20,348
	NIL (31 March 2008: 3,291,382) Reliance Liquidity Fund - Growth Option	–	40,000
	NIL (31 March 2008: 15,243) UTI Liquid Cash Plan Institutional - Growth Option	–	20,282
	(Net asset value of non trade investments Rs. 18,181 (31 March 08 Rs. 221,521))		
	* Securities worth Rs. 1,487 (31 March 2008: Nil) have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.		
		18,181	221,168
10.	**Deferred tax assets, net**		
	Deferred tax asset on account of:		
	Business losses carried forward	**319,367**	233,215
	Difference between tax and book value of fixed assets	**315,546**	173,398
	Gratuity and leave encashment	**31,421**	29,643
	Allowance for doubtful debts	**58,094**	44,708
		724,428	480,964
	Deferred tax liability on account of:		
	Amortisation	**583,924**	289,003
	Difference between tax and book value of fixed assets	–	7,472
		583,924	296,475
	Deferred tax asset, net	**140,504**	184,489
11.	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	- Considered good	–	–
	- Considered doubtful	**117,849**	44,034
		117,849	44,034
	Others debts		
	- Considered good	**2,379,474**	2,053,785
	- Considered doubtful	**25,815**	–
		2,405,289	2,053,785
	Less: Provision for doubtful debts	**143,664**	44,034
		2,379,474	2,053,785

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(Currency: In thousands of Indian rupees)

	2009	2008
12. Cash and bank balances		
Cash on hand	**1,136**	851
Balances with scheduled banks		
- in current accounts	**3,159**	5,548
- in deposit accounts *	**1,524**	201,520
- in exchange earnings in foreign currency accounts	**492**	447
Balances with non-scheduled banks		
- in current accounts	**758,782**	670,991
- in deposit accounts **	**171,509**	179,687
Remittances in transit	**111,603**	–
	1,048,205	1,059,044
Less: Current account balance held in trust for customers in non- scheduled banks	**81,266**	34,394
	966,939	1,024,650

* Includes Rs. 1,524 (31 March 2008 Rs. 1,416) under lien for bank guarantees to the customs authorities.

** Includes Rs. 39,344 (31 March 2008: Nil) placed in Escrow account towards buyback of FCCB during the period and includes Rs. 38,040 (31 March 2008: Nil) towards line of credit for FAL.

	2009	2008
13. Loans and advances		
(Unsecured, considered good)		
Deposits	**330,198**	332,233
Prepaid expenses	**149,805**	115,496
Advances recoverable in cash or in kind or for value to be received	**147,521**	292,829
Lease rentals receivable, net (refer Schedule 20)	**46,644**	47,988
Advance tax and tax deducted at source including FBT	**387,436**	255,110
Accrued Interest on loans and deposits	**1,953**	1,417
Unamortised cost (refer Schedule 32)	**98,580**	5,504
Minimum Alternate Tax credit carried forward	**24,967**	–
	1,187,104	1,050,577
14. Current liabilities		
Sundry creditors		
- for expenses	**1,511,504**	1,013,642
- for capital goods	**149,996**	125,283
Payable for business acquisition	–	66,586
Other liabilities	**85,508**	90,681
Value added tax payable	**65,516**	7,053
Tax deducted at source payable	**37,375**	20,997
Interest accrued but not due	**31,496**	2,888
Advance from customers	**13,130**	40,120
Exchange loss on derivatives	**273,308**	65,410
	2,167,833	1,432,660
15. Provisions		
Income tax (including FBT)	**330,036**	185,002
Gratuity	**74,662**	51,661
Leave encashment	**66,668**	39,276
Premium payable on redemption of FCCB (Refer Note 2.18 (b))	–	4,343,692
	471,366	4,619,631

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
16. Other income		
Foreign exchange gain/(loss), net*	**(370,812)**	257,386
Profit on sale/redemption of non-trade investments, net	**12,834**	42,093
Gain on sale of fixed assets (net)	**1,474**	829
Dividend on investments	**9,364**	34,526
Miscellaneous income	**10,393**	6,575
Provision for doubtful debts written back, net	**–**	7,824
Gain on FCCB buyback (net) (refer Schedule 31)	**634,980**	–
	298,233	349,233

