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firstsource

ANNUAL REPORT 2010

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REGISTERED OFFICE: 6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013, India. www.firstsource.com
STATUTORY AUDITORS: BSR and Co; Chartered Accountants, KPMG House, Kamala Mills Compound, 448, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.
REGISTRARS AND TRANSFER AGENTS: 3i Infotech Limited, Tower # 5, 3rd to 6th Floors, International Infotech Park, Vashi, Navi Mumbai 400 703, India.

BANKING & FIN
CIAL SERVICES
DOMAIN EXPERTISE
INDUSTRY CERTIFICATIONS
HEALTHCARE
Emergency
Room
MORTGAGE
SMARTPHONES
CREDIT CARDS
TELECOM AND
DOW JONES
PLATFORMS
OUTCOME BASED PRICING
BUSINESS IMPACT
PHONE CARD
CIGARETTES
CANDY
DRINKS
ATM

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BOARD COMMITTEES

AUDIT COMMITTEE :

Y. H. Malegam, Chairman

Dr. Shailesh J. Mehta, Ananda Mukerji

Charles Miller Smith

COMPENSATION CUM BOARD GOVERNANCE COMMITTEE :

Dr. Shailesh J. Mehta, Chairman

K. P. Balaraj, Charles Miller Smith

Ananda Mukerji

INVESTORS GRIEVANCE COMMITTEE :

Dr. Shailesh J. Mehta, Chairman

Matthew Vallance, Mohit Bhandari

BOARD OF DIRECTORS

STANDING FROM L TO R:
MOHIT BHANDARI*
K. P. BALARAJ
ANANDA MUKERJI #
MANAGING DIRECTOR & CEO,
DONALD LAYDEN JR
LALITA D. GUPTE*#
CHARLES MILLER SMITH,
DR. ASHOK GANGULY,** CHAIRMAN
MATTHEW VALLANCE, CEO DESIGNATE
Y. H. MALEGAM,
DR. SHAILESH J. MEHTA**
RAM CHARY*

SENIOR MANAGEMENT TEAM

STANDING FROM L TO R:
VRINDA WALAVALKAR,
SR. VP, CORPORATE COMMUNICATIONS,
SANJIV DALAL, CHIEF TECHNOLOGY OFFICER
AASHU CALAPA, PRESIDENT HR
& COUNTRY MANAGER-INDIA
CARL SALDANHA, GLOBAL CFO
SANJEEV SINHA, HEAD- BFSI,
TOM WATTERS, HEAD- HEALTHCARE
CHANDRA IYER, HEAD - ASIA BUSINESS UNIT
CHANDEEP SINGH, EVP, PROCESS EXCELLENCE
SITTING FROM L TO R:
SANTANU NANDI, HEAD-TELECOM & MEDIA,
MATTHEW VALLANCE, CEO DESIGNATE
ANANDA MUKERJI, MANAGING DIRECTOR & CEO

*Shareholder Director # Resigned w.e.f. July 27, 2010 ** Dr.Ashok Ganguly has resigned from the board and Dr. Shailesh J. Mehta has taken over as chairman of the board w.e.f July 27, 2010

FROM THE CHAIRMAN'S DESK

The worst of the global economic downturn seems to be gradually receding, although the crisis in Greece and Spain continue to be viewed with concern around the world.

Given the difficult economic scenario, your Company has performed excellently. Since Firstsource was launched as a strategic investment by ICICI Bank in 2002, it has established a track record of superior performance amongst its peer group. This year's performance is particularly noteworthy as it was driven organically, reflecting the effectiveness of the new verticalised organisation structure which was created and effectively led by Ananda Mukerji, the MD and CEO.

I also wish to compliment the heads of the vertical business groups for their performance, and who were very ably assisted by the heads of Technology, HR and Finance. The superior performance could not have been achieved without the dedication and hard work of each of our employees around the world.

Well managed pure play BPO companies like Firstsource will continue to remain attractive to outsourcing clients for their specialised skills and business focus compared to full service providers.

I wish to put on record my appreciation for the support received from the shareholders and thanks to the members of the Board of Firstsource for their role in this year's business performance.

A S GANGULY

LETTER FROM THE MANAGING DIRECTOR AND CEO

As had been anticipated at the beginning of the year the business environment during the year under review was challenging. While our key markets of USA and UK did see recovery in their economies, companies continued to face growth and profitability challenges. Furthermore, while economies registered positive growth in their GDPs, unemployment continued to remain high.

In spite of all these factors, your Company posted strong results in FY 2010 both in terms of revenue growth and improvement in profitability. During the year revenues grew by 12.7% to Rs. 19,708 million and operating EBIT margin expanded by 190 bps to reach 9.8%. The performance with our clients has also continued to be very encouraging with 8 of the top 10 clients having grown business during the year. We were also able to sign on a number of major new customers including a leading UK Telecom service provider, 2 top 15 US credit card issuers and a leading issuer of prepaid debit cards in US. We have also witnessed good momentum in the Healthcare provider segment with 60% increase in business wins during the year.

Clearly initiatives which were taken in the earlier years are now starting to show results. The organizational restructuring into four large independent business units primarily based on industry verticals has been fully operationalised and the resultant enhanced focus on the market and customers has been very well appreciated by customers. It is now beginning to clearly differentiate your Company from other BPO companies in terms of areas of specialization and domain expertise, which is key for success in the business.

Business outlook is looking much more positive today. It appears likely that while the threat of a double dip recession has not yet entirely receded, the likelihood of that is relatively low. However it is also clear that the recovery trajectory is not going to be sharp but very gradual. Furthermore, new and enhanced regulation is going to require changes in operating models for companies, particularly in the banking and healthcare industries, two of our key industry verticals. As a result of this, the need for companies to manage costs and improve efficiencies is even more so today and they are increasingly looking to strategic business partners to help them in this area. Your Company has positioned itself well in these markets and stands to benefit from the new opportunities which will open up.

This is my last letter to you as your MD & CEO. After nearly 9 years in this role, I will be stepping down to pursue other opportunities. I will however continue to serve on the Board as the non-executive Vice Chairman and hope to contribute to the continued growth and development of the company. Matthew Vallance, who has been a part of the executive leadership of your Company from the beginning and is the current Joint Managing Director will be taking over from me and I am confident will lead the company to greater heights. It has been an honour and a privilege to have led your Company from its inception to, what is today, one of the top BPO companies in the country and I want to thank you for your confidence and support over the years.

ANANDA MUKERJI

MD & CEO

LETTER FROM THE CEO DESIGNATE

Prior to the announcement of our financial results for the year, we announced Firstsource's succession plans, specifically that I would succeed Ananda Mukerji as Managing Director and CEO in July 2010.

My career with Firstsource dates back to the first acquisition that the company made, back in 2002. I had been part of the start-up management team in 2000 of a Bangalore-based outsourcing company called CustomerAsset and, after two years of building a business in the sunrise BPO industry, we joined the Firstsource fold.

I have been working with Ananda Mukerji ever since then, and the two us have formed a strong partnership. I feel fortunate to have had the opportunity to learn many things during the time we have worked together. Ananda's vision, intelligence and hard work are legendary in Firstsource. And his absolute focus on the customer, setting standards of governance and desire to be transparent with all employees has guided much of the behaviour we see in the company today.

While acknowledging the rich legacy that I inherit as CEO of the company, I look to the future with optimism and believe that there is still much that can be done in the world of outsourcing and a big role that Firstsource can play.

Our focus on vertical business lines will stand us in good stead, and we need to move now to an even greater level of specialization and bring ever increasing business impacting change to our clients. As an India-headquartered company with a mature onshore- offshore operational model we have a distinctive positioning.

I am delighted that the Board has given me the opportunity to take over from Ananda Mukerji and lead the company in its next phase of development, and look forward to working for you, the shareholders of the company, to bring value over the coming years.

MATTHEW VALLANCE

HIGHLIGHTS

- **COMPLETED ORGANISATION RESTRUCTURING** initiated last year. The vertical domain focus has become an important market differentiator
- **EXPANDED RELATIONSHIPS WITH EXISTING CLIENTS.** 8 of the top 10 clients, grew business this year. We also added marquee client logos with significant growth potential.
- **CONTINUED TO EXPAND MARGINS** with 190 basis points expansion in operating EBIT margins to reach 9.8% in fiscal 2010.
- **CONTINUED TO SCALE GLOBAL OPERATIONS** to reach 24,860 employees across India, US, UK and Philippines.
- **BOUGHT BACK USD 12.9 MILLION FACE VALUE OF FCCBS** at an attractive discount. Outstanding FCCBs now at USD 212.4 million compared to originally issued USD 275 million.

GLOBAL RECOGNITION

- **RECEIVED THIRD ANNUAL HFMA PEER REVIEW DESIGNATION** for a suite of healthcare revenue cycle management services.
- **BECAME A US GENERAL SERVICE ADMINISTRATOR (GSA) CONTRACTOR** under the multiple award schedule (MAS) of the US government. This allows the company to provide services to federal, and state governments.
- **RANKED # 2 AMONGST EXTENDED BUSINESS SERVICE PROVIDERS FOR HEALTHCARE BUSINESS** by KLAS.
- **RECEIVED PROFESSIONAL PRACTICES MANAGEMENT SYSTEMS (PPMS) CERTIFICATION**, putting our accounts receivables operations on par with industry best practices and policies.
- **RECOGNISED IN THE ANNUAL FINTECH100 RANKING** of global technology, service and data providers to the financial services industry. Firstsource was the only Indian pure-play BPO to feature in this ranking.

AWARDS

- **WON THE UK TRADE & INVESTMENT'S (UKTI) INDIAN INVESTOR OF THE YEAR AWARD**
- **RECOGNISED AS ONE OF THE TOP 100 COMPANIES IN THE WORLD** by CIO magazine for innovative use of IT.
- **RECOGNIZED AMONG TOP 25 COMPANIES IN INDIA** by The Institute of Company Secretaries of India (ICSI) for excellence in Corporate Governance for the year 2009.
- **WON IN 2 CATEGORIES AT INTERNATIONAL QUALITY AND PRODUCTIVITY CENTER (IQPC) SIX SIGMA EXCELLENCE AWARDS, ORLANDO, USA** - Best process improvement in service & transaction project and deployment leader of the year.
- **WON THE NATIONAL OUTSOURCING ASSOCIATION (NOA) AWARD** for Best Telecommunications, Utilities and Hi-Tech Outsourcing Project.

CIO AWARDS


NOA AWARDS


SIX SIGMA AWARDS

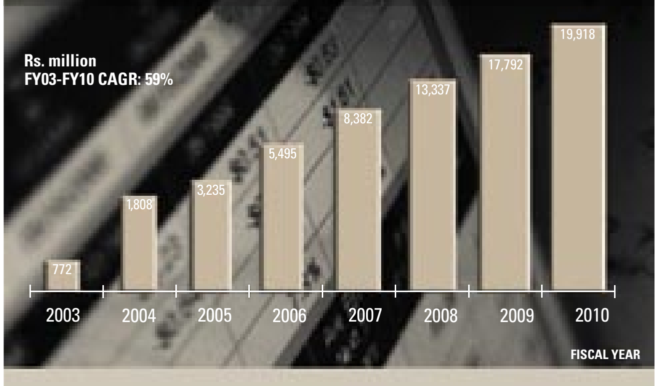
CONSOLIDATED FINANCIAL PERFORMANCE

RUPEES MILLION, EXCEPT PER SHARE DATA	FISCAL 2010	FISCAL 2009	GROWTH
Revenue from operations	19,708	17,494	13%
Other Income	210	298	-30%
Total Income	19,918	17,792	12%
Operating EBITDA(Earnings before Interest, Tax and Depreciation)	2,721	2,206	23%
Operating EBIT(Earnings before Interest and Tax)	1,849	1,245	48%
Profit before Tax	1,603	507	216%
Profit after Tax	1,361	307	344%
Earnings per share (EPS) - Basic	3.17	0.72	340%
Earnings per share (EPS) - Diluted	2.84	0.72	294%

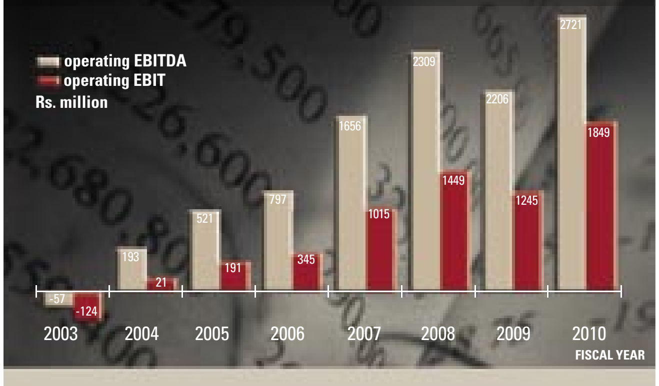
CONSOLIDATED FINANCIAL POSITION

RUPEES MILLION	FISCAL 2010	FISCAL 2009
Goodwill	20,726	22,876
Fixed Assets	1,838	2,261
Investments	1,005	18
Net Current Assets	4,248	2,499
Deferred Tax Asset	55	141
Application of Funds	**27,872**	**27,795**
Shareholders Funds	14,244	13,794
Minority Interest	50	55
Loan Funds	13,578	13,946
Source Of Funds	**27,872**	**27,795**

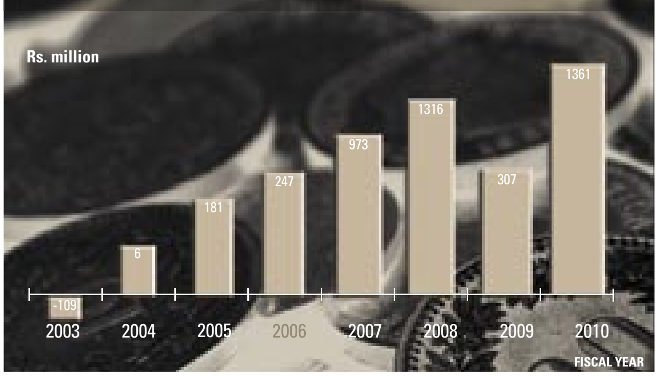
TOTAL INCOME



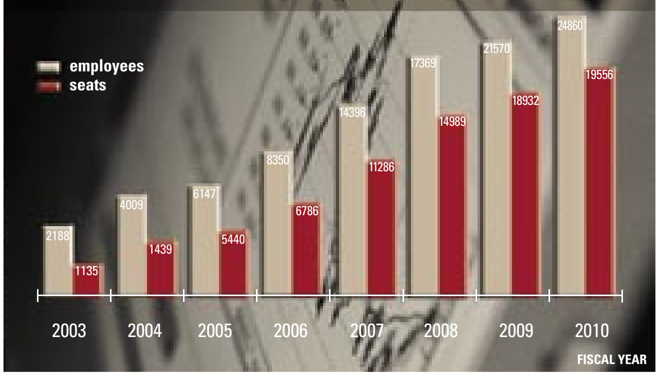
OPERATING EBITDA & OPERATING EBIT



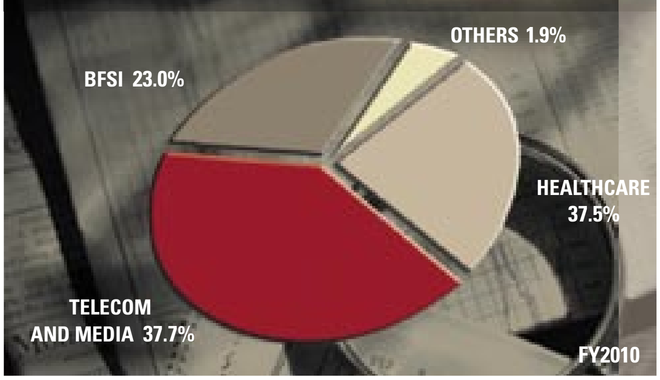
PROFITS AFTER TAX

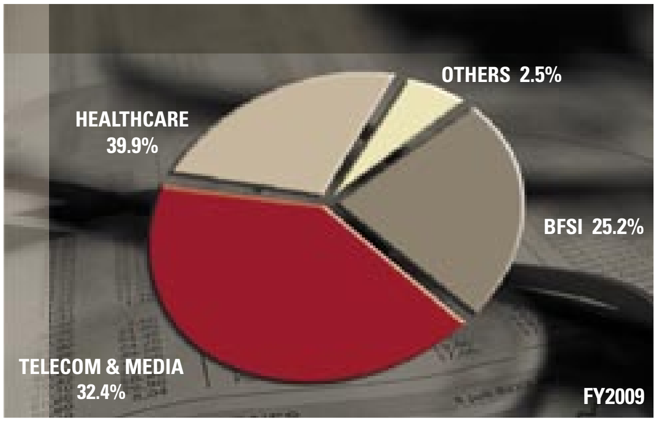


EMPLOYEES, SEATS

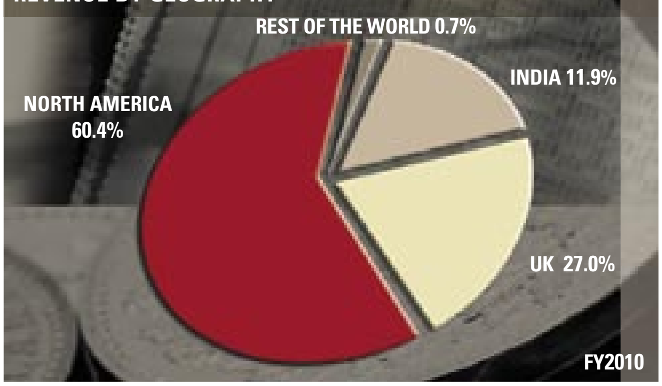


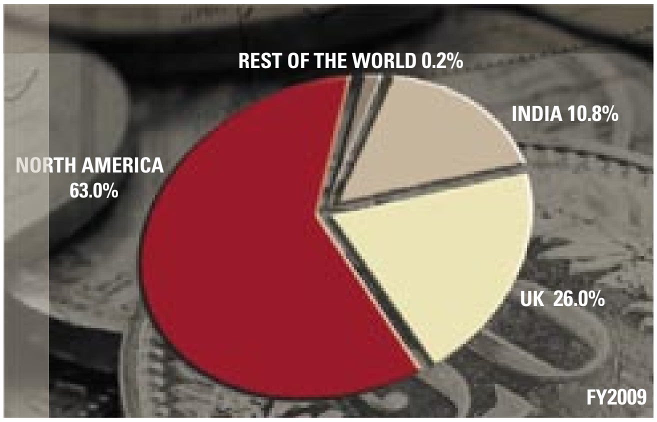
REVENUE BY INDUSTRY





REVENUE BY GEOGRAPHY





This has been a remarkable year for the Healthcare business by many measures, as well as a year of transformative change for our company and industry.

