

Firstsource Solutions Limited

AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2008

(Rs. in lakhs, except per share data)

Particulars	Quarter ended September 30,		Six months ended September 30,		Year ended March 31,
	2008	2007	2008	2007	2008
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Income from services	4,29,01.03	2,58,76.46	8,30,56.71	5,12,45.15	12,40,61.38
Other operating income	(4,02.95)	17,60.06	2,30.14	37,02.64	58,18.11
Total income from operations	4,24,98.08	2,76,36.52	8,32,86.85	5,49,47.79	12,98,79.49
Personnel costs	2,45,02.09	1,46,48.10	4,79,72.43	2,88,12.47	7,12,03.69
Operating costs	1,15,50.75	79,35.29	2,28,17.91	1,52,29.73	3,55,81.35
Depreciation and amortisation	21,15.70	21,38.85	43,48.19	40,27.89	86,08.20
Profit before other income, finance charges, tax and minority interest	43,29.54	29,14.28	81,48.32	68,77.70	1,44,86.25
Other income	(4,51.54)	20,22.05	(2,83.74)	24,77.60	34,92.33
Profit before Finance charges, tax and minority interest	38,78.00	49,36.33	78,64.58	93,55.30	1,79,78.58
Finance charges, net					
a) Finance cost, net (Note 3 (b))	5,66.72	2,42.01	7,97.93	(3,79.51)	17,34.90
b) Foreign exchange loss on FCCB (Note 3 (a))	(2,33.83)	-	77,82.42	-	19,25.00
Net profit / (loss) before tax and minority interest	35,45.11	46,94.32	(7,15.77)	97,34.81	1,43,18.68
Provision for Taxation					
a) Current tax expenses (Incl. foreign tax)	6,28.59	7,09.84	14,74.45	16,72.56	28,76.98
b) Fringe benefit tax	49.12	45.14	1,00.41	84.41	2,32.08
c) Deferred tax charge / (release)	48.33	(6,08.78)	(1,06.01)	(9,92.23)	(18,44.26)
Net profit / (loss) after tax and before minority interest	28,19.07	45,48.12	(21,84.62)	89,70.07	1,30,53.88
Minority Interest	(9.30)	(11.70)	(7.93)	(20.69)	(1,02.08)
Net profit / (loss) after tax and minority interest	28,28.37	45,59.82	(21,76.69)	89,90.76	1,31,55.96
Paid-up Equity Share Capital (Face Value of Share Rs.: 10)	-	-	4,28,18.97	4,25,23.19	4,27,31.30
Reserves excluding Revaluation Reserve	-	-	-	-	3,12,72.50
Earning Per Share (Rs.) : (Not Annualized)					
-Basic	0.66	1.07	(0.51)	2.11	3.09
-Diluted	0.52	1.02	(0.51)	2.02	2.83
Aggregate of non-promoter shareholding (unaudited)					
- Number of shares of Rs. 10	313,696,085	318,981,922	313,696,085	318,981,922	312,807,371
- Percentage of shareholding	73.26%	75.02%	73.26%	75.02%	73.20%

Notes to financials results :

1. The above results were reviewed by the Audit Committee and taken on record by Financial Results Committee of the Board of Directors at their meeting held on November 24, 2008. The standalone financial results for the quarter ended September 30, 2008 are available on the company's website (www.firstsource.com) and the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com).

2. 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.

3 (a). In December 2007, the ICAI issued AS 30, Financials Instruments : Recognition and Measurement. Although AS 30 becomes recommendatory in respect of accounting periods commencing on or after April 1, 2009 and mandatory in respect of accounting periods commencing on or after April 1, 2011, in March 2008 the ICAI announced that the earlier adoption of AS 30 is encouraged. AS 30, along with limited revision to other accounting standards has currently not been notified under Companies (Accounting Standard) Rules, 2006.

On July 1, 2008, the Company has early adopted AS 30 read with AS 31 - 'Financial Instruments: Presentation' effective April 1, 2008 and the limited revisions to other accounting standards which come into effect upon adoption of AS 30.

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 (April 1, 2011 for the Company).