* Net Foreign exchange gain/(loss) includes exchange gain of Rs. 97,296 (31 March 2008: Rs. 223,634) recognized on account of translation of financial statements of foreign integral subsidiaries for the purpose of preparation of these consolidated financial statements. Also includes loss of Rs. 236,202 (31 March 2008: Nil) on account of undesignated derivative instruments. (refer Schedule 33)

	2009	2008
17. Personnel costs		
Salaries, bonus and other allowances	**9,417,727**	6,559,983
Contribution to provident and other funds	**342,327**	260,458
Staff welfare	**492,830**	299,928
	10,252,884	7,120,369
18. Operating costs		
Rent, rates and taxes	**934,414**	656,630
Services rendered by business associates and others	**582,220**	334,842
Legal and professional fees	**400,578**	274,502
Connectivity charges	**372,696**	263,430
Information services	**227,780**	172,752
Repairs and maintenance - others	**532,881**	310,211
Car and other hire charges	**263,029**	232,156
Travelling and conveyance	**359,894**	327,181
Recruitment and training expenses	**123,688**	138,583
Electricity, water and power consumption	**223,686**	179,282
Communication expenses	**315,021**	209,597
Computer expenses	**123,997**	103,754
Marketing and support services	**62,218**	51,463
Insurance	**107,086**	77,137
Advertisement and publicity	**1,924**	2,943
Printing and stationery	**97,196**	64,565
Research expenses	**45,304**	32,086
Unamortised cost charged off	**24,498**	–
Meetings and seminar expenses	**13,287**	11,243
Auditors' remuneration		
- Audit fees	**11,500**	13,581
- Tax audit fees	**403**	150
- Other services	**1,213**	2,138
Membership fees	**1,371**	1,816
Directors' fees	**1,280**	1,330
Bad Debts written off	**6,784**	–
Provision for doubtful debts (net)	**64,194**	–
Bank charges and Guarantee commission	**44,211**	34,293
Miscellaneous expenses	**100,159**	62,470
	5,042,512	3,558,135

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
19. Finance charges, net		
Interest expense		
– on External commercial borrowings and term loan	**140,733**	283,663
– on Working capital demand loan and others	**16,727**	32,182
Amortised cost on fair value of FCCB (Refer Schedule 32)	**113,860**	–
	271,320	315,845
Less: Interest income		
– on deposits with bank	**17,967**	96,260
– on others	**21,824**	3,960
	231,529	215,625
Add :		
Exchange loss on FCCB for the period 1 April 2008 to 30 June 2008 (Refer Schedule 32)	**778,242**	192,500
Exchange (gain)/loss on other foreign currency loans (other than FCCB)	**18,546**	(42,135)
	796,788	150,365
	1,028,317	365,990

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

20. Leases

The Group is obligated under non-cancellable 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 2009 aggregated to Rs. 493,590 (31 March 2008: Rs. 346,515). Of these expenses, Rs. 22,868 (31 March 2008: Rs. 25,744) and Rs. Nil (31 March 2007: 7,999) 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:

	2009	2008
Amount due within one year from the balance sheet date	**500,402**	406,503
Amount due in the period between one year and five years	**1,250,444**	979,344
Amount due in the period beyond five years	**327,456**	293,354
	2,078,302	1,679,201

The Group has taken 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 2009 aggregated to Rs. 714,870 (31 March 2008: Rs. 310,115)

Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2009 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2009			
Amount receivable within one year from the balance sheet date	43,806	5,375	38,431
Amount receivable in the period between one year and five years	52,464	4,469	47,995
	96,270	9,844	86,426
As at 31 March 2008			
Amount receivable within one year from the balance sheet date	13,976	110	13,866
Amount receivable in the period between one year and five years	7,090	50	7,040
	21,066	160	20,906

The Group also has given vehicles on finance lease to its employees as per policy. As at 31 March 2009, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2009			
Amount receivable within one year from the balance sheet date	21,193	4,220	16,973
Amount receivable in the period between one year and five years	33,429	3,758	29,671
	54,622	7,978	46,644
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
	55,798	7,810	47,988

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

21. 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 is 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
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:

Particulars	2009	2008
Outstanding at beginning of the period	**120,625**	351,125
Granted during the period	**–**	–
Forfeited during the period	**(10,000)**	–
Exercised during the period	**(11,250)**	(230,500)
Outstanding at the end of the period (refer Note 1 below)	**99,375**	120,625
Vested and exercisable at the end of the period	**99,375**	120,625
Note 1		
Exercise price range		
10 – 14.99	**99,375**	120,625

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 have been 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
- Exercise price to be determined based on a fair valuation carried out at the beginning of every six months for options granted during those respective periods;

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

- Employee stock option activity under Scheme 2003 is as follows:

Particulars	2009	2008
Outstanding at beginning of the period	**71,830,978**	33,083,627
Granted during the period (refer Notes 3 and 5 below)	**7,770,000**	42,982,712
Forfeited during the period	**(23,073,097)**	(2,237,193)
Exercised during the period	**(865,468)**	(1,998,168)
Outstanding at the end of period (refer Note 2 below)	**55,662,413**	71,830,978
Vested and exercisable at the end of the period	**16,357,980**	7,234,742
Note 2		
Exercise price range		
10 - 14.99	**3,289,399**	2,043,867
15.00 - 19.99	**1,083,750**	1,226,625
20.00 - 24.99	**3,169,625**	4,049,625
30.00 - 34.99	**14,157,036**	18,364,849
35.00 - 39.99	**17,810,039**	19,520,884
50.00 - 54.99	**1,590,000**	1,670,000
60.00 - 64.99	**1,355,000**	1,722,500
70.00 - 74.99	**13,097,564**	23,062,628
75.00 - 79.99	**50,000**	60,000
80.00 - 84.99	**60,000**	110,000
Outstanding at the end of period	**55,662,413**	71,830,978

Notes

3. The Compensation Cum Board Governance Committee of the Company, 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 of 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
End of 36 months from the date of grant of options	50

4. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% of fully diluted equity shares as of 31 March 2009.

5. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 22 November 2007 amended the scheme to include executive stock 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 to the option grantee	% of options that will vest
End of 24 months from date of grant of options	20.0
End of 36 months from date of grant of options	10.0
End of 48 months from date of grant of options	10.0
End of 60 months from date of grant of options	10.0

(Currency: In thousands of Indian rupees)

The vesting schedule for Performance Linked options is as follows:

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.

6. The Company applies the intrinsic value based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net Income and basic and diluted earnings per share as reported would have reduced to the proforma amounts as indicated:

Particulars	**2009**	2008
Net income as reported	**306,722**	1,315,596
Less: Stock based employee compensation expense (fair value method)	**261,843**	251,281
Proforma net income	**44,879**	1,064,315
Basic earnings per share as reported (Rs.)	**0.72**	3.09
Proforma basic earnings per share (Rs.)	**0.10**	2.50
Diluted earnings per share as reported (Rs.)	**0.72**	2.83
Proforma diluted earnings per share (Rs.)	**0.10**	2.29

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 9.06%
Volatility	0% to 60%

22. Managerial remuneration

a)	**Particulars**	**2009**	**2008**
	Salaries and allowances	**25,595**	21,192
	Contribution towards retirement benefits	**3,348**	901
	Perquisites	**290**	243
	Total	**29,233**	22,336

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

b) Computation of net profits in accordance with relevant provisions of the Companies Act, 1956 is as under.

	Amount
Profit after tax of Firstsource (Standalone)	151,065
Add:	
Managing and other directors' remuneration	29,233
Directors sitting fees	1,280
Provision for current, fringe benefit and deferred tax	(19,171)
Provision for wealth tax	350
Less:	
Profit on sale of fixed assets	1,134
Net profit as per Section 349 of the Act	161,623
10% of Net Profit	16,162
Payment to Managing Director and the Joint Managing Director	29,233

Salary paid/payable to the Managing Director and the Joint Managing Director is in excess of the limits specified in Schedule XIII of the Companies Act, 1956. The Company has made an application seeking approval from Central Government for payment of managerial remuneration in excess of limits specified under the Companies Act, 1956 for the financial year ended 31 March 2009. The said approval is awaited.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

23. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2009 are summarized below:

Parties with substantial interests	• ICICI Bank Limited • Metavante Investments (Mauritius) Limited • Aranda Investments (Mauritius) Pte Limited
Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in Note 1 to the consolidated financial statements.
Companies in which directors are interested	• ICICI Prudential Life Insurance Company Limited (I-Prudential)
Key Managerial Personnel including relatives	• Ananda Mukerji • Matthew Vallance • Carl Saldanha • Raju Venkatraman * • Rajesh Subramaniam * • Rahul Basu *
Non-Executive Directors	• Ashok Shekhar Ganguly • Charles Miller Smith • K. P. Balaraj • Shikha Sharma • Shailesh Mehta • Mohit Bhandari • Y. H. Malegam • Donald Layden, Jr. • Lalita D. Gupte • Dinesh Vaswani *

* Resigned during the year

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

23. Related party transactions (Continued)

Name of the related party	**Description**	**Transaction value for the year ended 31 March 2009**	Transaction value for the year ended 31 March 2008	**Receivable/ (Payable) at 31 March 2009**	**Receivable/ (Payable) at 31 March 2008**
ICICI Bank Limited	Income from services	**120,048**	252,073	**13,822**	64,880
	Software expenses and professional fees	**651**	1,498	–	(270)
	Interest expenditure	**32,169**	241,317	**(124)**	(533)
	Bank balance	–	–	**1,406**	33,246
	Bank overdraft	–	–	**(153,174)**	(114,561)
	Fixed deposit placed	**100,000**	1,900,000	**1,416**	201,416
	Fixed deposit matured	**300,000**	2,954,456	–	–
	Interest income	**1,641**	25,982	**96**	548
	Term loan taken	–	11,078,573	**(507,200)**	(401,200)
	Term loan paid	–	10,675,716	–	–
	External Commercial Borrowings paid	**105,800**	569,188	–	(100,300)
	Rent paid	–	–	–	–
	Guarantee commission paid	**7,693**	9,041	**3,813**	4,358
	Vehicle taken on finance Lease	–	–	–	–
	Fees and commission	**151,422**	380,700	**(138,643)**	–
ICICI - Prudential Life Insurance Company Limited	Income from services	**178,456**	182,582	**15,265**	67,604
	Insurance Premium Paid	**6,622**	2,190	–	2,801
	Rent paid	**23,971**	22,029	–	–
Metavante Investments (Mauritius) Limited	Income from services	**34,157**	27,771	**37,473**	3,189
Key management personnel and relatives	Remuneration paid	**71,111**	67,900	–	–
Non-Executive Directors	Sitting fees paid	**1,280**	1,330	–	–

Note: Excludes forward contracts and ESOP's

List of transactions with related parties having total value more than 10% of value of transactions with related parties.

Description	**2009**	2008
Remuneration paid		
Ananda Mukerji	**14,289**	11,712
Raju Venkatraman	**14,944**	10,624
Matthew Vallance	**30,530**	20,116
John Cutrone	–	13,805

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

24. Employee Benefit

a) Gratuity Plan

The following table set 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:

Particulars	2009	2008	2007
Change in present value of obligations			
Obligations at beginning of the year	**53,737**	36,218	24,873
Service cost	**24,010**	22,531	15,405
Interest cost	**4,570**	2,733	1,633
Actuarial (gain)/loss	**(3,191)**	(4,159)	(1,566)
Benefits paid	**(4,464)**	(3,586)	(2,051)
Obligations at the end of the year	**74,662**	53,737	38,294
Change in plan assets			
Fair value of plans assets at beginning of the year	**2,076**	2,076	2,076
Expected return on plan assets	**1,358**	164	(21)
Actuarial gain/(loss)	**1,570**	(164)	(1,958)
Contributions	**45,565**	3,586	-
Benefits paid	**(4,464)**	(3,586)	1,979
Fair value of plans assets at end of the year	**46,105**	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	**74,662**	53,737	38,294
Fair value of plan assets at the end of year	**(46,105)**	(2,076)	(2,076)
Funded status being amount of liability recognized in the balance sheet	**28,557**	51,661	36,218
Gratuity cost for the year			
Service cost	**24,010**	22,531	15,405
Interest cost	**4,570**	2,733	1,633
Actuarial (gain)/loss	**(1,619)**	(1,045)	(21)
Expected return on plan assets	**(1,358)**	(3,115)	(3,523)
Net gratuity cost	**25,603**	21,104	13,494
Assumptions			
Interest rate	**7.86%**	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	8.70%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%
Withdrawal rate	**25% reducing to 2%**	25% reducing to 2%	25% reducing to 2%