Our commitment to growth resulted in us bringing both the payer and provider segments of our business together to create a consolidated business unit. Aligning these segments into a single, unified vertical has allowed us to enhance our value proposition by being a one-stop, single source solutions provider when clients are looking for a business process outsourcing partner.

Our provider segment has, and will continue, to focus on provision of our core lines of business in Receivables Management, Collections and Enrollment/Eligibility Services to hospitals who utilize our partnership toward reducing their administrative burden while improving their overall results. The payer side of our business unit continues its focus on providing mail room, claims processing and adjudication, as well as member enrollment services to insurers who recognize outsourcing as a best practice solution allowing these organizations to achieve their quality and cost containment goals and objectives.

Throughout this past year, the external environment posed challenges such as recovery from the economic recession and the uncertainty throughout the debate around healthcare reform. However with steadfast management of our business and excellent client relationships that we are fortunate to enjoy, our company has emerged stronger, renewed and prepared.

We have watched the passage of landmark healthcare reform in the U.S. and are poised, both onshore and offshore, to proactively respond to the ample business opportunities that reform is certain to bring.

Recognizing these changes were on the horizon, we have put much focus throughout the year on building a solid foundation on which to grow, with particular focus on operations, process excellence and client satisfaction. During the past year, we have seen an increased level of interest in business process outsourcing services, most notably in the payer segment, as immediate reform mandates took effect for insurers who responded by looking for ways to manage their medical loss ratios and decrease their administrative operating expenses. Similarly, our provider clients have looked to us as an outsourcing partner as they seek to respond to anticipated cuts in payments from Medicare which will require hospitals to reduce costs and improve efficiencies in the delivery of their healthcare services. Also, because we anticipate the need for Enrollment Services to sustain over the decade-long implementation of reform, we believe we are well-positioned to provided Eligibility Services on a forward-going basis. Our culture of operational excellence is thriving and was bolstered this year as we introduced the rigor of Six Sigma, whose methodologies will guide us in making continuous improvements to our processes. We welcomed new associates who are helping us expand our capabilities into areas such as the Premium Partnership Program. This will leverage our deep content expertise through the outsourcing of a hospital's business office to us. We have anticipated the needs of our payers as well by offering solutions related to enrollment, document management and contact center services. We will continue to bring these and other solutions to bear on behalf of our clients, who remain core to all that we do.

We were once again honored to be recognized by the Healthcare Financial Management Association (HFMA) as a Peer-Reviewed organization for a third consecutive year, and received a ranking of #2 in the KLAS Survey as a leader in the provision of revenue cycle services. Also, we continue to listen to our clients and look at areas of expansion where we may best be able to respond to their needs and were recently awarded the General Services Administration (GSA) certification that will allow us to provide solutions to the Federal government.

Our focus during the next fiscal year will be to continue to grow our business and also to ensure that our clients, both those with whom we have an existing relationship, as well as those we are building new partnerships with, understand the wide array of products and services we can provide toward solving their business problems. We anticipate also that the nature of these problems will become more complex due to the mandates involved with healthcare reform, and thus we will continue to build our capabilities to ensure we are always, and at the very least, one step ahead of recognizing our client's needs and tomorrow's solutions.

The events of this year have afforded us a springboard into the future, and we look forward to the many positive opportunities on the horizon for our growth and further transformation.

THOMAS J. WATTERS - HEAD, HEALTHCARE

Our commitment to growth resulted in strong financial performance while balancing many initiatives, including bringing both the payer and provider segments together to create a consolidated business unit. Aligning these segments into a unified vertical has allowed us to increase our value proposition to our clients by being able to offer one-stop, single source solutions when looking for a business process outsourcing partner.

This has been a tough business year for our clients with both the US and UK recovering from a recession. There was pressure on costs and telecom service providers were looking at cheaper ways to service customers even as they struggled to increase sales. A number of providers were also looking at vendor consolidation to get economies of scale.

Against this backdrop, the Telecom & Media (T&M) business focused on two key fronts. One being to put in place the people, processes and services to help us consolidate our position in the T&M marketplace and the other being the development of a long-term strategy underpinned by a T&M Centre of Excellence that would help drive profitable and sustainable growth.

We have made significant progress on both fronts:

- A new structure was put in place to re-align the Client Management & Operations teams to focus exclusively on our T&M clients, and that team delivered strong organic growth this year from existing clients. We succeeded in broadening and deepening relationships and today we are partnering our clients across more product/service lines, more delivery channels and more global delivery locations.
- Our organic growth has been adequately supplemented by important new client wins with some marquee new logos added to our already impressive client roster. These client wins will be the growth engines for tomorrow.

- The T&M centre of excellence (CoE) that we set up this year is part of our long-term strategy development programme. The CoE will help us identify key opportunities and growth areas and we are putting in place a framework that will help us convert these opportunities into with winning go-to-market products and services.

SOME OF OUR OTHER KEY ACHIEVEMENTS THIS YEAR HAVE BEEN:

- Expansion of operations to the Philippines offshore delivery location for a Fortune 50 North American telecom carrier
- Expansion of our global delivery network to include UK onshore services for one of the Top 3 UK mobile/ wireless companies
- Extension of our North American expertise in complex enterprise telecom order processing and provisioning services to the UK market through a long-term contract with one of UK's market leaders
- Extension of services including strategic Sales/ Customer Acquisition through emerging channels to a number of our clients
- Entry into Australia by signing a contract with a Cable & Satellite TV company

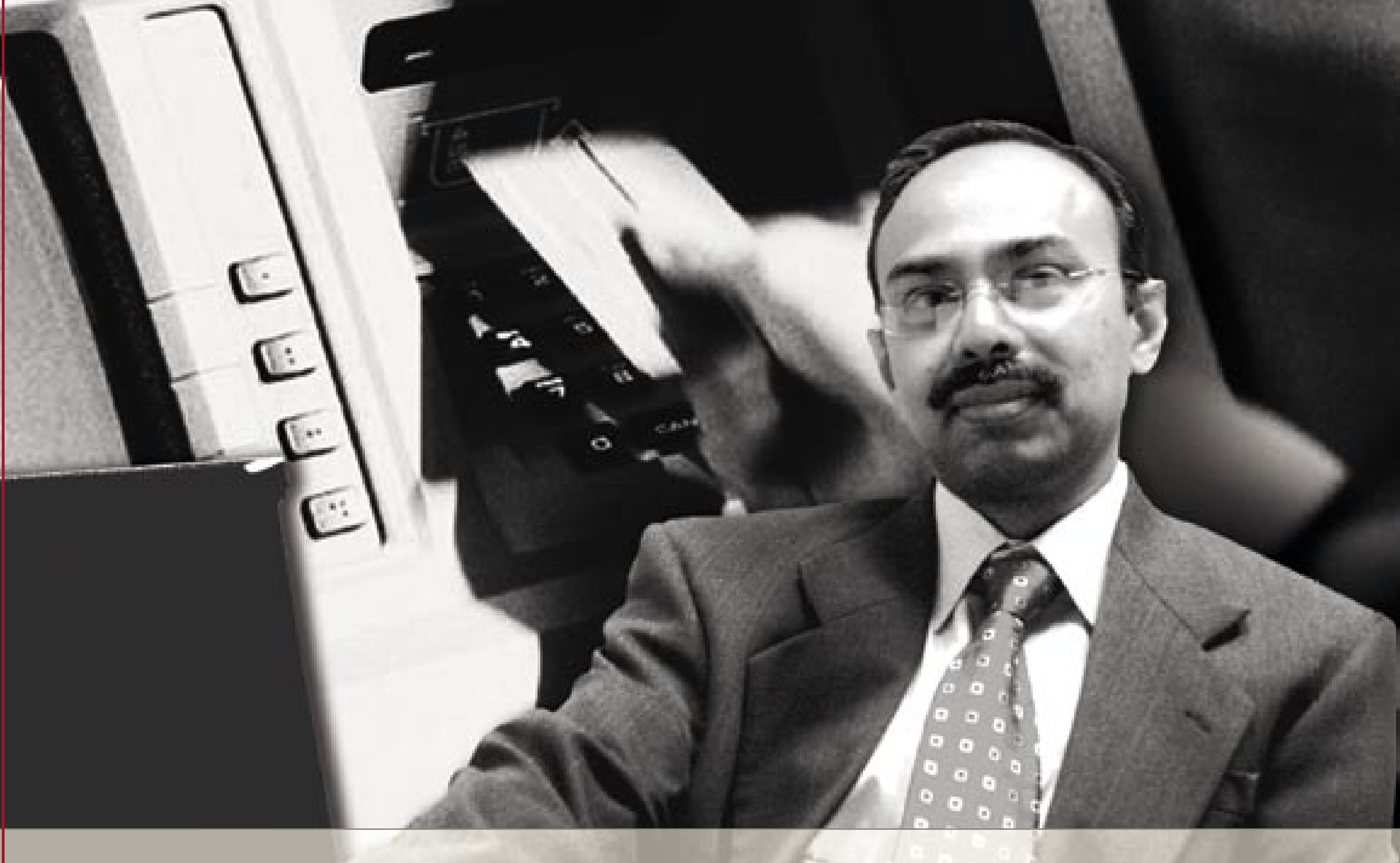
Our performance in a tough year has been heartening and it makes us confident that our strategy of organizing along industry lines was indeed the right one. The Telecom & Media industry is one of the largest users of BPO and given the oligopolistic nature of this industry, this industry will look to work with players who can provide large-scale flexible solutions across countries. With over 17,500 employees who service some of the largest telecom & media clients, which includes nearly 10,500 employees in our Asia Business unit, we are one of the leading service providers to this industry worldwide.

The adoption of 3G technologies, the increasing use of smart phones and the convergence of technology across enterprises and homes will lead to many new opportunities and services that we can help our clients with. Our prospects and clients will look to provide an Anytime, Anywhere, Any Device communication and entertainment service to their customers and our demonstrable experience of delivering services at scale across Wireless/ Mobile, Wireline/ Fixed, Cable & Satellite TV, and Broadband/ High speed Internet using a global delivery model positions us well to be their service provider of choice. We also expect an increase in adoption of alternate service channels and we are working on strengthening our offerings through these channels.

We have some work to be done in areas like further strengthening our Philippines offshore delivery infrastructure and cross-selling of our contact centre capabilities into other markets. We will be concentrating on this as well as developing new products and services in the coming year. We have put in place a robust strategy to improve our performance further and to seize market opportunities. We look forward to implementing that programme and a great year ahead.

SANTANU NANDI - HEAD, TELECOM AND MEDIA

We succeeded in broadening and deepening relationships and today we are partnering our clients across more product/ service lines, more delivery channels and more global delivery locations. Our organic growth has been adequately supplemented by important new client wins with some marquee new logos added. These client wins will be the growth engines for tomorrow.



The financial crisis that began in September 2008 was unprecedented. It led to the single largest decline in financial markets since the Great Depression of the 1930s, a full-blown recession in both our key markets – North America & UK, and a fundamental restructuring of the financial services industry. It is therefore no mean achievement that we grew revenues for the year and we also added new clients.

Throughout the past year we focused on retaining and, wherever possible, growing existing client relationships. We also succeeded in adding new logos to our existing list of clients. In a challanging business environment we retained every one of our Top 10 BFSI clients. This is not to say that we have not had challenges.

Most of our BFSI clients have been impacted by the global financial crisis. The high unemployment rates in the US (9.7%) hit liquidation rates on debt in our debt collection business, the dramatic fall in UK mortgage activity led to lower mortgage origination and servicing volumes in our mortgage BPO business. The consolidation, restructuring and integration focus at our client's UK retail banking business meant no business decisions on areas we support them on.

We have managed to successfully face these challenges by maintaining a focus on being a part of the solution for our clients, rather than a part of their problem. We have provided more flexibility within our operations and contracts, created a lot more jobs onshore in client geographies, even gone to the extent of re-skilling and re-tooling employees to do higher skilled jobs such as customer insight and analytics within some of our client programmes.

Like in our Telecom & Media vertical, we focused on putting in place the people, processes and technologies to help us consolidate our position in our marketplace and developing a long-term strategy underpinned by a BFSI Centre of Excellence that helps drive profitable and sustainable growth. I am happy to report that we have made good progress on both of these fronts:

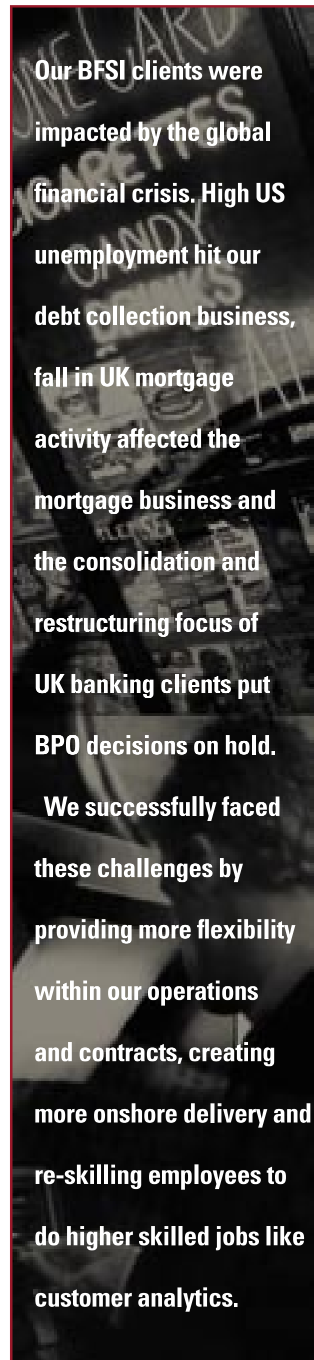
- We re-aligned the Client Management & Operations teams to focus exclusively on our BFSI clients, and that team has achieved strong organic growth from existing clients as we have broadened and deepened our relationships with them across more product/ service lines, more delivery channels and more global delivery locations. This growth has been adequately supplemented by some key new client wins, the growth engines for tomorrow.
- During FY10 we also kick-started two important initiatives. A long-term strategy development programme that will help us deliver the profitable growth we need tomorrow and into the future, and the setting up of a BFSI Centre of Excellence that will help us provide best-in-class service by being at the cutting edge of service delivery for our clients. These initiatives have already helped us identify the key opportunities and growth areas in our marketplace and we are putting in place a framework and a programme of action to develop profitable plans that will capitalize on these opportunities.

SOME OF THE SPECIFIC ACHIEVEMENTS FOR THE YEAR THAT I WOULD LIKE TO HIGHLIGHT ARE:

- Expansion of our global delivery network to include Philippines offshore delivery for one of the Top 10 US credit card issuers
- Expansion of our UK Retail Banking programme to include a Customer Insight & analytics programme that is delivering tangible business value in the millions of pounds to the client
- Expansion of our cards capability from credit cards to pre-paid/ stored value cards, one of the fastest growing segments of the North American cards market with the contract win with Unirush
- Addition of a couple of large card issuers to our list of recoveries clients

We are approaching FY11 with the cautious optimism that our investments in our business, operations, service excellence, and client relationships will position us well to benefit from the improvements that are bound to arise in the global BFSI industry and look forward to sharing these with you in the coming year.

SANJEEV SINHA - HEAD, BFSI



Our BFSI clients were impacted by the global financial crisis. High US unemployment hit our debt collection business, fall in UK mortgage activity affected the mortgage business and the consolidation and restructuring focus of UK banking clients put BPO decisions on hold. We successfully faced these challenges by providing more flexibility within our operations and contracts, creating more onshore delivery and re-skilling employees to do higher skilled jobs like customer analytics.

Throughout the past year the Asia Business Unit (ABU) remained focused on the Indian domestic market. The Indian domestic BPO market is one of the high-growth services segment and is fast achieving maturity in terms of quality and capabilities needed from outsourcing partners.

According to industry body NASSCOM, the domestic India BPO services market estimated to grow by 22 percent year on year in FY 2010. However, in keeping with Firstsource's track record of growing faster than the rest of the industry, the ABU, in comparison grew at 27% year on year.

As most of you are aware, your company was early in spotting the Indian domestic opportunity. Over the past year, we have capitalized on this early entry and have been able to consolidate our position. Firstsource's ABU is now well entrenched in the domestic BPO arena, with some of the top companies to boast of as clients. This is helping us build excellent credibility and brand equity around our service delivery model.

The value proposition that we offer the Indian market is one we have had to build from scratch. This is mainly because cost savings arising out of labour arbitrage, which was the main driver in the early days of our international business, were never the drivers for us in the Indian domestic market. Here clients come to us for a totally different value proposition. This includes best-in-class services standards, the capability to run very large pan-India operations and a deep understanding of regional nuances of this market.

We have successfully demonstrated this ability. Today 3 of India's top 5 private Telecom companies are our clients. We have built a 10,000+ people strong operation, with 15 delivery centres and the capability to offer customer management in 14 different Indian languages.

However, the global downturn also left its mark on India and several of our clients were looking to lower costs of customer management. Additionally, telcos are expecting the next wave of customers to come from semi-urban and rural markets, indicating a paradigm shift in marketing and customer service practices targeted at the rural segment.

We felt this was an opportunity to relook at our delivery model and make it more competitive. A significant part of the past year was spent in restructuring our delivery model. We believe we now have a very competitive structure in place and we hope to significantly improve our operating margins during the course of 2010-11.