As permitted by AS 30, during the quarter and six months ended September 30, 2008 the Company designated FCCB as a hedging instrument to hedge its net investments in the non-integral foreign operations effective July 1, 2008. Accordingly, the translation loss of Rs.1,08,29.43 lacs on the FCCBs for the quarter ended September 30, 2008 which is determined to be effective hedge of net investment in non integral foreign operations has been recognised in the translation reserve account. The amounts recognised in translation reserve would be transferred to profit and loss account upon sale or disposal of non-integral foreign operations.

Also, during the quarter, the Company has changed the accounting policy for Premium payable on redemption of FCCB. Accordingly, the premium payable on redemption is now amortized on a pro-rata basis over the period of the bonds by debiting Securities Premium Account 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.

Had the Company not early adopted AS 30 and the related limited revisions, and continued to charge the entire premium payable on redemption to the Securities premium account upfront in the year of issue of the bonds, consolidated profit after taxation for the three months and six months ended 30 September 2008 would have been lower by Rs 1,24,09.96 lacs. The effect of transition on early adoption of AS 30 has been accounted through Reserves and Surplus.

3 (b). Finance charge for the quarter and six months ended September 30, 2008 includes Rs. 5,17.50 lacs pertaining to interest provided on FCCB per AS 30.

4. Figures for the prior periods have been regrouped and / or reclassified wherever considered necessary.

5. During the quarter, 627,468 Equity shares were issued pursuant to Exercise of Options under the Employee Stock Option Schemes of the Company.

6. During the quarter, 6 complaints were received from the investors, of which 4 were resolved. No complaint was pending at the beginning of the quarter and 2 complaints were pending at the end of the quarter, which will be resolved shortly.

Segment Reporting

(Rs. in lakhs)

Particulars	Quarter ended September 30,		Six months ended September 30,		Year ended March 31,
	2008	2007	2008	2007	2008
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment Revenue					
a) UK	1,15,18.42	1,08,27.09	2,27,26.49	2,19,89.69	4,33,88.33
b) USA and Canada	2,67,43.50	1,15,98.98	5,15,64.58	2,29,87.93	6,70,51.62
c) India	45,73.32	34,10.77	86,57.33	61,80.87	1,34,44.63
d) Rest of the world	65.79	39.62	1,08.31	86.66	1,76.80
Total	4,29,01.03	2,58,76.46	8,30,56.71	5,12,45.15	12,40,61.38
Less: Inter Segment Revenue	-	-	-	-	-
Net Segment Revenue	4,29,01.03	2,58,76.46	8,30,56.71	5,12,45.15	12,40,61.38
Segment results before Tax and Interest					
a) UK	34,65.69	46,60.99	65,79.26	92,33.50	1,65,42.00
b) USA and Canada	31,24.09	718.25	55,37.92	30,86.61	64,07.20
c) India	14,00.81	816.45	29,54.13	14,00.17	37,61.56
d) Rest of the world	2.91	12.48	11.65	28.47	49.85
Total	79,93.50	62,08.17	1,50,82.96	1,37,48.75	2,67,60.61
i) Finance charges, net	(3,32.89)	(2,42.01)	(85,80.35)	3,79.51	(36,59.90)
ii) Other unallocable expenditure net of unallocable Income	(41,15.50)	(12,71.84)	(72,18.38)	(43,93.45)	(87,82.03)
Profit / (loss) before tax and minority interest	35,45.11	46,94.32	(7,15.77)	97,34.81	1,43,18.68

Capital Employed

a) UK	76,26.62	67,52.19	79,06.84
b) USA and Canada	1,32,55.54	95,47.56	1,17,06.38
c) India	35,83.92	6,93.88	8,89.64
d) Rest of the world	55.90	68.15	34.99
	2,45,21.98	17,061.78	2,05,37.85

Notes on segment information

Primary segments

The Primary segment of the company is geography, identified on the basis of the location of the customer which in the opinion of management, is the predominant source of risk and rewards. The business of the Group is organized into four key geographic segments comprising United Kingdom, United States of America and Canada, India and Rest of World.

Capital Employed

Capital employed comprises of 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.

By order of the Board
For Firstsource Solutions Limited



Amanda Mukerji
Managing Director and CEO

Mumbai, India
November 24, 2008

October 31, 2008

To:

National Stock Exchange of India Ltd. (Scrip Code: FSL)

Fax. No. 91 22 26598237

Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.

Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

(Scrip Code: 532809) Fax. No. 91 22 22723121

Dear Sirs,

Sub: Clause 41: Declaration of Audited Standalone Financial results for the quarter ended September 30, 2008

We are enclosing herewith copy of the Audited Financial results on a stand-alone basis of the Company for the quarter ended September 30, 2008 along with Auditor's Report thereon, approved by the Board of Directors of the Company at their meeting held on October 31, 2008.

With regards to para no.2 of the Auditor's report relating to the accounting for FCCB, we do not agree with the auditors view that "since AS30 is not yet notified / prescribed under the Companies (Accounting Standards) Rule 2006, it can be applied only in respect of foreign exchange transactions that have been specifically excluded from the scope of AS 11, namely forward exchange contracts to hedge risks of firm commitments / highly probable forecast transactions."

As already pointed out in note no. 3 of the financial results, the Company has early adopted AS 30 in so far as it relates to hedges. The early adoption of part of a standard is recommended by the Institute of Chartered Accountants of India (Institute) and infact the lead in this matter has been given by the Institute itself when it issued a guidance note dated 27th March 2008, requiring early application of AS 30 in respect of derivatives. Moreover, there is no other standard which specifically refers to hedge accounting.

Once a standard is early applied, the accounting treatment to be followed has to be in the same manner as would be required when the standard is notified. The accounting treatment followed by the Company is fully in accordance with AS 30 which fact is not disputed by the auditors

We request you to take the above on record.

Thanking you,
For Firstsource Solutions Limited


Carl Saldanha
Global CFO

Firstsource Solutions Limited

AUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2008

(Rs.in lakhs, except per share data)

Particulars	Quarter ended September 30,		Six months ended September 30,		Year ended March 31,
	2008	2007	2008	2007	2008
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Income from services	1,44,89.14	1,18,31.39	2,76,63.05	2,31,60.15	4,89,63.78
Other operating income	(6,56.74)	(2,14.51)	(3,38.11)	95.26	4,27.08
Total income from operations	1,38,32.40	1,16,16.88	2,73,24.94	2,32,55.41	4,93,90.86
Total Expenditure					
Personnel costs	67,57.57	58,26.59	1,31,72.80	1,14,12.76	2,36,33.22
Operating costs	42,00.43	40,09.34	87,30.30	78,19.47	1,55,87.98
Depreciation and amortisation	11,99.31	14,16.53	23,75.23	26,51.47	53,28.20
Profit before other income, finance charges and tax	16,75.09	3,64.42	30,46.61	13,71.71	48,41.46
Other income	4,27.33	(1,52.31)	7,26.44	3,53.29	10,77.94
Profit before Finance charges and tax	21,02.42	2,12.11	37,73.05	17,25.00	59,19.40
Finance charges, net					
a) Finance cost, net	(8,51.36)	(10,10.63)	(14,34.46)	(11,05.71)	(6,93.45)
b) Foreign exchange (gain) / loss on FCCB (Note 3)	-	-	80,16.25	-	19,25.00
Net profit / (loss) before tax	29,53.78	12,22.74	(28,08.74)	28,30.71	46,87.85
Provision for Taxation					
a) Current tax expenses net of MAT credit	2,04.55	1,11.54	3,98.46	1,92.34	6,39.69
b) Fringe benefit tax	43.81	40.89	92.10	76.16	2,14.41
c) Deferred tax charge /(release)	8.40	(4,75.61)	(1,74.10)	(8,79.52)	(19,30.56)
Net profit / (loss) after Tax	26,97.02	15,45.92	(31,25.20)	34,41.73	57,64.31
Paid-up Equity Share Capital (Face Value of Share Rs.: 10)	-	-	4,28,18.97	4,25,23.19	4,27,31.30
Reserves excluding Revaluation Reserve	-	-	-	-	2,01,96.62
Earning Per Share (Rs.) : (Not Annualized)					
-Basic	0.63	0.36	(0.73)	0.81	1.35
-Diluted	0.49	0.35	(0.73)	0.77	1.24
Aggregate of non- promoter shareholding (unaudited)					
- Number of shares of Rs. 10	313,696,085	318,981,922	313,696,085	318,981,922	312,807,371
- Percentage of shareholding	73.26%	75.02%	73.26%	75.02%	73.20%