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

Gratuity cost, as disclosed above, is included under 'Salaries, bonus and other allowances'. The Company expects to contribute approximately Rs. 20,000 to the gratuity trust during fiscal 2010.

b) Contribution to Provident Funds

The provident fund charge during the year amounts to Rs. 100,450 (31 March 2008: Rs. 90,239).

c) Compensated absences

Actuarial Assumptions	2009	2008	2007
Interest rate	**7.86%**	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	8.70%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

25. Segmental reporting

The Group has determined its primary reportable segment as geography identified on the basis of the location of the customer which, in management's opinion, is the predominant source of risks and rewards. The Group has determined industries serviced i.e. Banking, Financial Services and Insurance and Non-Banking, Financial Services and Insurance as its secondary segment as management perceives risk and rewards to be separate for these different industries.

Geographic segments

The Group's business is organized into four key geographic segments comprising United States of America and Canada, United Kingdom, India and Rest of the world.

Segment revenues and expenses

Revenues are attributable to individual geographic segments based on location of the end customer. Direct expenses in relation to the segments is categorized based on items that are individually identifiable to that segment while other costs, wherever allocable, are apportioned to the segments on an appropriate basis.

Un-allocable expenses

Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

Capital Employed

Capital employed comprises debtors, classified by reportable segments. As the fixed assets and services are used interchangeably between the segments by the Group's businesses and liabilities contracted have not been identified to any of the reportable segments, the Group believes that it is currently not practicable to provide segment disclosures relating to these assets and liabilities.

	2009	2008
Primary Segment		
Segment Revenue		
UK	**4,550,852**	4,338,833
USA and Canada	**11,033,998**	6,705,162
India	**1,885,031**	1,344,463
Rest of the world	**55,327**	17,680
	17,525,208	12,406,138
Segment Result		
UK	**1,421,190**	1,654,200
USA and Canada	**1,112,853**	640,720
India	**384,064**	376,156
Rest of the world	**10,243**	4,985
	2,928,350	2,676,061
Finance charges, net	**(1,028,317)**	(365,990)
Other un-allocable expenditure, net of un-allocable income	**(1,393,133)**	(878,203)
Profit/(Loss) before taxation and minority interest	**506,900**	1,431,868
Taxation	**(199,074)**	(126,480)
Minority interest	**(1,104)**	10,208
Profit/(Loss) after taxation and minority interest	**306,722**	1,315,596
Debtors		
UK	**621,489**	790,684
USA and Canada	**1,554,124**	1,170,638
India	**195,689**	88,964
Rest of the world	**8,172**	3,499
	2,379,474	2,053,785

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Revenue		Debtors	
	2009	2008	**2009**	2008
Secondary Segment				
Banking, Financial Services & Insurance	**4,408,715**	3,820,935	**389,431**	476,903
Non-Banking, Financial Services & Insurance	**13,116,493**	8,585,203	**1,990,043**	1,576,882
	17,525,208	12,406,138	**2,379,474**	2,053,785

26. Other operating income represents net loss of Rs. 77,377 (31 March 2008: net gain of Rs. 48,443) on restatement and settlement of debtor balances and related forward/option contracts and Rs. 45,867 (31 March 2008: 533,368) on account of Grant income earned by FSL UK.

27. Computation of number of shares for calculating diluted earnings per share

(No. of shares in '000)

	2009	2008
Number of shares considered as basic weighted average shares outstanding	**427,914**	425,858
Add: effect of potential issue of shares/stock options	–*	–
Add: Adjustment for options relating to Foreign currency convertible bonds	–*	38,364
Number of shares considered as weighted average shares and potential shares outstanding	**427,914**	464,222
* Not considered since anti dilutive		

28. Capital and other commitments and contingent liabilities

	2009	2008
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**68,918**	133,511
Claims not acknowledged as debt	**51,450**	45,309
Guarantees and letters of credit given	**1,546,451**	2,041,105

Direct tax matters

Income tax demand amounting to Rs. 106,659 (31 March 2008: 91,038) for the various assessment years are disputed in appeal by the Company in respect of which the Company has favourable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid Rs.10,381 tax under protest against the demand raised for the assessment year 2004-05.