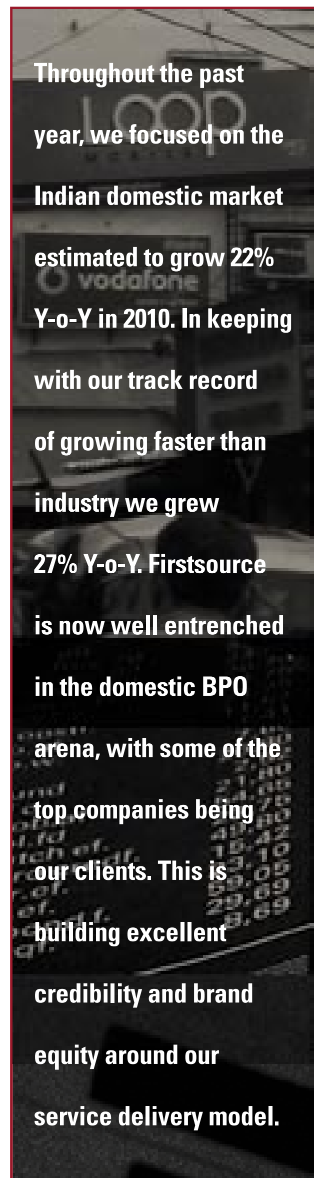
In the latter half of the year we also turned our attention to the Banking and Financial services sector of the Indian market. This we did for three reasons. One was to diversify our risks since over 90% of our current revenues come from the Telecom Industry. The second was because we had considerable expertise in the international banking sector which we felt could add value to clients. And lastly, the Banking and Insurance sector which thus far had not been as aggressive as the Telecom Industry in adopting outsourcing, was now coming around to examining its strategic benefits. Some leading organizations of this sector were taking steps in this direction. I am pleased to share that our initial steps in this space have met with success and we have successfully signed 2 new clients .

In the coming year we intend to continue to increase our focus on the Indian banking and financial services sector. With the RBI poised to release licenses to new banks for opening branches in India, we expect to see demand from this segment for contact service and other customer lifecycle management services. We see ourselves well poised to fulfill these demands, with our global knowledge and domestic reach.

In the telecom sector too we see a lot of emerging opportunities. Presently the Domestic BPO space is seeing significant technology intervention with digital channels gaining importance in customer interface, akin to the trends in international markets. Our global experience of servicing such needs should enable us to benefit from this trend and provide these niche services to the domestic market.

In conclusion, this past year we have been able to add new clients, win additional business from existing clients, diversify into the financial services sector and add new services and processes to our existing portfolio of telecom services. I see this continuing in the year to come with one significant additional achievement: we will improve operating margins!

CHANDRA IYER - HEAD, ABU



Throughout the past year, we focused on the Indian domestic market estimated to grow 22% Y-o-Y in 2010. In keeping with our track record of growing faster than industry we grew 27% Y-o-Y. Firstsource is now well entrenched in the domestic BPO arena, with some of the top companies being our clients. This is building excellent credibility and brand equity around our service delivery model.

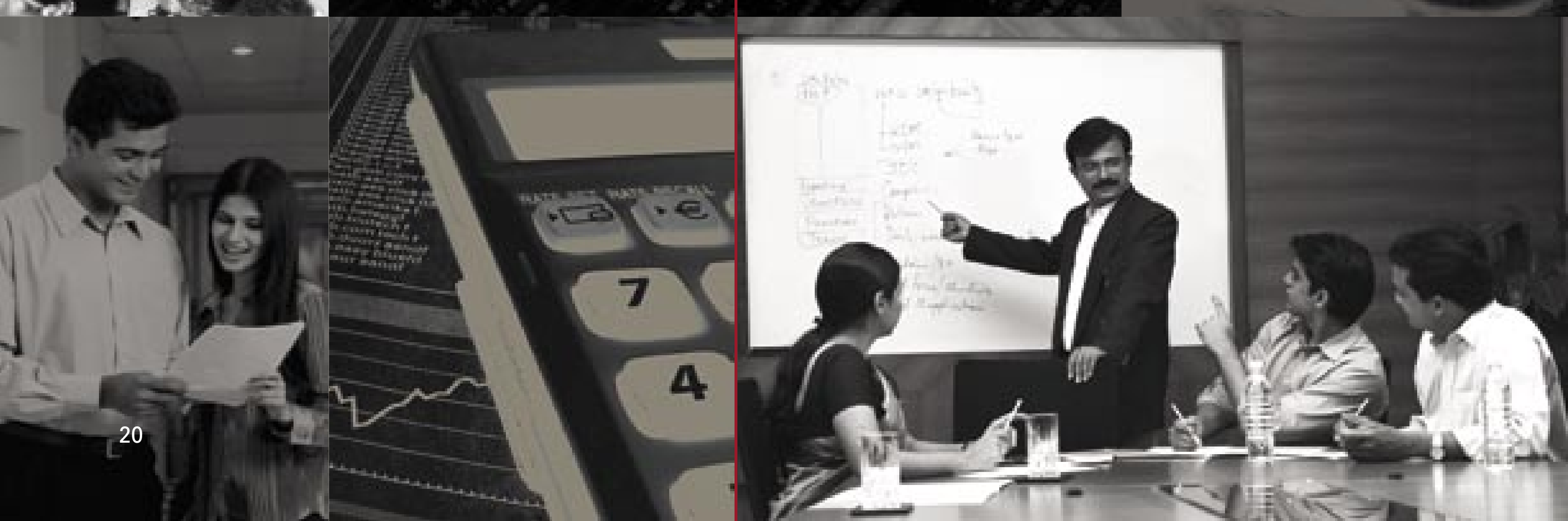
"Excellence can be obtained if you:

Care more than others think is wise;

Risk more than others think is safe;

Dream more than others think is practical;

Expect more than others think is possible."



DIRECTORS' REPORT

Dear Members,

The Directors take great pleasure in presenting their Ninth Annual Report on the business and operations of the Company and the audited financial statements for the year ended March 31, 2010.

FINANCIAL RESULTS

The performance of the Company for the financial year 2009-10 is summarised below:

(Rs. in Million)

Particulars	Consolidated		Standalone	
	FY 2009-10	FY 2008-09	**FY 2009-10**	FY 2008-09
Total Income	**19,918.0**	17,791.9	**6,832.0**	5,980.2
Profit Before Interest and Depreciation	**2,931.3**	2,504.2	**1,423.9**	1,330.7
Interest and Finance Charges	**455.8**	1,036.0	**277.8**	676.4
Depreciation	**872.7**	961.3	**524.4**	522.4
Profit Before Tax	**1,602.8**	506.9	**621.7**	131.9
Provision for Taxation (including deferred tax charge/credit)	**237.6**	199.1	**-51.6**	-19.2
Profit After Tax Before Minority Interest	**1,365.2**	307.8	**673.3**	151.1
Minority Interest	**4.5**	1.1	-	-
Net Profit After Tax	**1,360.7**	306.7	**673.3**	151.1
Balance Brought Forward	**2,919.0**	2,612.3	**1,611.7**	1,460.6
Appropriations	-	-	-	-
Accumulated Balance in Profit & Loss Account	**4,279.7**	2,919.0	**2,285.0**	1,611.7
Earning Per Share (Rs.) – Basic	**3.17**	0.72	**1.57**	0.35
Earning Per Share (Rs.) – Diluted	**2.84**	0.72	**1.51**	0.35

RESULTS OF OPERATIONS

The consolidated total income increased from Rs.17,791.9 Million to Rs.19,918 Million, a growth of 11.9% over the previous financial year. The consolidated Net Profit After Tax increased from Rs.306.7 Million to Rs.1,360.7 Million, up by 343.6% over the previous financial year. The detailed analysis of the consolidated results forms part of the Management Discussion & Analysis (MD&A) Report provided separately as part of the Annual Report.

The standalone total income increased from Rs.5,980.2 Million to Rs.6,832 Million, a growth of 14.2% over the previous financial year. The standalone Profit After Tax increased from Rs.151.1 Million to Rs.673.3 Million, up by 345.6% over the previous financial year. The Net Profit of the Company in the previous financial year was negatively impacted on account of non-cash mark to market loss on Foreign Currency Convertible Bonds (FCCBs) amounting to Rs.778.2 Million and mark to market foreign exchange loss on undesignated derivative financial instruments of Rs.236.2 Million. There was also a net gain of Rs.635 Million on account of FCCBs buyback of USD 49.7 Million in financial year 2008-09 as compared to a net gain of only Rs.73.9 Million in financial year 2009-10 on account of buyback of FCCBs worth USD 12.9 Million. Besides the impact of the above factors, the increase in net profits in the financial year 2009-10 was primarily due to business growth in international business delivered offshore and domestic business in India, partly offset by increase in finance charges in financial year 2009-10.

INCREASE IN SHARE CAPITAL

During the year, the Company issued 1,020,000 equity shares of the face value of Rs.10 each on the exercise of stock options under the Employee Stock Option Schemes of the Company. Consequently, the outstanding, issued, subscribed and paid-up equity share capital of the Company increased from 428,189,682 shares to 429,209,682 shares of Rs.10 each as of March 31, 2010.

REPURCHASE OF FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of USD 275 Million in December 2007. The FCCBs have a maturity period of 5 years and 1 day. The FCCBs are listed on Singapore Exchange Securities Trading Limited. During the financial year 2009-10, the Company repurchased and cancelled its FCCBs of the nominal amount of USD 12.9 Million to avail the benefits of the prevailing discount in the rates of FCCBs. Upto March 31, 2010, the Company had repurchased and cancelled its FCCBs of the nominal amount of USD 62.6 Million. The repurchase was made at an average discount of 46% and was funded out of External Commercial Borrowings (ECB) from ICICI Bank, UK and internal cash flows of the Company. The nominal amount of FCCBs outstanding after cancellation as on March 31, 2010 was USD 212.4 Million.

GLOBAL DELIVERY FOOTPRINT

The Company, on a consolidated basis had 42 global delivery centers as of March 31, 2010. The centers are located across India, USA, UK and Philippines. 25 of the Company's centers are located in 17 cities in India, 14 are in USA (including seven operational hubs of MedAssist), 2 are in Northern Ireland, UK and 1 center is in Philippines. The Company's established global delivery footprint enables it to deliver wide range of services and deepen relationships with existing customers.

During the year, the Company incurred capital expenditure of Rs.480.1 Million mainly towards refurbishment and maintenance of delivery centers and creation of additional capacity in Philippines, Bengaluru and Bhopal.

QUALITY INITIATIVES

The Company follows the global best practices for process excellence and is certified by COPC Inc. (Customer Operations Performance Center). The Company's delivery center at Tidel Park, Chennai has been recertified for version 4.1 COPC 2000® standard for Healthcare and Publishing verticals & delivery center at RMZ, Bengaluru has been recertified for version 4.1 COPC 2000® Standard for Inbound Customer Service vertical, Inbound Customer Service and BPO (Non-Media and Entertainment). The Company's delivery center at Pritech, Bengaluru has been recertified for 4.2 COPC 2000® Standard for Inbound Customer Contact Center Services. The Company continues to follow process improvement methodologies like Six Sigma, Lean and Kaizen.

AWARDS AND ACCOLADES

The Company received the following awards and accolades during the year:

- Winner of the UK Trade & Investment's (UKTI) Investor of the Year award at the UK-India Business Awards.
- Recognised amongst the top 25 companies in India for excellence in Corporate Governance by the Institute of Company Secretaries of India (ICSI) in 2009.
- Ranked amongst Top 100 companies in the world for innovative use of IT by CIO Magazine.
- National Outsourcing Association (NOA), UK Awards: Best Telecom, Utilities & Hi-Tech outsourcing project, 2009.
- Winner in the 'Deployment Leader of the Year' category at International Quality and Productivity Center (IQPC) Six Sigma Excellence Awards, Orlando.
- Winner in the 'Best Process Improvement in Service & Transaction Project' category at IQPC Six Sigma Excellence Awards, Orlando.

HUMAN RESOURCES

On a consolidated basis, the Company has grown from 21,570 employees as of March 31, 2009 to 24,860 employees as of March 31, 2010. The statement of particulars required pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002, forms part of the Report. However, as permitted under the Companies Act, 1956, the Report and Accounts are being sent to all members and other entitled persons excluding the above statement. Those interested in obtaining a copy of the said statement may write to the Company Secretary at the registered office. The statement is also available for inspection at the registered office during working hours upto the date of the forthcoming Annual General Meeting (AGM).

PUBLIC DEPOSITS

During the year, the Company has not accepted any deposits under Section 58A of the Companies Act, 1956.

DIRECTORS

Mr. Donald W. Layden Jr., Mr. Y. H. Malegam and Mr.Charles Miller Smith retire by rotation at the forthcoming Annual General Meeting (AGM) and are eligible for re-appointment.

During the year, Mr. Alexander Matthew Vallance, Managing Director-Europe and President-Banking, Financial Services & Insurance (BFSI) and Telecom & Media was inducted to the Board as Additional Director designated as Joint Managing Director of the Company. Mr. Ram V. Chary was appointed as Additional Director, representing equity investor Metavante Investments (Mauritius) Ltd. (Metavante) in place of Mr. Donald W. Layden Jr. In terms of provisions of Section 260 of the Companies Act, 1956, they hold office till the conclusion of the forthcoming AGM of the Company and are eligible for appointment. The Company has received notices along with the requisite deposit from some of the members of the Company pursuant to Section 257 of the Companies Act, 1956, proposing their appointment at the forthcoming AGM of the Company. The Board recommends their appointment as Directors.

During the year, Mrs. Shikha Sharma, Director, representing ICICI Bank Ltd., Promoter of the Company, resigned w.e.f. May 26, 2009. The Board places on record its appreciation for the valuable services rendered by Mrs. Shikha Sharma during her tenure as Director. Consequently, ICICI Bank Ltd. informed that Mrs. Lalita D. Gupte, Director, would represent ICICI Bank Ltd. on the Company's Board. As a result, Mrs. Lalita D. Gupte ceased to be an Independent Director w.e.f. May 26, 2009. Mr. K.P. Balaraj who was representing 'WestBridge Ventures I Investment Holdings (WestBridge)', ceased to represent WestBridge as a consequence of WestBridge divesting its entire shareholding in the Company. Keeping in view the valuable services rendered, vast professional experience and expertise of Mr. K.P. Balaraj and Mr. Donald W. Layden Jr., Board considered it desirable to continue to avail their services. Accordingly, Mr. K.P. Balaraj and Mr. Donald W. Layden Jr. continued on the Board as 'Independent Directors'.

Mr. Ananda Mukerji, Managing Director & CEO, at the Board Meeting held on April 8, 2010, resigned as the Managing Director & CEO of the Company to be effective from July 27, 2010. However, Mr. Ananda Mukerji would continue to be associated with the Company and contribute towards its value creation as the Non-Executive Vice Chairman of the Board of Directors w.e.f. July 28, 2010. Consequently, the Board decided to appoint Mr. Alexander Matthew Vallance, Joint Managing Director as the Managing Director & CEO of the Company w.e.f. July 28, 2010.

EMPLOYEES STOCK OPTION SCHEME

With a view to provide an opportunity to the employees of the Company to share the growth of the Company and to create long-term wealth, the Company has an Employee Stock Option Scheme (ESOS), namely, the Firstsource Solutions Employee Stock Option Scheme, 2003 (ESOS 2003). The ESOS introduced in 2002 is in force for the limited purpose of exercise of options granted pursuant to the scheme.

Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are set below:

Sr. No.	Description	ESOS 2003	
1.	Total number of options under the Plan		69,499,173
2.	Options granted during the year 2009-10		6,100,000
3.	Pricing formula	The 'Pricing formula' or 'Exercise Price' for the purpose of the grant of Options shall be the 'market price' within the meaning set out in the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, i.e. the latest available closing price, prior to the date when options are granted/shares are issued, on that Stock Exchange where there is highest trading volume on the said date. The Compensation cum Board Governance Committee has the power to change/modify the exercise price or pricing formula and fix the exercise price at such discount to the market price of the equity shares as may be deemed appropriate provided that the grant/exercise price shall not be below the face value of the shares and shall be in accordance with the applicable laws in this regard.	
4.	Options vested during the year 2009-10		14,418,273
5.	Options exercised during the year 2009-10		1,162,500@
6.	Total number of shares arising as a result of exercise of options during the year 2009-10		1,012,500
7.	Options lapsed during the year 2009-10		4,974,374*
8.	Variation in terms of options during the year 2009-10		Nil
9.	Money realised by exercise of options during the year 2009-10 (Amount in Rs.)		20,242,750#
10.	Total number of options in force		55,775,539
11.	Employee wise details of options granted to:		
	i) Senior Managerial personnel during the year 2009-10	Ananda Mukerji	900,000
		Alexander Matthew Vallance	400,000
		Michael Shea	400,000
		Aashu Calapa	250,000
		Santanu Nandi	250,000
		Chandeep Singh	250,000
		Carl Saldanha	250,000
		Frank Stellato	250,000
		Sanjiv Dalal	250,000
		Chandra Iyer	250,000
		Thomas Watters	250,000

Sr. No.	Description	ESOS 2003
	ii) Any other employee, who has been granted options amounting to 5% or more of options granted during the year 2009-10.	Nil
	iii) Identified employees who were granted options, equal to or exceeding 1% of the issued capital of the Company, during the year 2009-10.	Nil
12.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 - 'Earnings Per Share'	Standalone EPS - Rs.1.51 per share. Consolidated EPS - Rs.2.84 per share.
13.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company.	Please refer to Schedule No. 20 of the standalone financial statements.
14.	Weighted average exercise price and weighted average fair value of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted average exercise price - Rs.39.66 per option. Weighted average fair value as per the Black Scholes Model: Rs.14.28 per option.
15.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information: a) Risk free interest rate b) Expected life c) Expected dividends and d) The price of the underlying share in market at the time of option grant	Please refer to Schedule No. 20 of the standalone financial statements.

@ Includes 150,000 options exercised as on March 31, 2010, shares for which were allotted in April, 2010.

* The stock options which are cancelled/ lapsed/ forfeited can be re-issued by the Company.

Excluding money realised with respect to 150,000 options which were exercised as on March 31, 2010, shares for which were allotted in April, 2010.

Prior to the Initial Public Offer (IPO), the Company had granted options to employees at the fair market value, as certified by an independent valuer. Post IPO, the options are being granted at the 'market price' of the stock i.e. the latest available closing price, prior to the date when options are granted/shares are issued, on that Stock Exchange where there is highest trading volume on the said date.

Information on ESOS 2002

Sr. No.	Description	ESOS 2002
1.	Total number of options under the Plan	2,408,125
2.	Options granted during the year 2009-10	Nil
3.	Options vested during the year 2009-10	Nil
4.	Options exercised during the year 2009-2010	7,500
5.	Total number of shares arising as a result of exercise of options during the year 2009-10	7,500
6.	Options lapsed during the year 2009-10	Nil
7.	Money realised by exercise of options during the year 2009-10 (Amount in Rs.)	96,225
8.	Total number of options in force	91,875

SUBSIDIARY COMPANIES

As on March 31, 2010, the Company had 11 subsidiaries:

Domestic subsidiaries:

1. RevIT Systems Private Limited. [wholly owned subsidiary (WOS) of the Company]
2. Pipal Research Analytics and Information Services India Private Limited (WOS of Pipal Research Corporation, USA, a subsidiary of the Company).