Notes to financials results :

- The above results were reviewed by the Audit Committee and taken on record by Board of Directors at their meeting held on October 31, 2008.
- The above financial results do not include the consolidated financial results of the company. The consolidated financial results for the quarter and half year ended September 30, 2008 would be published by end of November, 2008.
- In accordance with the guidance note dated March 27, 2008 issued by the Institute of Chartered Accountants of India, the Company had made an early adoption of the proposed standard on the Financial Instruments: Recognition and Measurement (AS) 30 with effect from March 2008 in so far as it relates to the derivatives. The Company has decided that with effect from July 1, 2008 it shall similarly make an early adoption of AS30 in so far as it relates to hedging. Accordingly, the FCCB issued by the Company has been designated as a hedging Instrument to hedge its net investment in non Integral foreign operations and the translation loss of Rs.1,08,07.50 lacs during the quarter on the FCCBs has been transferred to the hedging reserve account. Had this change in the accounting policy not been made there would have been a foreign exchange loss on FCCB in the financial results for the quarter of Rs.1,08,07.50 lacs and for the six month ended September 30, 2008 of Rs. 1,88,23.75 lacs respectively and there would have been a reduction in the profit for the quarter and for the six month ended September 30, 2008 by Rs. 1,08,07.50 lacs. This has been a matter of reference in report of statutory auditors.
- During the quarter, the Company has changed the accounting policy for Premium payable on redemption of FCCB. Accordingly, the premium payable on redemption is now amortized on a pro-rata basis over the period of the bonds by debiting Securities Premium Account 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. Had the Company continued to follow the earlier policy, the profit for the period then ended would have been lower by Rs 11,87.83 lacs.
- Figures for the prior periods have been regrouped and / or reclassified wherever considered necessary.
- During the quarter, 6,27,468 Equity shares were issued pursuant to Exercise of Options under the Employee Stock Option Schemes of the Company.
- During the quarter, 6 complaints were received from the investors, of which 4 were resolved. No complaint was pending at the beginning of the quarter and 2 complaints were pending at the end of the quarter, which will be resolved shortly.

Segment Reporting

(Rs.in lakhs)

Particulars	Quarter ended September 30,		Six months ended September 30,		Year ended March 31,
	2008	2007	2008	2007	2008
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment Revenue					
a) Europe	81,29.00	70,94.95	1,58,08.61	1,43,39.72	3,01,38.43
b) USA and Canada	18,31.22	15,77.34	32,85.62	33,12.88	65,70.68
c) India	44,63.12	31,19.48	84,60.51	54,20.89	1,20,77.87
d) Rest of the world	65.80	39.62	1,08.31	86.66	1,76.80
Total	1,44,89.14	1,18,31.39	2,76,63.05	2,31,60.15	4,89,63.78
Less: Inter Segment Revenue	-	-	-	-	-
Net Segment Revenue	1,44,89.14	1,18,31.39	2,76,63.05	2,31,60.15	4,89,63.78
Segment results before Tax and Interest					
a) Europe	33,92.43	30,76.80	66,77.43	62,99.29	1,20,87.76
b) USA and Canada	7,50.64	5,29.29	12,03.22	13,50.56	22,55.10
c) India	12,90.43	10,42.28	26,68.23	13,24.80	35,66.99
d) Rest of the world	2.91	12.49	11.65	28.47	49.85
Total	54,36.41	46,60.86	1,05,60.53	90,03.12	1,79,59.70
i) Finance (charges), net	8,51.36	10,10.63	(65,81.79)	11,05.71	(12,31.55)
ii) Other unallocable (expenditure) net of unallocable income	(33,33.99)	(44,48.75)	(67,87.48)	(72,78.12)	(1,20,40.30)
Profit / (loss) before tax and minority interest	29,53.78	12,22.74	(28,08.74)	28,30.71	46,87.85

Capital Employed

a) Europe	73,68.62	91,92.84	79,67.38
b) USA and Canada	44,72.61	13,70.89	21,45.44
c) India	34,83.17	56.95	7,19.59
d) Rest of the world	55.90	68.15	34.99
	1,53,80.30	1,06,88.83	1,08,67.40

Notes on segment information

Primary segments

The Primary segment of the Company is geography, identified on the basis of the location of the customer which in the opinion of management, is the predominant source of risk and rewards. The business of the Company is organized into four key geographic segments comprising United States of America and Canada, Europe, India and Rest of World.