Indirect tax matters

The service tax demand amounting to Rs. 23,574 (31 March 2008: Nil) in respect of FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

Grant

The Company's subsidiary has accrued/received revenue grants amounting to Rs. 645,161 (GBP 8.9 million) from Northern Ireland. The Company is required inter-alia, to maintain the number of employees at certain levels for a period of five years from the grant date, failing which grant will be liable to be refunded. Based on the available information, the Company expects to comply with this requirement.

Purchase of assets by MedAssist

On 31 March 2008, the Company's subsidiary, MedAssist has entered into an asset purchase agreement. Under the terms of the agreement, an additional consideration of Rs. 38,040 (USD 750,000) is payable to the sellers if the existing client base achieves certain revenue ranges. The consideration is yet to be crystalised.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

29. Fringe Benefits Tax (FBT)

The Finance Act, 2007 has introduced Fringe Benefits 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 2009 the Company recognised FBT liability and related recovery of Rs. 3,523 (31 March 2008: Rs. 6,970) arising from the exercise of stock options.

30. Software Development Cost

The details of the costs capitalized during the year are detailed below:

Particulars	**2009**	2008
Salaries and wages	–	9,574
Other direct costs	–	450
Total	–	10,024

31. Issue of Foreign Currency Convertible Bonds (FCCB)

On 3 December 2007, the Company issued US $ 275,000,000 Zero Coupon Convertible bonds. The particulars of the issue are as under:

Issue	0% FCCB due 2012
Issued on	3 December 2007
Issue Amount	USD 275,000,000
Amount outstanding as on 31 March 2009	USD 225,300,000
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	95,863,212
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 2009	2,253

The proceeds from the issue of the bonds are utilised to subscribe for shares in 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.

Buyback of FCCB

In March 2009, pursuant to the notification of the Reserve Bank of India, the Company has bought back and cancelled 497 FCCBs of the face value of USD 100,000 each under the Automatic route. The Company has recognised a net gain of Rs. 634,980 on the said buyback which has been disclosed under 'Other income'.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

32. Adoption of AS-30 and change in accounting policy

In December 2007, the ICAI issued AS 30, Financials Instruments: Recognition and Measurement which is recommendatory in respect of accounting periods commencing on or after 1 April 2009 and mandatory in respect of accounting periods commencing on or after 1 April 2011 for the Company.

In March 2008, ICAI announced that earlier adoption of AS 30 is encouraged. However, AS 30, along with limited revision to other accounting standards, has currently not been notified under the Companies (Accounting Standard) Rules, 2006.

In accordance with the announcement dated 27 March, 2008 issued by ICAI, the Company adopted AS 30 with effect from March 2008 in so far as it relates to the derivatives. Similarly, the Company also adopted AS 30 with respect to hedging transactions with effect from 1 July, 2008. On 1 July 2008, the Company early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the prescribed limited revisions to other accounting standards.

AS 30 states that particular sections of other accounting standards; AS 4, Contingencies and Events Occurring after balance sheet date, to the extent it deals with contingencies, AS 11 (revised 2003), The Effects of Changes in Foreign Exchange Rates, to the extent it deals with the 'forward exchange contracts' and AS 13, Accounting for Investments, except to the extent it relates to accounting for investment properties, would stand withdrawn only from the date AS 30 becomes mandatory (1 April 2011). In view of the Company, on an early adoption of AS 30, accounting treatment made on the basis of the relevant sections of the Accounting Standards referred above viz. AS-4, AS-11 and AS-13 stands withdrawn as it believes that principles of AS 30 more appropriately reflect the nature of these transactions.

Pursuant to the early adoption of AS 30, the Company has discounted Non-interest-bearing deposits to their present value and the difference between original amount of deposit and the discounted present value has been disclosed as "Unamortized cost" under Loans and Advances, which is charged to the Profit and loss account over the period of related lease. Correspondingly, interest income is accrued on these interest free deposits using the implicit rate of return over the period of lease and is recognized under "Interest income".