International subsidiaries:

1. Firstsource Solutions UK Limited, UK (WOS of the Company)
2. Firstsource Solutions S.A., Argentina (Subsidiary of Firstsource Solutions UK Limited)
3. Firstsource Group USA, Inc., USA (WOS of the Company)
4. Firstsource Business Process Services, LLC, USA (WOS of Firstsource Group USA, Inc.)
5. Firstsource Advantage LLC, USA (WOS of Firstsource Business Process Services, LLC.)
6. Pipal Research Corporation, USA
7. MedAssist Holding, Inc., USA (WOS of Firstsource Group USA, Inc.)
8. MedAssist, LLC, USA* (WOS of MedAssist Holding Inc.)
9. Firstsource Financial Solutions, LLC, USA (WOS of MedAssist LLC, USA)

*The name of MedAssist, LLC, has been changed to Firstsource Solutions, USA, LLC w.e.f. April 1, 2010.

Pursuant to corporate restructuring for better business synergies, administrative & operational efficiency, tax, efficient cash flows, the Company incorporated 'Firstsource Group USA, Inc. (FGU)' as a WOS on November 25, 2009, which further incorporated 'Firstsource Business Process Services, LLC (FBPS)' as its WOS on the same date. FirstRing Inc., USA was merged with FBPS effective December 31, 2009.

The following mergers took place amongst the subsidiary Companies effective March 31, 2010:

i) Firstsource Solutions USA, Inc. merged with Firstsource Group USA, Inc.

ii) MedAssist Intermediate Holding, Inc. merged with MedAssist Holding Inc.

iii) Twin Medical Transaction Services Inc. merged with MedAssist, Incorporated.

iv) MedAssist, Incorporated merged with a newly incorporated WOS MedAssist Acquisition LLC in the name of MedAssist LLC.

v) Firstsource Financial Solutions, Inc. merged with newly incorporated WOS Firstsource Financial Solutions Acquisition, LLC in the name of Firstsource Financial Solutions, LLC.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT

The Company has made an application to the Central Government under Section 212(8) of the Companies Act, 1956, for receiving exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries of the Company with the Balance Sheet of the Company. The financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, consolidated financial statements of the Company and its subsidiaries for the year ended March 31, 2010, together with reports of Auditors thereon and the statement pursuant to Section 212 of the Companies Act, 1956, form part of the Annual Report. The Annual Accounts and the related detailed information of subsidiary companies will be made available to the members of the Company and its subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies will also be available for inspection by any member at the registered office of the Company and that of the subsidiary concerned.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Reports on Corporate Governance and Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement are separately given and form part of the Annual Report.

STATUTORY DISCLOURES OF PARTICULARS

A) Conservation of Energy

The Company has been driving energy optimisation initiatives year after year and it has now become a way of life for the Company. Every product purchased is looked at in respect of its energy efficiency. Every technician inducted undergoes energy optimisation training. Several new initiatives taken up by the Company during the year included optimal running of utilities, installation of timers in processes with fixed occupancy and timings to automate the electricity usage, cutting down the area of underutilised data centres and right sizing air-conditioning requirements resulting in energy conservation.

B) Absorption of Technology

In July 2009, the Company commissioned state of the art Enterprise Nerve Center (ENC) at Mumbai. This enabled the Company to centrally monitor, manage and control its global technology services. ENC technology infrastructure is built on a highly reliable and robust virtual platform. At ENC, the Company has adopted the Information Technology Infrastructure

Library (ITIL) and ISO20000 processes through which it centrally manages the business process availability, Crisis and Information Security Management for operation process across the Company's global locations.

During the year, the Company's centers at Manila - Philippines, Rockford- Illinois, North America, Tek Meadows-Chennai and Pritech-Bengaluru have received ISO 27001 certification. Further, the Company's centers at Amherst -New York and Colorado Springs, North America have received Payment Card Industry Data Security Standard (PCI DSS) V1.2 Level 1 Certification (External Assessment by Security Metrics).

C) Foreign Exchange Earnings and Outgo

Activities relating to exports, initiatives taken to increase exports, development of new export markets for services and export plans

The Company's income is diversified across a range of geographies and industries. During the year, 58.65% of the Company's revenues were derived from exports. The Company provides BPO services mostly to clients in North America, UK and Asia Pacific regions. The Company has established direct marketing network around the world to boost its exports.

Foreign Exchange earned and used

The Company's foreign exchange earnings and outgo during the year were as under:

(Standalone figures in Rs. Millions)

Particulars	Fiscal 2010	Fiscal 2009
Foreign Exchange earnings	**4,006.7**	3,601.2
Foreign Exchange outgo (including capital goods and imports)	**266.4**	188.6

AUDITORS

M/s. B S R & Co., Chartered Accountants, who were appointed as the Statutory Auditors of the Company by shareholders at their previous Annual General Meeting (AGM), shall be retiring on conclusion of the forthcoming AGM and are eligible for re-appointment. Members are requested to consider their re-appointment for the financial year ending March 31, 2011 at a remuneration to be decided by the Board of Directors or Committee thereof. The Company has received confirmation from M/s. B S R & Co., to the effect that their appointment, if made, will be within the limits of Section 224(1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. That the annual accounts were prepared on a going-concern basis.

ACKNOWLEDGEMENTS

The Board of Directors thank the Company's customers, investors, vendors, bankers and business associates for their support and assistance. The Company also expresses its gratitude to the Ministry of Telecommunications, Collector of Customs and Excise, Director – Software Technology Parks of India and various Government departments and organisations for their help and co-operation.

The Board places on record its appreciation to all the employees for their dedicated service. The Board appreciates and values the contributions made by every member across the world and is confident that with their continued support the Company will achieve its objectives and emerge stronger in the coming years.

For and on behalf of the Board of Directors

Mumbai
April 29, 2010

Dr. Ashok S. Ganguly
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto. The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year. Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When used in this discussion, words like 'will', 'shall', 'anticipate', 'believe', 'estimate', 'intend' and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading "Risk factors" in the Company's prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as of their dates.

Information provided in this MD&A pertains to Firstsource Solutions Limited and its subsidiaries (the Company) on a consolidated basis, unless otherwise stated.

INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

By the end of FY09, the global economy was reeling under pressures emanated from the economic crisis and the prospects for economic growth in FY10 were expected to remain muted. A year after what many define as global economy's worst crisis of confidence, there seems to be growing evidence that the various strategies put in place to tide over the economic crisis are paying off. The acute phase of the financial crisis seems to have passed and a global economic recovery is under way. The world economy is on the mend with increasing number of countries having registered positive quarterly growth of gross domestic product (GDP), along with a notable recovery in international trade and global industrial production. World equity markets have also rebounded and risk premiums on borrowing have fallen.

In an indication that the global economy is recovering faster than expected, the International Monetary Fund (IMF) has raised its calendar year 2010 world growth forecast to 4.6% in July 2010 compared to April 2010 estimate of 4.1%. IMF has indicated that the numbers for economic activity have come in strong and a global "double dip," or relapse into recession, is "very unlikely". However, growth in calendar year 2011 is expected to moderate, fueling concern that recovery is fading.

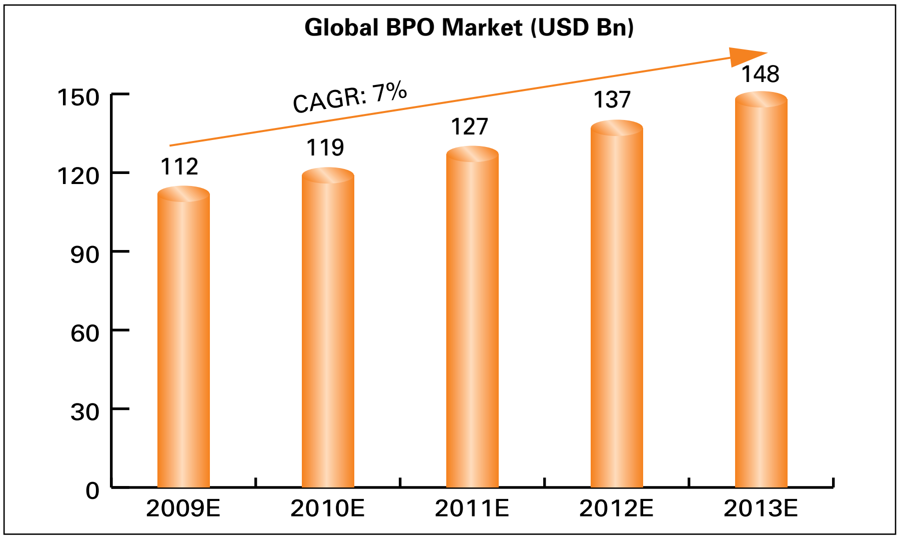
The recovery has been uneven and conditions for sustained growth remain a bit fragile. Much of the rebound in the real economy has been due to the strong fiscal stimulus provided by Governments in a large number of developed and developing countries and to the restocking of inventories by industries worldwide. Credit conditions are still tight in major developed economies, where many major financial institutions need to continue the process of deleveraging and cleansing their balance-sheets. Consumption and investment demand has remained weak and unemployment and underemployment rates continue to remain high in most developed countries.

The overall strength of the recovery and its durability will depend on the extent to which household and business-sector demand strengthens over the next few quarters. The recovery is vulnerable to slow down as the growth impact of fiscal and monetary measures wane and the current inventory cycle runs its course. As a consequence, it will take more time and greater efforts to make up for the significant setbacks in the world economy.

Overall, Asian economies are expected to recover strongly, driven by buoyant exports and stronger domestic demand. The IMF estimate of the Asian region's growth in calendar year 2010 is 7.5% with India expected to grow at 9.4% and China at 10.5%. India's economic growth is expected to pick-up pace gradually as the private consumption and investment demand gathers momentum and supports the economic activity even when the stimulus provided by the government is being withdrawn and RBI tightens its monetary policy.

The global business process outsourcing industry is large and growing rapidly. Companies globally are outsourcing a growing proportion of their business processes to streamline their operations, reduce costs, create flexibility, and improve their processes to create shareholder value. More significantly, many of these companies are outsourcing to offshore locations such as India to access a high quality and cost-effective workforce. The difficult economic scenario has compelled companies to re-look at the manner in which they conduct their businesses. Companies that demonstrate cost leadership without losing sight of the needs of the customers are emerging as true leaders in a recessionary economy that has turned extremely competitive.

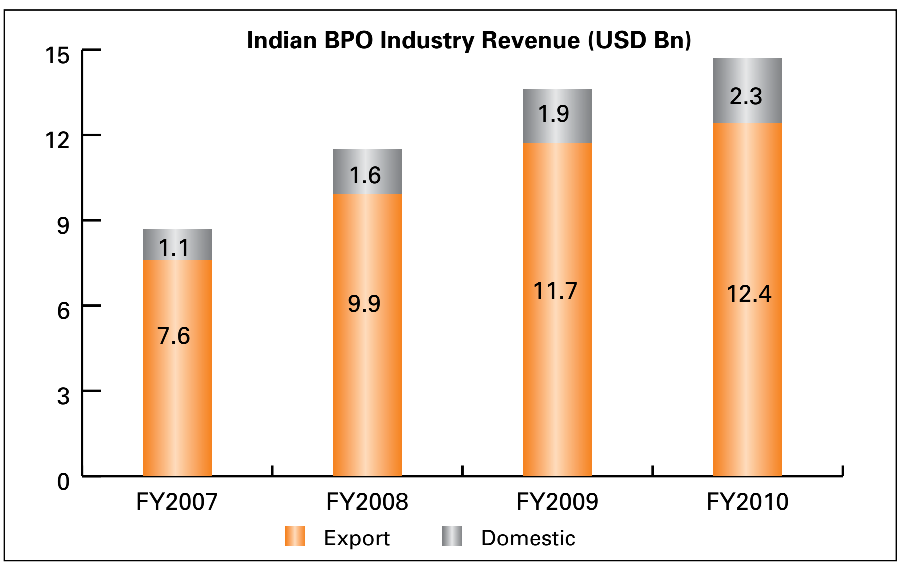
According to the 2010 Strategic Review published by NASSCOM in February 2010, or the NASSCOM 2010 Strategic Review, the global business process outsourcing (BPO) market was estimated at USD 112.2 billion in 2009 and is projected to grow at a 7.1% compound annual growth rate from 2009 through 2013 to USD 147.7 billion.



Source: NASSCOM Strategic Review, February 2010. Years pertain to calendar years (Jan – Dec)

India is the most attractive destination for offshore IT and BPO services with significant market share. According to the NASSCOM 2010 Strategic Review, India accounts for approximately 51%, followed by Canada which accounts for 19%, Philippines for 6%, Central and Eastern Europe (CEE) for 6% and others for the remaining 18% of the addressable offshore IT-BPO market. The key factors for India's predominance include its large, growing and highly educated English-speaking workforce coupled with a business and regulatory environment that is conducive to the growth of the business process outsourcing industry. During fiscal 2010, The Indian BPO sector growth slowed down to single digit for the first time in the after effects of the global economic downturn, which had a spiraling impact on industry across the world. As per NASSCOM, the BPO industry is estimated to reach USD 12.4 billion in FY2010, growing at 6 per cent. However, the domestic Indian BPO segment has continued its strong performances over the past few years, growing by 22 per cent over FY2009, to reach USD 2.3 billion, driven by large deals in the telecom and BFSI space.

Overall, the Indian BPO industry has managed to hold itself together reasonably well and has emerged stronger and better positioned; it is still the fastest growing segment of Indian IT-ITES industry.



Source: NASSCOM Strategic Review, February 2010. Years pertain to financial years (Apr – Mar)

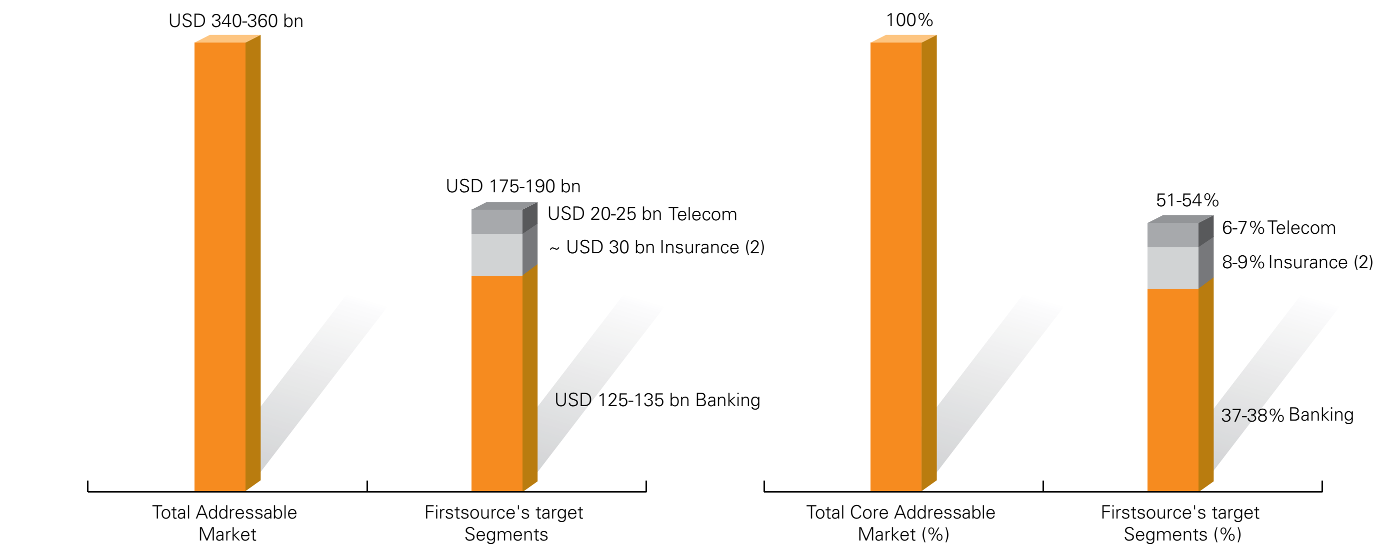
There were also challenges that the industry faced during the year, including protectionism and currency fluctuations. As an industry that relies on exports including outsourcing and offshoring, the sector was seriously concerned about the restrictions on trade imposed by Western nations and currency volatility.

The advent of 2010 has signaled the revival of outsourcing within core markets, along with the emerging markets increasingly adopting outsourcing for enhanced competitiveness. Key demand indicators in the last few quarters such as increased deal flow, stable volumes and pricing, and decision-making are encouraging. Even though India has a 51 per cent market share of the off shoring market, there is tremendous headroom for growth as current off shoring market is still a small part of the outsourcing industry. Significant opportunities exist in core vertical and geographic segments of BFSI and US, and emerging geographies and vertical markets such as Asia Pacific, healthcare and government respectively.

The key verticals the Company focuses on and has built strong operating skills and domain expertise are Banking, Financial Services and Insurance (BFSI); Telecommunications and Media; and Healthcare. As per the NASSCOM-Perspective 2020 study, Banking and Financial services, Insurance and Telecommunications industries are expected to be approximately 50% of the total addressable opportunity of USD 340 – 360 billion. Again vertical-specific services relating to the core business of companies in industries such as BFSI, Insurance, Manufacturing, Retail, Travel, Telecommunications, etc. are estimated to constitute 70% of the opportunity while horizontal-specific services like Finance and Accounting (F&A), Human Resource Management (HR), Payroll Processing, Procurement Services, etc. are expected at constitute 30%.

The above again is aside from the domestic BPO opportunity from India of USD 60-65 billion and the Healthcare provider addressable market outside of India of USD 50- 55 billion, both of which the company operates in.