Capital Employed

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

By order of the Board
For Firstsource Solutions Limited



Ananda Mukerji
Managing Director and CEO

Mumbai, India
October 31, 2008

BSR & Co.(Registered)
Chartered AccountantsKPMG House
Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel, Mumbai - 400 013
IndiaTelephone +91(22) 3989 6000
Fax +91(22) 3983 6000**Auditors' Report on Quarterly Financial Results and Year to Date Results of Firstsource Solutions Limited Pursuant to Clause 41 of the Listing Agreement****To the Board of Directors of Firstsource Solutions Limited**

We have audited the quarterly financial results of Firstsource Solutions Limited ('the Company') for the quarter ended 30 September 2008 and the year to date results for the period from 1 April 2008 to 30 September 2008, attached herewith, being submitted by the Company pursuant to the requirements of Clause 41 of the Listing Agreement. These quarterly financial results as well as the year to date financial results have been prepared on the basis of the interim financial statements, which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial results based on our audit of such interim financial statements, which have been prepared in accordance with recognition and measurement principles laid down in Accounting Standard (AS) 25 'Interim Financial Reporting', prescribed by Companies (Accounting Standard) Rules 2006, and other accounting principles generally accepted in India.

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

1. Without qualifying our opinion, we draw attention to Note 4 to the audited financial results. During the period, the Company has changed the accounting policy for Premium payable on redemption of Foreign Currency Convertible Bonds ('FCCB' or 'the bonds'). Accordingly, the premium payable on redemption 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, inter-alia, the profit for the quarter and six months ended 30 September 2008 would have been lower by Rs 1,187.83 lacs.
2. *We draw attention to Note 3 of the audited financial results regarding accounting for exchange difference on restatement of foreign currency convertible bonds (FCCB). With effect from 1 July 2008, the Company has early adopted AS 30 - "Financial Instruments: Recognition and Measurement", issued by the Institute of Chartered Accountants of India and designated the FCCB as hedging instrument to hedge its net investments made through a subsidiary in a non-integral foreign operation, thereby partially applying the accounting treatment as per AS 30. 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. 1,08,07.50 lacs for the quarter ended 30 September 2008 has been recognised in Hedging Reserve Account.*



BSR & Co.

Auditors' Report (Continued)**Firstsource Solutions Limited**

Accounting Standard 11 - "Effects of Changes in Foreign Exchange Rates" prescribed under the Companies (Accounting Standards) Rules, 2006 (AS 11) requires exchange differences on amounts of liabilities and borrowings to be recognised as income or expense in the period in which they arise. However, the Company has not remeasured the related investment at fair value as is required to apply hedge accounting provisions of AS 30 to the transaction in their entirety.

In our view, since AS 30 is not yet notified/prescribed under the Companies (Accounting Standards) Rules, 2006, it can be applied only in respect of foreign exchange transactions that have been specifically excluded from the scope of AS 11, namely forward exchange contracts to hedge risks of firm commitment/highly probable forecast transactions. Thus exchange differences on FCCB liability, including those intended to hedge net investment in a foreign operation, fall within the scope of AS 11. Consequently, the profit as per the audited financial results for the quarter ended 30 September 2008 is higher and loss for the six months ended 30 September 2008 is lower by Rs 1,08,07.50 lacs each.

3. In our opinion and to the best of our information and according to the explanations given to us, read with paragraph 1 and subject to paragraph 2 above, these quarterly financial results as well as the year to date results:
 - i. are presented in accordance with the requirements of Clause 41 of the Listing Agreement in this regard; and
 - ii. give a true and fair view of the net profit and other financial information for the quarter ended 30 September 2008 as well as the year to date results for the period from 1 April 2008 to 30 September 2008.
4. Further, we also report that we have, on the basis of books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings as furnished by the Company in terms of Clause 35 of the Listing agreement and found the same to be correct.

For BSR & Co.
Chartered Accountants

B. K. Dhupelia

Bhavesh Dhupelia
Partner

Membership No: 042070

Mumbai
31 October 2008