Had the Company not early adopted AS 30 as stated above, and continued to record Non-interest-bearing deposits at transaction value, profit for the year ended 31 March 2009 would have been higher by Rs. 570.

In accordance with the transitional provisions of AS 30, charge of Rs. 5,215 on account of fair valuation of deposits on 1 April 2008 has been accounted through General Reserves.

As permitted by AS 30, the Company designated its FCCB along with premium payable on redemption as a hedging instrument to hedge its net investment in the non-integral foreign operations effective 1 July 2008. Accordingly, the translation loss on FCCB Rs. 1,778,551 for year ended 31 March 2009, which is determined to be effective hedge of net investment in non integral foreign operations, has been transferred to the Translation reserve account and translation loss till 30 June 2008 amounting to Rs. 778,242 has been charged to Profit and Loss Account (refer Schedule 19). The amounts recognised in Translation reserve account would be transferred to Profit and Loss Account upon sale or disposal of non-integral foreign operations. If the Company had continued to apply the provisions of AS 11 to the FCCB and not designated it as a cash flow hedge as permitted under AS 30 and the consequent limited revision to other accounting standards, the translation loss on FCCB would have been recorded in the Profit and Loss Account.

Further, the Company has accounted for embedded derivative option included in FCCB and revalued the same at the period end. The Company has charged Rs. 113,860 for the year ended 31 March 2009 as amortised cost on the fair value of FCCB under "Finance charges, net" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB. In accordance with the transitional provisions of AS 30, income of Rs. 691,875 on account of reduction in option valuation of FCCB and expense of Rs. 18,716 on account of difference in fair value of interest rate and implicit interest rate, on 1 April 2008 has been accounted through General Reserve.

During the year, the Company has changed its accounting policy relating to premium payable on redemption of FCCB. Accordingly, the premium payable on redemption is amortised on pro-rata basis over the period of the bonds by debiting Securities premium account for the year amounting to Rs. 696,086 (as permitted by Section 78 of the Companies Act, 1956) as against the earlier policy of charging the entire premium payable on redemption to the Securities premium Account upfront in the year of issue of bonds. Consequently, the Securities Premium Account has been restated by Rs. 4,095,749 after considering the amortization on pro-rata basis till 31 March 2008.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

33. Derivatives

The Company has designated forwards contracts and options to hedge highly probably forecasted transactions on the principles of set out in AS-30, Financials Instruments: Recognition and Measurement.

As at 31 March 2009, the Company has derivative financial instruments to sell USD 98,834,044 (31 March 2008: USD 99,976,960) having fair value loss of Rs. 497,649 (31 March 2008: loss of Rs. 96,279) and GBP 21,000,000 (31 March 2008: GBP 31,184,412) having fair value gain of Rs. 224,340 (31 March 2008: gain of Rs. 36,506) relating to highly probable forecasted transactions. The Company has recognized mark to market loss of Rs. 56,726 (31 March 2008: Rs. 48,702) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders' funds (refer Schedule 4). At 31 March 2009, the Company has undesignated certain derivative financial instruments and recognised mark to market losses of Rs. 236,202 thereon in the Profit and loss account. (refer Schedule 16). Foreign currency exposures (other than cash and bank balances) on loans and receivables that are not hedged by derivative instruments or otherwise are Rs. 1,747,333 (equivalent to GBP 19.63 million and USD 6.4 million).

34. Prior period comparatives

Prior year figures have been appropriately reclassified/regrouped to conform to current period's presentation.

For and on behalf of the Board of Directors

	Dr. Ashok S. Ganguly *Chairman*	**Ananda Mukerji** *Managing Director & CEO*	**K. P. Balaraj** *Director*
	Shikha Sharma *Director*	**Mohit Bhandari** *Director*	**Lalita D. Gupte** *Director*
	Y.H.Malegam *Director*	**Shailesh Mehta** *Director*	**Charles Miller Smith** *Director*
Mumbai 28 April 2009	**Donald Layden Jr.** *Director*	**Carl Saldanha** *Global CFO*	**Sanjay Gupta** *Company Secretary*