Addressing key verticals in the large addressable market (1)



(1) Includes the markets that have been prime focus so far, i.e. large enterprises from North America, Western Europe and Japan in verticals such as BFSI, telecom, retail, pharmaceuticals, manufacturing and travel. Excludes emerging markets such as Healthcare providers and India domestic BPO opportunity

(2) Includes Life and Pension, Property and Casualty, and Health

Source: NASSCOM Perspective 2020 Report, 2009

Some of the key industry trends in the Healthcare, telecommunications and media, and BFSI industries are summarised below:

Healthcare

Within the Healthcare vertical, the Company serves the payer market represented by the Insurance companies and the provider market represented by hospitals. According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Healthcare providers for Indian BPO service providers is estimated to be USD 50-55 billion. Additionally, the addressable opportunity for Insurance (including Health insurance or payer market) for Indian BPO service providers is estimated to be USD 30 billion.

The recently passed healthcare reform bill in the US represents a significant opportunity across both payer and provider segments through increased penetration and specific reform mandates. There is going to be increased oversight of health insurers as a result of this legislation, as well as increased need for outsourcing as both payers and providers reorganize their operations to accommodate reform mandates. There will be increased need for outsourcing in this segment as both payers and providers reorganize their operations to accommodate reform mandates. It is important to note however that most provisions of this bill come into effect over a period of time and some as late as 2014. Firstsource is uniquely positioned to take advantage of these opportunities on both on the payer side as well as on the provider side.

The key industry trends being witnessed in the company's target segments in this vertical are as under:

Healthcare provider – Challenging operating environment and revenue pressures for hospitals are leading to increased focus on revenue cycle management. Healthcare reforms will bring 35 million more Americans under insurance cover which would mean millions of more enrollments and transactions. Providers are preparing for the effects of anticipated reductions in reimbursement, as well as reacting to current, post-recession market conditions.

Healthcare payer – Healthcare insurance industry will be "first responder" to reform mandates as insurance reforms such as medical loss ratio compliance will lead off. Payer demand is expected to pick up for combined call center and claims services as insurers respond to mandated medical loss ratios that will go into effect in January, 2011. However, at present, lower volumes persist due to increasing unemployment and the resultant increase in the underinsured and uninsured population.

Telecommunications and Media

According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Telecommunications for Indian BPO service providers is estimated to be USD 20-25 billion. Technology has radically transformed this Industry and telecom service providers in advanced markets continue to upgrade their networks to data intensive 3G wireless networks, which is facilitating the provision of complex data services. The key industry trends being witnessed in the company's target telecommunications and media segments are as under:

Mobile / Wireless – Increase in smart-phone usage & mobile broadband is driving growth. There is continued focus on consolidation and cost- cutting in the industry.

Broadband / High speed internet – Customer churn continues to be low and customer additions have picked up for clients. Roll out of British Telecom (BT)'s 40 MB super-fast broadband network to create future growth opportunities in UK.

Fixed / Wireline – State of economy is still affecting enterprise & residential markets. In the UK as fixed line is increasingly being sold as part of bundle by clients.

DTH / Pay TV – Bundled packages / triple play continuing to gain consumer acceptance. Customer usage of complex technologies such as PVR/ DVR (Personal or Digital Video Recorder), VoD (Video on Demand), IPTV (Internet TV), HDTV (High Definition TV), and 3D TV are increasing.

Banking, Financial Services and Insurance (BFSI)

The BFSI vertical represents a large BPO opportunity. According to the NASSCOM-Perspective 2020 study, the addressable export opportunity for Banking for Indian BPO service providers is estimated to be USD 125-135 billion and Insurance is estimated to be USD 30 billion and is two of the largest addressable segments of the global offshore BPO market.

The financial services industry pioneered offshoring in the early 90s and since then, more and more financial institutions have embraced offshoring as a part of their business strategy. With the growing maturity of vendors, functions with increasing complexity are being off-shored. Moreover as new destinations emerge, offshoring will spread beyond the preferred destinations of today.

This large market with current low penetration levels offers large growth potential to BPO service providers. The key industry trends being witnessed in the company's target BFSI segments are as under:

Credit cards – Signs of recovery with increasing yields in the collections business. Volumes in cards industry are shrinking with card issuers adopting cautious approach to lending. As cards industry contracts, card issuers are looking at margin expansion/ cost reduction through outsourcing, especially lift-outs.

Retail banking – Large scale consolidation and restructuring in banking space is complete. Banks looking at operating levers such as consolidation, automation and outsourcing to generate a better cost to income ratio. Levers include consolidation, automation and outsourcing. Political and regulatory pressure due to government ownership continues. In UK, more new entrants are entering in both the lending and savings markets.

Mortgages – Gross mortgage lending continues to be subdued in the Company's key market – UK.

General insurance – Direct insurers continue to gain market-share due to price competition in a tough economic environment.

Asia

The Company continues to sharpen its focus and strengthen its value proposition for the emerging Indian domestic market which is a large growth opportunity. According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Domestic BPO in India is estimated to be USD 60-65 billion.

The India outsourcing landscape is showing positive growth despite global slowdown and that has attracted several IT and pure-play BPO companies to this market segment. There is increased competitive intensity with influx on new providers in the market. The key vertical the Company is present in this market is Telecommunications and Media and BFSI. Several other segments of industry are yet to start outsourcing and that presents a large and nascent market opportunity. During the year, there has been some traction on Government outsourcing as well.

In Telecom space, where the company derives a significant part of its Asia revenues, new players have entered in the market with aggressive tariff plans and that intense competition is causing instability in the industry. This has translated in lower transactional volumes for existing service providers. As telecom revolution reaches deeper in India, future growth opportunities are going to be fuelled by rural markets matched with low cost delivery models. Conclusion of 3G licenses and spectrum auction along with proposed Mobile Number Portability (MNP) will create additional growth opportunities. The Company is well positioned in this market having established players as its clients.

COMPANY OVERVIEW

Firstsource ("The Company") is a leading global provider of BPO services and is among India's top three pure-play BPO companies. The Company has worked with Fortune 500, FTSE 100 and Nifty 50 companies in the US, UK and India to deliver award winning business process management in the Healthcare, Telecom & Media, and Banking and Financial Services (BFSI). Firstsource's Global Delivery or "Rightshoring" methodology supports clients through over 42 service facilities spread over United States, United Kingdom, Philippines and India. With close to 25,000 employees currently, Firstsource has a proven record of accomplishment of delivering business-oriented results to clients in North America, United Kingdom, Asia Pacific and Australia. The Company's clients include five of the Top 10 U.S. banks, eight of the Top 10 general-purpose credit card issuers in the U.S., largest bank and mortgage lender in the U.K., one of the Top 3 motor issuers in the U.K., two of the Top 10 U.S. telecom companies, two of the Top 5 mobile service providers in the U.K., largest pay TV operator in the U.K., largest pay TV operator in Australia, three of the Top 5 mobile service providers in India, five of the Top 10 health insurers and managed care companies in the U.S. and over 800 hospitals in the U.S. Based on the annual rankings by NASSCOM, the company was sixth largest BPO provider in India in fiscal 2009 in terms of revenues. The Black Book of Outsourcing ranks Firstsource in Top 10 for 2009 Top Cross-Industry Business Process Outsourcing Vendors.

The Company provides a comprehensive range of services to clients across the customer life cycle in each of its focus industries. The Company has in-depth domain knowledge in these industries with proven expertise in transferring business operations from its clients to its delivery centers and in administering, managing and further improving these processes for its clients. The Company's key service offerings across its target verticals are depicted below:

Healthcare Payer

Healthcare Payer	Mail room	Data conversion	Member enrollment	Claims processing and adjudication	Client support	IT support
Insurance Companies Third Party Administrators Managed Care Organisations	• Mail handling and document management • Scanning and reject handling • Indexing • Archival • Printing	• Workflow enabled image management • OCR/ICR Technology • Data capture with integrated database validations • Customized output generation (ANSI837, NSF etc.)	• Entry in system • Data base maintenance • Calls to validate information	• Member and provider eligibility • Service Line verification • Allocation of benefits • Other earner liability processing • Bundling and duplicate analysis • Claims repricing	• Member service • Data "EHelp" • Provider Services • HIPAA compliance support	• Database design • Database maintenance • Data cleansing System design and support • Maintenance and support

Services offered through different channels: Data, E-mail, Fax, Correspondence

Healthcare Provider

Healthcare Provider	Patient services	Eligibility services	Receivables management	Collections services
Hospitals Physician Groups	• Patient contact and registration • Insurance verification and certification • Patient visit management	• Medicaid review and management - Assisting patients with secondary Medicaid coverage • Charity assistance - Handling all aspects of providing charity assistance • Self pay conversion • MedAssist Advantage Plan (MAP) - Innovative hospital credit card in conjunction with US Bank	• Ongoing and Clean-up Projects for all Payor Classes - Initial billing, follow-up and denials management • Self-Pay "Early-Out" Cash Acceleration - Management of patient interaction to ensure maximum recovery • Management of Provider Enrollment and Billing for Out-of-Primary-State Medicaid Receivables • Credit Balance Resolution	• Custom Telephone Collection Campaigns • Small Balance Collections • Skip-tracing Services • Cash Acceleration Services • Attorney Services

PEER REVIEWED by HFMA

Entire suite of provider services are "Peer Reviewed" by HFMA

Telecom and Media

Telecom and Media	Sales and marketing	Account setup and activation	Customer service	Billing/Help desk support	Receivables and collections management	Saves/ Win back
Mobile/ Wireless Broadband/ High Speed Internet Fixed/ Wireline DTH/ Pay TV	• Inbound sales • Outbound sales • Lead generation • Cross sell/Up	• Provisioning • Order and returns • Logistics coordination • Porting support • Credit vetting • Order input • Account administration • Internal actioning requests	• General enquiries • Information requests • Customer service • Welcome calls • Account management • Technical support • Help desk	• Invoice requests and complaints • Billing disputes • Process queries for charges • Billing • Billing issues • Technical support	• Overdue collections • Credit limit/expiry • Inbound internal handoff calls • High usage management	• Dispute resolution • Increasing customer awareness for chosen plan • Increase tolling • Billing issues

Services offered through different channels: Data, Voice, E-mail

Banking, Financial Services and Insurance (BFSI)

Financial Services	Customer service & fulfilment	Transaction processing		Collections
Credit Cards Custody Retail Banking Mortgage General & Life Insurance	• Account maintenance - Activation & authorization - Account closure - Lost and Stolen cards • Query management - Transaction related - Payment related - Product related - Helpdesk activities • Interactive services (Email/Web chat) - Upselling - Cross selling - Disputes & complaint resolution.	• Check, remittance and item processing • Funds transfer and forex transactions • Custody operations & fund service - Portfolio valuation and reconciliations - Contract note generation - Settlements - Corporate actions - Billing support - Performance audit	• Mortgage - Origination - Loan vault conversion - Collateral review - Underwriting - Loan booking • Insurance - Application processing - Policy amendments - Policy amendment/cancellati on - Data and trend analysis	• Early stage collections - 1st party - Pre-charge off • Late stage collections - 3rd party collections - Skip trace

Services offered through different channels: Data, Voice, E-mail, Fax, Correspondence

The Company services its clients through its global delivery capabilities both onshore and offshore. The Company has 42 delivery centers across India, US, UK, and the Philippines supported by a robust and scalable infrastructure network that can be tailored to meet its clients' specific needs. 25 of the Company's global delivery centers are located in sixteen cities in India, fourteen are in the United States (including seven operational hubs of MedAssist), two are in the United Kingdom, and one is located in Philippines. This gives the Company proximity to its clients, multi-lingual capabilities and access to a global talent pool. The Company's right-shoring model uses locations most appropriate for delivering services and provides the best mix of skills and infrastructure to its clients.

The Company has grown from 2,188 full-time employees as of March 31, 2003 to 24,860 as of March 31, 2010. As of March 31, 2010, 18,784 of the Company's employees are based out of India, 3,392 are based out of the US, 2,022 are based out of the UK, 657 are based out of Philippines and 5 out of Argentina. In addition, the Company uses trained personnel who are contracted on an as-needed basis.

One of the key factors for the Company's revenue growth over years has been its ability to successfully grow its existing clients. As of March 31, 2010, the Company had 10 clients with annual billing of over Rs. 500 million compared to nine as of March 31, 2009 and none as of March 31, 2003. The Company's client concentration has continued to diversify. For fiscal 2010, the largest client contribution was at 12.0% of total income from services as compared to 10.3% in fiscal 2009 and 41.6% in fiscal 2003. The contribution from top 5 clients was at 32.5% of total income from services in fiscal 2010 as compared to 31.2% in fiscal 2009 and 82.5% in fiscal 2003.

The Company's total income has grown at a compound annual growth rate of 59% from Rs.771.5 million in fiscal 2003 to Rs.19,918.0 million in fiscal 2010. Over the same period of time, the profits after tax have increased from a loss of Rs.109.5 million in fiscal 2003 to a profit of Rs.1,360.7 million in fiscal 2010. The Y-o-Y growth in total income of the Company in fiscal 2010 over fiscal 2009 is 12.7%. The growth in income is attributed to increased outsourcing by the Company's existing clients, both through increase in the volumes of work that they outsource to the Company under existing processes and the outsourcing of new processes and service lines to it (primarily as a result of the Company cross-selling new services to them) as well as business that the Company has won from new clients. 97.2% of the Company's income from services during fiscal 2010 was derived from existing clients.

Fiscal 2010 has been a significant year in the Company's evolution. Key highlights of fiscal 2010 along with recognition and awards are mentioned below.

Key highlights

- Completed organizational restructuring initiated last year. The strong vertical domain focus has become an important differentiator for us in the market and is being appreciated by clients.
- Expanded relationships with existing clients. Of the top 10 clients, 8 clients have grown this year. We also added marquee client logos with significant growth potential – leading UK telecom service provider, 2 of the top 15 credit card issuers in US, a leading issuer of prepaid debit cards in US - and won new clients in Healthcare and in Asia Business Unit.
- Continued to expand margins with 190 basis points expansion in operating EBIT margins to reach 9.8% in fiscal 2010.
- Continued to scale global operations with employee additions across India, US, UK and Philippines. Added 3,290 employees globally during the year with 1,925 people added in India, 744 in UK, 431 in US and 430 in Philippines. Global employee strength of 24,860 employees as on March 31, 2010.
- Bought back USD 12.9 million face value of FCCBs at an attractive discount. Total FCCBs bought back till date is USD 62.6 million. Outstanding FCCBs now at USD 212.4 million compared to originally issued USD 275 million.

Significant global recognition

- Received third annual Healthcare Financial Management Association (HFMA) peer review designation for a suite of healthcare revenue cycle management services including eligibility services, receivables management, collection services and the medical advantage plan (MAP™) program.
- Became a U.S. General Service Administration (GSA) contractor under the multiple award schedule (MAS) of the US government. This allows the company to provide revenue cycle management services to federal, state and local governments.
- Ranked # 2 among extended business service providers for healthcare business by KLAS, a research firm specializing in monitoring and reporting the performance of healthcare vendors.
- Received Professional Practices Management Systems (PPMS) certification. This captures Firstsource's commitment to Quality and acknowledges that its accounts receivables operations are in accordance with industry best practices and policies.
- Recognised in the annual FinTech 100 ranking of global technology, service and data providers to the financial services industry. Firstsource was the only Indian pure-play BPO to feature in this ranking.

Significant Key awards

- Won the UK Trade & Investment's (UKTI) Indian Investor of the year award.
- Recognised as one of the top 100 companies in the world by CIO magazine for innovative use of IT.
- Recognised among top 25 companies in India by the Institute of Company Secretaries of India (ICSI) for Excellence in Corporate Governance for the year 2009.
- Won in 2 categories at International Quality and Productivity Center (IQPC) Six Sigma Excellence Awards, Orlando, USA - Best Process Improvement in Service & Transaction Project and Deployment Leader of the year.

- Won the National Outsourcing Association (NOA) Award for Best Telecommunications, Utilities and Hi-Tech Outsourcing Project.

Competitive Strengths

The Company believes the following business strengths allow it to compete successfully in the BPO industry:

- Offshore BPO market leadership

  As an early mover in the BPO industry, the Company has been able to achieve critical mass, attract senior and middle-management talent, establish key client relationships and a track record of operational excellence as well as develop robust and scalable global delivery systems. Based on the annual rankings by NASSCOM, the Company was the sixth largest BPO provider in India in fiscal 2009 in terms of revenues and amongst the top "pure-play" BPO provider (BPO providers that are not affiliated with information technology companies).

- Diversified business model

  The Company's income is diversified across a range of geographies and industries and the Company is not overly reliant on a small number of customers. The company's earns revenues from the US, UK and APAC geographies and chiefly services the Healthcare, Telecommunication and Media and BFSI industries.

- Independent business units primarily based on industry verticals

  In line with its strategy of focusing on industry verticals, the Company has restructured its internal organization into four large independent business units; Healthcare, Telecommunications and Media, BFSI and Asia Business Unit. This structure has resulted in strong vertical domain focus and enhanced focus on the market and customers. It is now beginning to clearly differentiate the Company from other BPO companies in terms of areas of specialization and domain expertise, which is key for success in the business.

- Early entrant in to Indian domestic BPO market

  The Company has been an early mover in the Indian BPO market, which is very nascent and has significant growth potential. During fiscal 2010, Income from services from Asia Business Unit grew 27% compared to previous fiscal and currently contributes 12% of the company's income from services.

- Unique value proposition and leadership position in the healthcare industry

  The Company has a very unique portfolio of services addressing end-to-end customer life cycle requirements in US healthcare industry for both payer as well as provider segments. The Company's depth of services, marquee clients, scale, reach and delivery capabilities in the healthcare industry provides it a leadership position among offshore BPO players. For the year ended March 31, 2010, 37% of the Company's income from services came from the healthcare industry.

- Multi-shore delivery model

  The Company has established a truly global delivery base for its services, with 42 delivery centers, including 25 located in sixteen different cities in India, fourteen in the United States, two in the United Kingdom, and one delivery center in Philippines. Most customers today are looking for a service partner who can provide a combination of onshore and diversified offshore delivery capabilities and the Company believes its early move in creating this will create competitive advantage.

- Established relationships with large global companies

  The Company works with over 1000 clients as of March 31, 2010, includes over 800 hospitals in the US, of which 37 are "Fortune Global 2000", "Fortune 500" and "FTSE 100" companies.

  Many of these relationships have strengthened over time as the Company obtains ongoing work from these clients and gains a greater share of their processing expenditure.

- Experienced management team

  The experience of the Company's management team is a key competitive advantage. Its management team has a track record of managing high growth businesses, possesses domain knowledge in the industries the Company serves and has relevant experience in the geographies in which it operates.

- Ability to manage aggressive growth

  The Company has a demonstrated track record in managing growth in its business both through organic and inorganic means. The Company's total income has grown at a compounded annual growth rate of 59% from fiscal 2003 to fiscal 2010 which is significantly higher than industry growth rate.

Business Strategy

The Company believes that the BPO industry is a global industry and its strategic vision is to leverage the strong position it has built in the offshore BPO industry to become a significant global BPO player. The Company's strategies to achieve this goal are as follows:

- Continue to strengthen domain expertise

  Domain expertise in the client's industry is a key differentiator in the BPO industry. The Company is extremely focused on strengthening its domain expertise in Healthcare, Telecom and media and BFSI industry. The company continues to invest heavily in industry and client specific trainings and, establishing knowledge management system towards the same.

- Strong focus on expanding existing client relationships

  Existing client relationships are extremely crucial as existing clients contributes majority of the revenues. In fiscal 2010, 97.2% of the company's income from services was derived from existing clients. The Company continuously strives to deepen and expand relationships with its existing clients, and 8 of the top 10 clients have grown during the year. In the current turbulent times, the company's focus is to work with its existing clients to address their business challenges as a partner in the crisis and not just as a service provider. The Company believes that this will lead to increased business opportunities for the Company from its existing client base.

- Develop new client relationships

  In addition to expanding existing client relationships, the Company seeks to develop new long-term marquee client relationships across its focus verticals. The Company is particularly focussed on building new relationships with industry leaders where potential opportunity can be large and the Company can create a meaningful impact on client's businesses through its differentiated service offerings.

- Expand into new markets including the Indian domestic market

  Historically, the outsourcing market in India has been export focused and most participants have been focusing their energies in building businesses catering to US and European clients. However, with the emergence of India as one of the largest economies in the world, the Indian domestic outsourcing market is also emerging as an attractive target market. The Company believes that it is the right time for it to expand in the growing Indian market with more and more companies embracing outsourcing. According to the NASSCOM-Perspective 2020 study, the addressable opportunity for domestic BPO in India is estimated to be USD 60-65 billion.

- Maintain focus on process excellence

  Continuous process improvement is an integral part of the Company's value proposition to its clients. The Company has established strong process excellence culture and uses structured process management systems to establish dashboards and metrics from the Customer Operations Performance Centre, Inc. (COPC) standards to measure performance for both its processes and its employees. In addition, the Company believes its ongoing programs to map and optimise customer processes using tools such as Six Sigma and TQM increases its value proposition to the client.

- Invest in middle management

  All employees are important to the Company and it believes that its middle management is particularly critical to its business, as they are responsible for managing teams, understanding its clients' expectations and its contractual obligations to clients, ensuring consistent and quality service delivery and deploying the Company's process excellence framework. These middle managers are essentially the glue that keeps the entire organization together. The Company intends to continue to invest in developing and grooming its middle management talent.

- Continue to invest in proprietary technology platforms and cutting edge technologies

  The Company believes that technology will continue to be a key component of outsourcing solutions to its clients. The Company intends to continue to invest in developing its own proprietary technology platforms and develop capabilities around technology platforms through strategic partnerships. The Company has also adopted best in class global technology practices and is committed to investing in cutting edge innovative technology in order to bring innovative solutions to its clients.

- Continue to expand global delivery capabilities

  The Company believes that a multi-shore global delivery platform is critical for offering a long term viable business proposition to the clients. The Company has been an early mover in building significant onshore delivery capabilities in US and UK and continues to expand in these countries. The Company has also expanded its offshore delivery footprint to Philippines and to several metros in India. The Company is among one of the first companies to have set up delivery presence in several tier II cities allowing it to offer vernacular capabilities to its domestic clients. The Company will continue to expand its delivery footprint to strengthen its positioning as a global BPO service provider.

Human Resources

Human Resources at Firstsource is committed to working strategically with the business verticals to inspire the true potential of human capital and provide opportunities for growth, innovation and enrichment. In support of the Company's principles, values and vision, Human Resources continued to collaborate with operations in meeting its goals. The Company embarked on a major organization change last year by reorganizing the business along industry vertical lines. The change helped create motivated human capital business partners in each business vertical and brought about integration of people practices globally. The Company continued to weave in the core Firstsource values namely respect, teamwork, people centricity, integrity, transparency and fun in all actions & Human Resource practices.

The Company is committed to the Human Resources vision of making Firstsource the most desired workplace for top talent and a centre of excellence for Human Resource practices. In testimony to this, the Company won a few pan-India awards. Firstsource won two awards at the 5th Recruitment and Staffing Best in Class (RASBIC) Awards 2010 organized by the World HRD Congress. The recognition received was in the categories of Best Overall Recruiting & Staffing Organization of the year and Recruiting & Staffing Industry Leader of the Year. Some of the key initiatives that brought this laurel to the organization were the strong employee referral program called TOMTOM, which contributed to more than one third of the overall hiring requirements along with Stride, an initiative to train and create a pool of hirable resources. Innovative campaigns like TOMTOM Jockey, a program to create an employee referral network and Firstsource Premier League, an intra-program referral championship resulting in a huge increase in employee referrals.

Human Resources worked in partnership with managers and their teams to provide programs and services that create a work environment of employee empowerment and involvement in the business. Focused internal capability building initiatives were carried out during the year. Towards this endeavor, The Firstsource Spirit the company's Behavioral Competency Framework was rolled out in Philippines and UK. Assessment centers were held to gauge the competency level of the people and support their development needs. The year also saw the launch of Cerebral an initiative to develop functional competencies for support functions. The second batch of The Firstsource Leaders' Program was organized (in collaboration with IIT Madras and faculty from IIM Bangalore) for top performers and high potential pool of employees in the Company, followed by an intensive coaching initiative. The Global rollout of Firstsource HRMS (PeopleSoft) was completed and with this, Firstsource HRMS is active in all geographies. The Company continues to strengthen its market position globally and leverage the power of the diverse employee base; the employee strength went up from 21,570 to 24,860 during fiscal 2010.

It is the Company's promise to advance a culture that enhances employee morale, facilitates effective performance through personal/professional development and challenges employee potential. The Company strives to continue finding ways to offer creative and innovative solutions to organization wide issues.

OPPORTUNITES AND THREATS

The Industry Structure, Development and Outlook section has described the potential of the BPO industry. It is important to note that the BPO industry is still in its early stages of evolution with less than 5% of the total addressable market being captured.

Key growth drivers and opportunities for the company for profitable growth include:

- Cost and regulatory pressures in current economic environment
- Strong growth in global BPO spend generating continuing demand for its services
- Increasing number of organizations globally are outsourcing business processes in an effort to simplify their organization, create flexibility and increase efficiencies
- Increasing focus on customer service, creating new and innovative products and services and reduce time-to-market their products and services.
- Increasing focus on accuracy and timeliness of processing thereby reducing transaction costs

The Company believes the following business strengths would allow it to compete and grow successfully in the BPO industry:

- In-depth understanding of industry domain is critical for a BPO service provider to be able to offer any meaningful value proposition to its clients. The Company's industry vertical aligned structure has further strengthened its domain expertise in its chosen verticals. The Company believes that this will continue to be a key market differentiator for its services.
- Clients are more comfortable partnering with large players with scale and operational expertise with a continuous focus on quality of service delivery, ability to manage aggressive growth and stringent security norms. The Company's believes its BPO market leadership is key to help it tap the growth potential of the industry. The Company's diversified business model with established relationships with large global companies, including over 20 "Fortune Global 500", "Fortune 500" and "FTSE 100" companies also puts it at a competitive advantage compared to other offshore BPO providers.
- In order to successfully leverage the global BPO opportunity, flexibility in geographical delivery is an important factor. Some processes can't be offshored due to process complexities and regulatory requirements. Clients increasingly look

for business partners who can deliver services across different geographies. The Company's established global delivery footprint enables it to deliver a wide range of services and deepen relationships with existing customers.

- As per the NASSCOM-Perspective 2020 study, Banking and Financial services, Insurance and Telecommunications industries are expected to be approximately 50% of the total addressable export opportunity of USD 340–360 billion. The above again is aside from the domestic BPO opportunity from India of USD 60-65 billion and the Healthcare provider addressable market outside of India of USD 50-55 billion, both of which the company operates in. The Company's strategic positioning and scale in its target industry sectors of BFSI, telecommunications and media, healthcare and specific focus on India domestic market as well puts it in a strong position for capitalizing on the growth potential.

Competition

The market for BPO services is rapidly evolving and continues to be highly competitive. The Company expects that the competition it faces will continue to intensify. The Company faces different set of competitors in each of its business units.

In Healthcare business unit the company primarily competes with:

- large global IT companies located in the United States such as Dell, Xerox, HP, CSC and IBM;
- Healthcare focused revenue cycle management companies located in the United States such as The Outsource Group, Cymetrix, Chamberlin Edmonds; Healthcare focused offshore BPO providers, particularly in India such as Apollo Health Street, Hinduja Global, HOV Services;
- large global diversified receivable management companies such as NCO Group; and
- BPO divisions of IT companies located in India including Wipro and Cognizant.

In Telecom & Media business unit the company primarily competes with:

- large global BPO companies such as Convergys, Sitel, TeleTech, Sykes and Conduit;
- Telecom & Media focused onshore BPO providers, particularly in UK such as TLC, Hero TSC and Ventura; and
- BPO divisions of IT companies located in India including HCL, Tech Mahindra and Infosys.

In BFSI business unit the company primarily competes with:

- large global IT companies located in the United States and Europe such as IBM, Accenture, Dell, Xerox, HP and Cap Gemini;
- large global diversified receivable management and collections companies such as NCO Group, and Convergys;
- credit card collection / recovery focused companies such as iQOR, GC Services, Outsourcing Solutions Inc. (OSI), Epicenter, Zenta and Teleperformance;
- mortgage focused companies, largely in UK such as HML;
- BFSI focused offshore BPO providers, particularly in India such as Genpact, WNS and EXL; and
- BPO divisions of IT companies located in India including TCS, Infosys, Wipro and HCL.

In Asia business unit the company primarily competes with:

- BPO divisions of global IT companies in India including IBM and HP
- Domestic market focused pure-play BPO firms such as Intelenet, Aegis, Hinduja Global, Spanco and Aditya Birla Minacs;
- Regional / local BPOs in various states supporting regional Indian languages;
- Host of new entrants trying to get in to Indian domestic BPO market such as Genpact, Infosys and Wipro.

A number of the Company's international competitors are setting up operations in India. Further, many of the Company's other international competitors with existing operations in India are expanding these operations, which have become an important element of their delivery strategy. This has resulted in increased employee attrition among Indian BPO services companies and increased wage pressure to retain skilled employees especially in metropolitan cities.

Some of the Company's clients may, for various reasons including to diversify geographical risk, seek to reduce their dependence on any one country and may seek to outsource their operations to countries such as China and the Philippines. In addition, some of the Company's clients have sought to outsource their operations to onshore BPOs. Although the Company operates onshore facilities for certain of its clients in the United States and the United Kingdom, a significant increase in "onshoring" would reduce the competitive advantages the Company derives from operating out of India.

The Company however believes that the overall market size is very large and it has a strong competitive position due to the following factors:

- Deep domain expertise in its key focus industries
- End to end service offerings in key focus industries including onshore, near shore and offshore execution capabilities
- Marquee list of satisfied customers and track record of managing large customer relationships
- Strong and experienced management team
- Continuous focus on process excellence and operational results

RISKS & CONCERNS, RISK MITIGATION

These have been discussed in detail in the Risk Management report in this annual report.

DISCUSSION ON FINANCIAL PERFORMANCE RELATING TO OPERATIONAL PERFORMANCE

FINANCIAL POSITION

Shareholders funds

Share Capital. The authorized share capital of the Company is Rs.8,500 million with 850 million Equity shares of Rs.10 each. The paid up share capital at March 31, 2010 stands at Rs.4,292.1 million compared to Rs.4,281.9 million at March 31, 2009.

The details of increase in equity share capital by Rs.10.2 million from Rs.4,281.9 million as at March 31, 2009 to Rs.4,292.1 million as at March 31, 2010, is as below:

	Number of Shares (million)	Amount (Rs. million)
Shares issued by way of conversion of Options to Employees under ESOP scheme	**1.02**	10.2
	1.02	10.2

Reserves and Surplus. The Reserves and surplus of the Company increased from Rs.9,512.4 million to Rs. 9,948.2 million. The details of increase in Reserves and surplus by Rs. 435.7 million, is as below:

	Amount (Rs. million)
Increase on account of:	
Profit for the year less appropriations	1,360.7
Premium received on shares issued during the year	10.1
Premium payable on redemption of FCCB reversed on FCCB buyback	51.5
Hedging Reserve Account as per AS 30	473.4
Decrease on account of:	
Premium payable on redemption of FCCB for the year	760.0
Translation Reserve due to exchange difference on consolidation of non-integral subsidiaries, net of exchange difference on FCCB translation	700.0
Net Increase in Reserves and surplus	435.7

Minority Interest

Minority interest is created on account of 51% consolidation of Pipal Research Corporation, ("Pipal") a subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA and Pipal Research Analytics and Information Services India Private Limited ("PRAISE") (formerly known as Satvik Research and Analytics India Private Limited), a subsidiary of Pipal Research Corporation, incorporated under the laws of India.

Minority interest as at March 31, 2010 decreased to Rs.49.8 million from Rs.54.7 million as at March 31, 2009.

Loan funds

Secured loans represents balance amount payable under External commercial borrowings (ECB), finance lease obligation, and term loans. Unsecured loans represent mainly working capital demand loan, FCCB and loan from others. Secured loans outstanding as at March 31, 2010 was Rs.2,786.9 million as compared to Rs.1,855.6 million as at March 31, 2009. The increase in secured loans was on account of increase in term loan by Rs.1,011.1 million partly offset by exchange translation on ECB of Rs.79.0 million and decrease in finance lease of Rs.0.9 million. The term loan was primarily used for Foreign Currency Convertible Bonds (FCCB) buyback by the company during the year.

Unsecured loans outstanding as at March 31, 2010 was Rs.10,791.6 million as compared to Rs.12,090.0 million as at March 31, 2009. The decrease in unsecured loans was due to the restatement of FCCB, net of FCCB buyback of USD 12.9 million amounting to Rs.1,145.7 million, repayment of working capital demand loan by Rs 160.2 million partially offset by increase in loan from others by Rs.7.5 million.

Goodwill

Goodwill as at March 31, 2010 was Rs.20,725.9 million as compared to Rs.22,875.6 million as at March 31, 2009.

The decrease in Goodwill during the year was Rs.2,149.7 million. This decrease was primarily due to the restatement of goodwill on non-integral subsidiaries at year end exchange rates.

Fixed Assets

The net block of fixed assets and capital work-in-progress was Rs.1,838.0 million as at March 31, 2010 as compared to Rs.2,261.0 million as at March 31, 2009, representing an decrease of Rs.423.0 million. The company incurred capital expenditure during the year of Rs.490.0 million (including increase in leased assets of Rs.40.4 million) which was offset by net assets deleted amounting to Rs.40.3 million and depreciation for the year Rs.872.6 million. The major items of capital expenditure during fiscal 2010 were leasehold improvements, furniture and fixtures, equipments, computers and software, including fixed assets purchased in connection with the establishment of the Company's delivery center in Bhopal and additional capacity in Bangalore and Philippines. During the year, the Company shut down its center in Buenos Aires, Argentina and rationalized a center in Bangalore.

Investments

The Company had investments amounting to Rs.1,005.3 million as at March 31, 2010 as compared to Rs.18.2 million as at March 31, 2009. The increase is due to deployment of the Company's surplus cash in investments. All the Company's investments as at March 31, 2010 are non-trade investments which are short term in nature and constitute investments in liquid debt market mutual funds.

Deferred Tax Asset

Deferred tax asset, net as at March 31, 2010 was Rs.55.0 million as compared to Rs.140.5 as at March 31, 2009. The significant component of deferred tax asset is business losses carried forward, difference between tax and book value of fixed assets, accrued expenses and provision for doubtful debts. Deferred tax asset on business losses carried forward has been recognized only to the extent that there is virtual certainty of the realization of the assets in the future. Deferred tax asset is net of deferred tax liability. There was an increase in deferred tax liability due to increase in amortisation.

Current assets, loans and advances

Sundry Debtors and unbilled revenues. Sundry debtors amount to Rs.2,610.6 million (net of provision for doubtful debts amounting to Rs.86.8 million) as at March 31, 2010 as compared to Rs.2,379.5 million (net of provision for doubtful debts amounting to Rs.98.2 million) as at March 31, 2009. These debtors are considered good and realisable.

The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates and general economic factors which could affect the Company's ability to settle. Provisions are generally made for all debtors outstanding for more than 180 days as also for others, depending on the management's perception of the risk.

Debtors' days as at March 31, 2010 (calculated based on per-day sales in the last quarter) were 47 days, compared to 46 days as at March 31, 2009.

Unbilled revenues represent costs incurred and revenues recognized on contracts not billed as of year end and to be billed in subsequent periods as per the terms of the contract. The unbilled revenues as at March 31, 2010 and 2009 amounted to Rs.673.0 million and Rs.605.0 million respectively. Including the unbilled revenues, debtors represented an outstanding of 59 days as at March 31, 2010 as compared to 57 days as at March 31, 2009.

The Company constantly focuses on reducing its receivables period by improving its collection efforts.

Cash and bank balances. Cash balance represents balance in cash with the Company to meet its petty cash expenditure. The bank balances in India include both Rupee accounts and foreign currency accounts. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas subsidiaries and branches. The cash and bank balance as at March 31, 2010 was Rs.1,217.5 million as compared to Rs.966.9 million as at March 31, 2009.

Loans and advances. Loans and advances as at March 31, 2010 were Rs.2,011.4 million as compared to Rs.1,187.1 million as at March 31, 2009. Significant items of loans and advances include payment towards security deposits for various rental premises, loans to employees, prepaid expenses, advances paid for value and services to be received in future, lease rentals, advance income tax paid, minimum alternate tax credit, unamortized cost and accrued interest on loans and deposits. The increase in loans and advances of Rs.824.3 million was chiefly on account of exchange gain of Rs.466.2 million on derivative contracts, increase in advance income tax and tax deducted at source of Rs.123.3 million, increase in advances recoverable by Rs.109.1 million, minimum alternative tax (MAT) credit carried forward Rs.131.7 million offset by decrease in prepaid expenses Rs.11.0 million.

Current liabilities and provisions

Current liabilities. Current liabilities as at March 31, 2010 was Rs.1,620.1 million as compared to Rs.2,029.5 million as at March 31, 2009, representing a decrease of Rs.409.4 million. This decrease was chiefly contributed by decrease in sundry creditors for expenses and capital goods by Rs.221.4 million and exchange loss on derivatives of Rs.273.3 million.

Provisions. Provisions include provisions for taxation, gratuity and leave encashment.

Provision for taxation represents estimated income tax liabilities both in India and abroad. Provision for taxation as at March 31, 2010 was Rs.371.8 million as compared to Rs.358.6 million as at March 31, 2009. This increase was chiefly due to an increase in India current taxes.

In accordance with Indian regulations, the Indian entities have adopted a policy to provide for gratuity, a defined benefit retirement plan, covering all its eligible employees. Provision in respect of gratuity is determined based on actuarial valuation by an independent actuary at balance sheet date. Provision for leave encashment cost has been made based on actuarial valuation by an independent actuary at balance sheet date. Provision for gratuity valued on an actuarial basis as at March 31, 2010 was Rs.88.0 million as compared to Rs.74.7 million as at March 31, 2009. Provision for leave encashment valued on an actuarial basis as at March 31, 2010 was Rs.185.0 million as compared to Rs.176.4 million as at March 31, 2009. The increase in the actuarial valuation amounts was chiefly on account of increase in the number of employees in India from around 17,000 employees as at end of fiscal 2009 to around 19,000 employees as at end of fiscal 2010.

Results of Operations

The table below sets forth, for the periods indicated, certain income and expense items for the Company's consolidated operations:

PARTICULARS	**Fiscal 2010**		Fiscal 2009	
INCOME	**Rs.million**	**% of Income**	Rs.million	% of Income
Income from services	**19,539.1**	**99.1%**	17,525.2	100.2%
Other operating income	**168.8**	**0.9%**	(31.5)	-0.2%
Revenue from Operations	**19,707.9**	**100.0%**	17,493.7	100.0%
EXPENDITURE				
Personnel costs	**12,029.7**	**61.0%**	10,252.9	58.6%
Operating costs	**4,957.0**	**25.2%**	5,034.8	28.8%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	**2,721.2**	**13.8%**	2,206.0	12.6%
Depreciation and amortization	**872.6**	**4.4%**	961.3	5.5%
Operating EBIT (Earnings before Interest and Tax)	**1,848.6**	**9.4%**	1,244.7	7.1%
Finance charges, net	**455.8**	**2.3%**	1,036.0	5.9%
Other income	**210.1**	**1.1%**	298.2	1.7%
Profit before tax	**1,602.9**	**8.1%**	506.9	2.9%
Provision for taxation				
- Current tax expense (including foreign taxes)	**260.9**	**1.3%**	268.7	1.5%
- Deferred tax charge / (release)	**108.5**	**0.6%**	(69.9)	-0.4%
- Fringe benefits tax	**-**	**0.0%**	25.3	0.1%
- Minimum alternate tax credit entitlement	**(131.7)**	**-0.7%**	(25.0)	-0.1%
Profit after tax before minority interest	**1,365.2**	**6.9%**	307.8	1.8%
Minority interest	**4.5**	**0.0%**	1.1	0.0%
Profit after tax	**1,360.7**	**6.9%**	306.7	1.8%

Income

Income from services. Income from services increased 11.5% to Rs. 19,539.1 million in fiscal 2010 from Rs.17,525.2 million in fiscal 2009. The Company attributes the growth in its income to increased work from its existing clients, both through increases in the volumes of work that they outsource to the Company under existing processes and the outsourcing of new processes and service lines to it (partly as a result of the Company cross-selling new services to its existing clients). The average exchange rate for USD and GBP in fiscal 2010 was Rs.47.74 per USD and Rs.76.20 per GBP as compared to Rs.46.47 per USD and Rs.79.13 per GBP in fiscal 2009.

Consolidated Revenues by Geography. The Company serves clients mainly in North America (USA and Canada, although income from Canada accounted for less than 1%) United Kingdom and India. Clients from United States accounted for 60.4% (fiscal 2009 – 63.0%) and clients from United Kingdom accounted for 27.0% (fiscal 2009 – 26.0%) of the income from services in fiscal 2010. Clients in India accounted for 11.9 % (fiscal 2009 – 10.8%) of the income from services in fiscal 2010.

The following table sets out a geographic breakdown of the income from services for the periods indicated.

(Rs. In Millions)

	Fiscal Year	
	2010	2009
North America (USA and Canada)	**11,808.8**	11,034.0
UK	**5,276.3**	4,550.9
India	**2,317.1**	1,885.0
Rest of the world	**136.9**	55.3
Total	**19,539.1**	17,525.2

There was a decrease in the proportion of the income from North America primarily due to reduction in revenues on the Healthcare payer side on account of lower volumes. UK revenues in rupee terms however witnessed a strong growth Y-o-Y of 15.9 % aided by increase in revenues from existing customers. This has also resulted in UK business increasing in percentage terms. Revenues from India grew more than 22% in this fiscal, primarily aided by growth in existing telecom customers including growth in new service areas.

Consolidated Revenues by Industry. Healthcare, Telecommunications and Media, and BFSI accounted for 37.5%, 37.7% and 23.0% of income from services, respectively, in fiscal 2010 and 39.9 %, 32.4 %, 25.2 % of income from services, respectively, in fiscal 2009.

The following table sets out a breakdown of the income from services for the periods indicated.

(Rs. In Millions)

	Fiscal Year	
	2010	2009
Healthcare	**7,321.8**	6,988.2
Telecommunications and Media	**7,367.5**	5,682.2
BFSI	**4,485.9**	4,408.7
Others	**363.9**	446.2
Total	**19,539.1**	17,525.2

On the Healthcare side, the company works for three Fortune 100 Health Insurance companies on the payer side and over 800 hospitals and physician groups on the provider side. While there was moderate growth in the Healthcare provider side of the business in fiscal 2010 on the back of higher new business volumes, the payer business witnessed drop in volumes due to increasing unemployment levels and job losses.

On the Telecommunications and Media front, the company works across all service lines from Mobile, wireless and fixed lines to Broadband, High speed internet, DTH and Pay TV. The increase in the income from clients within the Telecommunications and Media sector was attributable to companies within this industry outsourcing more processes generally to support growth in their core businesses, as well as its increased penetration of this market with a larger suite of service offerings. The company is seeing robust growth opportunities in this vertical aided by existing client expansion into new product lines, technical support requirement for more complex products such as smart phones, IPTV, etc. as well as emergence of new customer service channels such as Web chat and Forum management. The company continues to see strong growth from vendor consolidation as well. The increase in India domestic business in fiscal 2010 was also primarily contributed by this industry.

Within the BFSI vertical, the credit card collections business of the company witnessed strong organic growth from existing clients. While the company's revenues increased on the back of stable operational performance, the increased delinquencies and lower liquidation rates on credit cards in the US still persists and continues to be a challenge. On the non-collections BFSI side however, there has been lower origination and servicing volumes in our mortgage BPO business as also delayed business decisions from customers on areas we support them on. At an overall level, the Company has managed to grow revenues in BFSI for the year and also added new clients. The India domestic business on the BFSI side remains attractive and continues to grow too.

Client Concentration. The following table shows the Company's client concentration by presenting income from its top and top five clients as a percentage of its income from services for the periods indicated:

(Rs. In Million)

	Fiscal Year			
	2010	%	2009	%
Top client	**2,350.7**	**12.0**	1,807.5	10.3
5 largest clients	**6,342.6**	**32.5**	5,473.4	31.2
All clients	**19,539.1**	**100.0**	17,525.2	100.0

In fiscal 2010, the Company had one client contributing over 10.0% of its income from services. This client accounted for 12% of the income from services in fiscal 2010. In fiscal 2009, the Company had one client contributing over 10.0% of its income from services. This client accounted for 10.3% of the income from services in fiscal 2009.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2010, the company had 10 clients contributing over Rs.500 million in annual revenues as compared to nine clients in fiscal 2009. In fiscal 2010 and 2009, income from the Company's five largest clients amounted to Rs. 6,342.6 million and Rs. 5,473.4 million, respectively, accounting for 32.5 % and 31.2% of its income from services, respectively. Income for services performed for ICICI Bank, the Company's Promoter shareholder, and its affiliates, including overseas subsidiaries, amounted to Rs. 279.2 million or 1.4% of its income from services, in fiscal 2010. Although the Company continues to increase and diversify its client base, it expects that a significant portion of its income will continue to be contributed by a limited number of large clients in the near future. The company expanded relationships with existing clients in fiscal 2010 as well and was successful in growing 8 of the top 10 clients during the year.

Other operating income. Other operating income of Rs.168.8 million in fiscal 2010 pertains to operating income in the nature of a grant received in relation to the Company's business in Northern Ireland of Rs.96.2 million and exchange gain realised on debtors of Rs.72.6 million. The fiscal 2009 Other Operating Income of Rs.(31.5) million consisted of grant income of Rs.45.9 million and exchange loss realised on debtors of Rs.77.4 million.

Expenditure

Personnel costs. Personnel costs for fiscal 2010 amounted to 61.0% of the income for that period, as compared to 58.6% of income in fiscal 2009. Personnel costs increased by 17.3% to Rs. 12,029.7 million in fiscal 2010 from Rs. 10,252.9 million in fiscal 2009. Personnel costs in fiscal 2010 as a percentage of income was higher primarily due a shift in costs pertaining to contract employees in the US from operating costs in FY09 to personnel costs in FY10 as these employees were taken on company rolls in the current fiscal thereby forming part of personnel costs. Personnel costs in fiscal 2010 as a percentage of income was also higher due to large ramps in the India domestic business as also increase in business delivery onshore in UK and US. The Company's number of employees increased to 24,860 as of March 31, 2010 from 21,570 as of March 31, 2009, principally to service its increased business volumes both onshore in the UK and US as well as in India and Philippines. As at March 31, 2010, 6,076 employees were employed outside India as compared to 4,711 employees as at end of Fiscal 2009. The Company's average wage levels were also higher in fiscal 2010 as compared to fiscal 2009.

Operating costs. Operating costs for fiscal 2010 amounted to 25.2% of the income for that period, as compared to 28.8% of income in fiscal 2009. Operating costs decreased to Rs. 4,957.0 million in fiscal 2010 from Rs. 5,034.8 million in fiscal 2009, primarily due to lower costs incurred for services rendered by business associates and others in fiscal 2010. This was due to contract employees in the US in Fiscal 2009 taken on company rolls in fiscal 2010 thereby forming part of personnel costs in the current fiscal. Most expense items of operating costs increased at rates lower than, or generally in line with increase in revenues, with the exception of electricity charges, information and communication expenses and car & other hire charges which increased by 22.0% from Rs. 1,029.5 million to Rs. 1,253.6 million, primarily due to additions of centers in India to cater to the growth in the business including ramps. Further legal & professional charges increased by 16.9% from Rs.400.6 million to Rs.468.2 million primarily due to fees incurred in relation to the loan availed in the current fiscal as also the reorganization of the Company's U.S operations.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

Operating EBITDA. As a result of the foregoing, operating EBITDA increased by 23.4% to Rs. 2,721.2 million in fiscal 2010 from Rs. 2,206.0 million in fiscal 2009. Operating EBITDA in fiscal 2010 was 13.8% of income, as compared to 12.6% of income in fiscal 2009.

Both fiscal 2010 and 2009 had expenses on account of discontinued operations in Argentina and US respectively. Excluding the impact of these expenses, the operating EBITDA would be Rs. 2,805.2 million or 14.2% of income in fiscal 2010, as compared to Rs. 2,318.7 million or 13.3% of income in fiscal 2009.

Depreciation. Depreciation costs for fiscal 2010 amounted to 4.4% of the income for that period, as compared to 5.5% of income for fiscal 2009. Depreciation decreased by 9.2% to Rs. 872.6 million in fiscal 2010 from Rs. 961.3 million in fiscal 2009.

Operating EBIT (Earnings before Interest and Tax)

Operating EBIT. Operating Earnings before Interest and Tax (EBIT) increased by 48.5% to Rs. 1,848.6 million in fiscal 2010 from Rs. 1,244.7 million in fiscal 2009. Operating EBIT in fiscal 2010 was 9.4% of income, as compared to 7.1% of income in fiscal 2009.

Excluding the impact of expenses incurred for discontinued operations in both fiscal 2010 and fiscal 2009, the operating EBIT would be Rs. 1,932.5 million or 9.8% of income in fiscal 2010, as compared to Rs. 1,382.8 million or 7.9% of income in fiscal 2009

Finance charges, net. Finance charges, net of Interest income for fiscal 2010 amounted to 2.3% of income for that period, as compared to 5.9% of income in fiscal 2009. Net finance charges decreased by 56.0% to Rs. 455.8 million in fiscal 2010 from Rs. 1,036.0 million in fiscal 2009. Non-cash mark-to-market exchange loss on re-valuation of the foreign currency convertible bonds (FCCB) for the period April 1, 2008 to June 30, 2008, prior to treating it as a net investment in a non-integral subsidiary and consequently adjusting the same in Reserves and Surplus in the Balance sheet, was Rs.778.2 million in fiscal 2009. This was nil in fiscal 2010. Amortised cost on fair value of FCCB for fiscal 2010 was Rs.115.3 million as compared to Rs.113.9 million in fiscal 2009. Excluding the impact of the above two components, finance charges for fiscal 2010 amounted to Rs.340.6 million as compared to Rs.143.9 million in fiscal 2009, an increase of Rs.196.7 million, primarily due to an increase of Rs.95.0 million on account of Interest expense on ECBs and term loan and Rs.92.7 million on account of exchange loss on foreign currency loans.

Other income. Other income decreased to Rs. 210.1 million in fiscal 2010 from Rs. 298.2 million in fiscal 2009. The components of other income in fiscal 2010 were net gain on FCCB buyback of Rs.73.9 million, income from the sale and redemption of non-trade investments in the amount of Rs. 18.0 million, dividend income of Rs.8.0 million, gain on sale of fixed assets of Rs.4.7 million, other miscellaneous income and write backs of Rs.7.5 million and foreign exchange gain of Rs.98.0 million. Net foreign exchange gain included exchange gain of Rs.7.6 million recognised on account of translation of financial statements of foreign integral subsidiaries for the purpose of preparation of these consolidated financial statements and a mark to market exchange gain of Rs.171.6 million on account of cancellation of derivative instruments. The components of other income in fiscal 2009 were net gain on FCCB buyback of Rs.635.0 million, income from the sale and redemption of non-trade investments in the amount of Rs. 12.8 million, dividend income of Rs.9.4 million, gain on sale of fixed assets of Rs.1.5 million and other miscellaneous income and write backs of Rs. 10.4 million. This was partly offset by foreign exchange loss Rs.370.8 million. Net foreign exchange loss included exchange gain of Rs.97.3 million recognised on account of translation of financial statements of foreign integral subsidiaries for the purpose of preparation of these consolidated financial statements and an exchange loss of Rs.236.2 million on account of cancellation of derivative instruments.

Profit before tax

Profit before tax. Profit before tax increased by 216.2% to Rs.1,602.8 million in fiscal 2010 from a profit before tax of Rs.506.9 million in fiscal 2009. Profit before tax in fiscal 2010 was 8.1% of the income, as compared to 2.9% of the income in fiscal 2009.

Provision for taxation. Provision for taxation increased by 19.4% to Rs. 237.6 million in fiscal 2010 from Rs. 199.1 million in fiscal 2009. Income tax expense comprises of current income tax, the net change in the deferred tax assets and liabilities in the applicable fiscal period, Fringe benefit tax and minimum alternate tax credit entitlement.

Current Income tax expense comprises tax on income from operations in India and foreign tax jurisdictions. The Company has the benefit of tax-holiday under Sec 10A/ 10B under the Software technology parks (STP) scheme. Current tax expense amounted to Rs.260.9 million in fiscal 2010 as compared to Rs.268.7 million in fiscal 2009.

There was a deferred tax charge of Rs.108.5 million in fiscal 2010 compared to a deferred tax release of Rs.69.9 million in fiscal 2009. Deferred tax liability increased due to increase in amortisation.

Fringe benefit tax was payable by the company on the value of benefits provided or deemed to be provided to its employees until fiscal 2009. The same was abolished from the current fiscal year. Fringe benefit taxes for fiscal 2010 hence is nil as compared to Rs. 25.3 million for fiscal 2009.

Minimum alternate tax for the ITES industry became applicable effective fiscal 2009, resulting in the Company recording the same as part of the current tax expense and the credit entitlement has been disclosed separately. The Company has recorded a Minimum alternate tax credit entitlement of Rs.131.7 million in fiscal 2010 as compared to Rs.25.0 million in fiscal 2009.

Profit after tax before minority interest

Profit after tax before minority interest. As a result of the foregoing, profit after tax before minority interest increased to Rs. 1,365.2 million for fiscal 2010 from a profit after tax before minority interest of Rs. 307.8 million in fiscal 2009.

Minority interest. Minority interest was Rs. 4.5 million in fiscal 2010 as compared to Rs. 1.1 million in fiscal 2009. This was due to increase in operating profits in Pipal.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax increased by 343.6% to Rs. 1,360.7 million in fiscal 2010 from a profit after tax of Rs. 306.7 million in fiscal 2009. Profit after tax in fiscal 2010 was 6.9% of the income, as compared to 1.8% of the income in fiscal 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company needs cash primarily to fund the technology and infrastructure requirements in its delivery centers, to fund its working capital needs, to fund acquisitions and for other general corporate purposes. The Company funds these capital requirements through a variety of sources, including cash from operations, short and long-term lines of credit and issuances of share capital. As of March 31, 2010, the Company had cash and cash equivalents of Rs. 1,217.5 million. This primarily represents cash and bank balances with banks in India and abroad.

The Company's summarised statement of consolidated cash flows is set forth below:

(Rs. In Million)

	Fiscal year	
	2010	2009
Net Cash flow from Operating activities	**1,715.7**	1,747.1
Net Cash flow from/(used in) Investing activities	**(1,472.2)**	(880.3)
Net Cash flow from/(used in) Financing activities	**7.1**	(924.5)
Cash and bank balances at the beginning of the year/period	**966.9**	1,024.7
Cash and bank balances at the end of the year/period	**1,217.5**	966.9

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2010 amounted to Rs. 1,715.7 million. This consisted of net profit after tax of Rs. 1,360.7 million and a net upward adjustment of Rs. 1,377.7 million relating to various non-cash items and non-operating items including depreciation of Rs. 872.6 million; a net increase in working capital of Rs. 651.8 million; and income taxes paid of Rs. 370.9 million. The working capital increase was due to increase in trade and other receivables of Rs. 620.7 million and a decrease in trade and other payables by Rs. 31.1 million.

Net cash generated from the Company's operating activities in fiscal 2009 amounted to Rs. 1,747.1 million. This consisted of net profit after tax of Rs. 306.7 million and a net upward adjustment of Rs. 1,948.6 million relating to various non-cash items and non-operating items including depreciation of Rs. 961.3 million; a net increase in working capital of Rs. 227.0 million; and income taxes paid of Rs. 281.3 million. The working capital increase was due to increase in trade and other receivables of Rs. 639.0 million partly offset by an increase in trade and other payables by Rs. 412.0 million.

Investing Activities

In fiscal 2010, the Company used Rs. 1,472.2 million of cash in investing activities. These investing activities primarily included capital expenditure payments of Rs. 564.7 million, including fixed assets purchased in connection with the establishment of the Company's delivery centers in Bhopal and additional capacity in Bangalore and Philippines; and net purchase of money and debt market mutual funds amounting to Rs. 969.0 million. During the year, the Company received an interest and dividend amounting to Rs. 16.5 million and sold a few fixed assets for Rs.45.0 million.

In fiscal 2009, the Company used Rs. 880.3 million of cash in investing activities. These investing activities primarily included capital expenditure payments of Rs. 918.1 million, including fixed assets purchased in connection with the establishment of the Company's delivery centers in Airoli, Bhubaneshwar, Jalandhar, Siliguri, Coimbatore, Bangalore and other Tier II centers in India added towards the end of previous fiscal; Rs.268.9 million towards further payments effected on earlier business acquisitions of Medassist, BPM and RevIT, and net sale of money and debt market mutual funds amounting to Rs. 215.8 million. During the year, the Company received an interest and dividend amounting to Rs. 31.8 million and sold a few fixed assets for Rs.59.1 million.

Financing Activities

In fiscal 2010 net cash generated from financing activities amounted to Rs. 7.1 million. This primarily comprised of proceeds from secured loans of Rs.1,347.0 million, unsecured loan of Rs.23.6 million and proceeds from issuance of equity shares of Rs.23.8 million. The company bought back Foreign currency convertible bonds (FCCB), including expenses worth Rs.455.4

million, repaid unsecured loans of Rs. 176.3 million and secured loans of Rs. 507.2 million, and paid interest of Rs. 248.4 million.

In fiscal 2009 net cash used in financing activities amounted to Rs. 924.5 million. This primarily comprised of buy back of Foreign currency convertible bonds (FCCB), including expenses amounting worth Rs.1,257.2 million, repayment of unsecured loans of Rs. 803.8 million, repayment of secured loans of Rs. 180.0 million and payment of interest of Rs. 136.5 million. The company received proceeds from issuance of equity shares of Rs.23.4 million and from secured loans and unsecured loans Rs. 1,355.0 million and Rs. 74.7 million respectively.

Cash position

The Company funds its short-term working capital requirements through cash flow from operations, working capital overdraft facilities with commercial banks, medium-term borrowings from banks and commercial financial institutions and others. As of March 31, 2010, the Company had cash and bank balances of Rs. 1,217.5 million as compared to Rs.966.9 million as at March 31, 2009.

RISK MANAGEMENT REPORT

This report sets out the enterprise-wide risk management that is practiced by the Company. Readers are cautioned that the risks outlined her are not exhaustive and are for information purposes only. This report contains statements which may be forward-looking in nature. The business model is subject to uncertainties that could cause actual results to different materially from those reflected in these forward-looking statements. Readers are requested to exercise their own judgment in assessing the risks associated with the Company and to refer to the prospectus filed with the Securities and Exchange Board India (SEBI) as well as factors discussed elsewhere in this annual report.

The BPO Industry is subject to stringent customer requirements on information and data security, impact of rapid technological changes, financial exposures due to rapid exchange fluctuations and ever increasing regulatory compliance requirements. These factors demand for an extremely robust risk management practice to be adopted by global BPO service providers.

The Company continues to emphasize and build on the need to have robust risk management culture and processes. The Company has already implemented a comprehensive **"Enterprise Risk Management (ERM)"** framework in order to anticipate, identify, measure, mitigate, monitor and report the risks to meet the strategic business objectives. During the fiscal, the ERM framework was further strengthened by capturing various changes that emerged during the year.

The ERM framework captures the following key elements:

Governance Structure:

Level	Roles & Responsibilities
Board of Directors	• Oversees the risk management process performed by the management in order to protect and enhance the value to the stakeholders.
Audit Committee	• Provides oversight on the internal control environment and review of the independent assurance activities performed by the auditors.
Risk Committee	• Comprising of the CEO and CFO, carries out continuous assessment of the risks to the business and reviews the risk management practice to ensure compliance with the policies. • Monitors and approves the risk policies and procedures
Risk Management function	• Executes risk management related activities across the organization as per the direction given by the risk committee. • Provides assistance and guidance to various business/support functions in managing the risks within acceptable levels.
Business Heads	• Ownership for managing the risks specific to their business and responsibility to ensure compliance with the policy. • Influence and drive the execution of the risk management practices in their units.
Internal Audit	• Carries out independent reviews on the effectiveness of the controls and reports to the audit committee to provide independent assurance to the management.

Enterprise Risk Management Process

Stage	Activities
Risk Identification	• Risk identification exercise is being done in the beginning of the fiscal year by the risk committee and the senior management to update the "Risk register" which captures all possible risks which can adversely impact the achievement of the business objectives. • This risk register is reviewed by the risk committee on periodic basis to capture the new risks identified and any change in the inherent risk levels.

Stage	Activities
Risk Assessment	• The systemic risk assessment is done on the basis of likelihood of occurrence and significance of impact of each risk parameter. • All the risks are categorized as extreme, high, moderate and low risks in order to prioritize the response and monitoring.
Risk Response	• The management defines the risk appetite and risk tolerance levels in order to decide on the appropriate response. • The overall response strategy is either, or the combination of avoidance, acceptance, transfer or mitigation strategy.
Monitoring and reporting	• Ongoing monitoring is being done by the risk owners with the help of risk management function. • The reporting of the results of the ongoing assessment as well as the changes in the risk profiles is done and reviewed by the risk committee on monthly basis.

INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY

- The Company and its management have ensured that adequate systems for internal control commensurate with the Company's size are in place. These ensure that its assets and interests are carefully protected; checks and balances are in place to determine the accuracy and reliability of accounting data. Well documented processes have been implemented throughout the organization to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations.
- The Company has a dedicated internal audit team to examine and evaluate the adequacy and effectiveness of the internal control system. The audit team follows "Risk based audit" approach and appraises the audit committee, statutory auditors and senior management, periodically about activities and audit findings. The Company has also appointed an external firm to conduct the periodic internal audits of a few areas and provide fair independent assessment of the effectiveness of the internal controls.
- During fiscal 2010, all audits were completed as per the schedule and reported to the audit committee. During the fiscal, internal audits were also conducted for overseas locations including operations and support functions there.
- The Company has a rigorous business planning system to set targets and parameters for operations, which are reviewed with actual performance to ensure timely initiation of corrective action if required.
- Additionally, pursuant to clause 49 of the listing agreement with stock exchanges relating to corporate governance, the company is required to comply with additional standards. These standards include a certification by the Company's Chief Executive Officer and Chief Financial Officer that they have evaluated the effectiveness of the Company's internal control systems and that they have disclosed to its auditors and its audit committee any deficiencies in the design or operation of the company's internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies.

Key Business Risks & Mitigation Plan

1. Uncertain and volatile global economic conditions

Globally, economic conditions continue to remain volatile and uncertain. Recovery is moving into a more mature phase led by growing domestic demand however conditions in Europe may derail the recovery. Should the crisis in Europe worsen, global growth could be lower and in the case of a crisis, a double-dip recession in high-income countries may not be avoided. Global economic conditions affect the Company's clients' businesses and the markets they serve. The Company's business could be adversely affected by its clients' financial condition and the levels of business activity in the industries it serves in the event of worsening economic conditions.

Planning and responding to changes in such an uncertain environment without any business impact is difficult. The Company has no exposure to Europe, except UK which contributed 27% of its revenues in fiscal 2010. The Company is also present in relatively defensive industries such as Healthcare and Telecom & Media which tends to be less prone to recessionary cycles. The Company believes that its diversified business model across industries, geographies, clients and currencies positions it well for challenges of an uncertain and volatile global economy. The Company also continues to lay even greater emphasis than before on rigorous cost control and productivity improvement initiatives to enhance operating margins in these challenging times. During fiscal 2010, the Company's operating EBIT margins expanded by 190 bps.

2. Protectionist sentiments in the developed countries

One of the impacts of the global financial crisis and recession has been increased unemployment in the developed countries such as US and UK. The response to this rising unemployment has been the rise of legislation aimed at protecting domestic industries and jobs by various anti-trade measures. The issue of companies outsourcing services to organizations operating in other countries such as India has increasingly become a sensitive topic and subject of intense political discussion in these countries. In the US, there have been examples of insistence by the Democratic congressional leadership to require that stimulus money come with "Buy America" strings and proposal of increasing taxation for corporates using offshore services aimed at making offshore outsourcing less attractive. In the United Kingdom, there is a prevailing legislation, TUPE (Transfer of Undertakings (Protection of Employment) Regulations) , enacted based on the European Union Acquired Rights Directive. UK has also witnessed increased resistance from labour unions against the use of foreign labor as evident in "British Jobs for British Workers" strikes and "Sympathy strikes" those broke out across the country.

While protectionism is against the spirit of free trade and will also be counterproductive to the US and UK industry in the long term, the issue is more political than anything else. The Company also strongly believes that the economic benefits of outsourcing and offshoring far outstrip any curbs imposed including through taxation.

The Company recognized early that to be credible players in the global Business Process outsourcing (BPO) industry, it would be imperative to have delivery capabilities across the globe and not just from India or offshore locations. The company focused on establishing a delivery proposition that transcended offshoring benefits and include the ability to manage operations and deliver process improvement and efficiency onshore, near shore or offshore, wherever processes were best delivered from. The company has successfully transformed itself from an offshore BPO player in its early days to a global BPO players with significant local delivery presence in the US and UK. In a protectionist environment, well established onshore presence has helped in winning more business in US and UK and is proving to be a market advantage. The company derives majority of its revenues from onshore services and its dependence on offshore revenues has considerably decreased:

% of revenue	Fiscal 2006	Fiscal 2008	Fiscal 2010	Trend
Offshore	73.6%	39.6%	28.9%	↓
Onshore	23.9%	49.6%	59.3%	↑

Among the Indian pure-play BPO companies, the Company was the first to build strong onshore – UK and US operations. Today, the company has fourteen delivery centres in the US, two in the UK and employs over 3,300 employees in the US and over 2,000 employees in the UK. The Company is the largest foreign investor in the UK in the contact centre & shared services sector, and the largest creator of jobs in the UK during the last three years, of all the Indian companies that have invested in the UK. The Company was awarded the Indian investor of the year award by the UK Trade & Investment (UKTI).

3. Revenue concentration risk

The Company relies on a small number of clients for a large proportion of its income, and loss/discontinuance of any of these clients could adversely affect its revenue and profitability. The Company's Top 5 clients accounted for 32.5% of its income from services in fiscal 2010. Furthermore, major events affecting the company's clients, such as bankruptcy, change of management, mergers and acquisitions, change in their business model or environmental factors could adversely impact its business.

The Company recognizes this aspect and constantly strives to rebalance its business portfolio in terms of clients as well as overall industry exposure. As a result of these ongoing efforts, the company has managed to reduce the revenue concentration on few clients as well as the specific industry exposure.

% of revenue	Fiscal 2006	Fiscal 2008	Fiscal 2010	Trend
Top client	16.0%	14.4%	12.0%	↓
Top 5 clients	50.6%	37.4%	32.5%	↓

The management believes that it has a well balanced mix of clients and industries and moving forward shall continue to assess, evaluate and address the risk of any over dependency.

4. Highly competitive environment

The market for BPO services is evolving rapidly and dynamically and has become highly competitive over the years. The Company expects that the competition it faces will continue to intensify. The Company competes for business with a variety of companies in each of its business units. These competitors include offshore third party 'pure-play' BPO providers largely in India and Philippines, local / onshore BPO providers in US and UK, BPO divisions of global IT companies and in-house captives of potential clients. There could also be newer competitors entering the market.

The Company understands that it needs to retain and grow its leadership position in the industry. To maintain this competitive edge, the Company anticipates and realises that it needs to be best in class in operations, delivery, and quality, apart from ensuring that it has a focused marketing and sales team. Towards ensuring this, the Company makes significant investments in process excellence, standardization and innovation, apart from adhering to global operating standards such as ISO 27001, Six Sigma, COPC, SAS 70, PPMS, HFMA Peer Review Status etc., all of which help the Company retaining its competitive edge. The Company also constantly looks to strengthen its ability to attract, train and retain qualified people, compliance rigor, global delivery capabilities, breadth and depth of service offering, price competitiveness, knowledge of industries served, and marketing and sales capabilities which are other key competitive factors.

5. Long selling cycle

The Company has a long selling cycle for its BPO services, which requires significant investment of capital, resources and time by both clients and the Company. Prior to committing to use the Company's services, the potential clients require the Company to spend substantial time and resources to present them with value proposition and feasibility assessment of integration of systems and processes of the Company and potential client. Therefore, the Company's selling cycle, which can range in duration from weeks to months, is subject to various risks and delays over which the Company has little or no control, including its clients' decision to choose alternatives to its services (such as other providers or in-house offshore resources) and the timing of its clients' budget cycles and approval processes.

The Company has strategically focused marketing and sales teams with clearly defined goals who at all times work on a variety of opportunities along with an aggressive transition methodology that helps transition new wins fairly quickly into delivery mode. Most of the contracts with existing clients are on long term-basis which ensures sustainable and scalable business from the existing clients.

6. Risks related to strategic transactions and M&A

The Company's growth strategy involves ongoing review of potential strategic transactions, including potential acquisitions, dispositions, consolidations, joint ventures or similar transactions, some of which may be material. Historically, the Company has relied on expanding some of its service offerings and gaining new clients through strategic acquisitions. It is possible that in the future, the Company may not succeed in identifying suitable acquisition targets available for sale on reasonable terms, have access to the capital required to finance potential acquisitions or be able to consummate any acquisition, which may affect its competitiveness and its growth prospects. In addition, the Company's management may not be able to successfully integrate any acquired business into its operations and any acquisition it does complete may not result in long-term benefits to the company.

The Company has a dedicated M&A (Mergers and Acquisitions) assessment team which constantly evaluates available acquisition opportunities. Once a proposed company or firm is short listed, the Company carries out stringent due diligence audits, assessments and evaluations before finally deciding to consummate the acquisition. The Company strongly believes in assessment of all parameters before closing out on a deal, including, but not limited to, business fit, culture, management quality, delivery engine, customer list, etc. An integration team is then constituted to enable smooth convergence of the acquired Company with your Company. The Company has a well established track record of successfully integrating and creating value from acquisition in the past and believes this experience will help it in future in continuing to leverage the synergies through successful business / process integrations.

7. Expiry of certain tax benefits available in India

Under the Indian Income Tax Act, 1961, the Company's delivery centers in India benefit from a ten-year holiday from Indian corporate income taxes in respect of their export income (under the Software Technology Parks of India ("STPI") Scheme. This tax holiday under the STPI regime will expire on March 31, 2011. As the STPI tax holiday expires, the Company's Indian tax expense will materially increase impacting its after-tax profitability materially, unless the company can obtain comparable benefits under new legislation or otherwise reduce its tax liability.

The Special Economic Zones Act, 2005, or the SEZ legislation, has introduced a new 15-year tax holiday scheme for operations established in designated "special economic zones" or SEZs. The SEZ legislation provides, among other restrictions, that this holiday is not available to operations formed by splitting up or reconstructing existing operations or transferring existing plant and equipment to new SEZ locations. However, because this is relatively new legislation, there is continuing uncertainty as to the interpretation of the required governmental and regulatory approvals.

The Company already has one delivery centre in SEZ in Bangalore, India and is in the process of identifying additional qualifying locations in India that will be eligible for the SEZ benefits.

8. FCCB refinancing risk

The company had issued Foreign currency convertible bonds (FCCB) amounting to USD 275 million in fiscal 2008 to pay off the bridge loan taken to fund the acquisition of MedAssist in the US healthcare vertical. These bonds are convertible at a premium to the then prevailing market price of the company's stock, with a tenure of 5 years and will mature in December 2012. The FCCB provides the bondholders an option of either converting into equity shares at any time during this period at a conversion price of Rs.92.2933 and if not, the same will be redeemed to the bondholders on the maturity date at a YTM of 6.75% per annum. However, due to overall economic downturn and its impact on the stock market, the stock price of the Company has also been adversely impacted and is currently trading at levels much lower than the conversion price of these bonds. If this trend continues until maturity, the investors may not opt for the conversion and choose the repayment option which in turn may result into the risk of the company having to resort to refinancing to service this obligation. The current outstanding FCCBs are USD 212.4 million and the Company will need USD 296 million to repay these FCCBs in December 2012 in the event of FCCBs not converting in the equity.

The company has USD 50 million cash and cash equivalents as on March 31, 2010. The Company generates healthy free cash flows and believes it will have sizable cash balance by December 2012. The Company believes that the gap between repayment obligation of USD 296 million and cash on hand in December 2012 will be easily refinanceable, considering the Company's expected profitability level. The Company also continues to look at opportunities to further reduce the overall debt and spread its repayment obligation, through FCCB buy backs and other alternatives. During the fiscal year 2010, the Company has bought back additional USD12.9 million bonds at an attractive discount from the market, taking the overall amount of FCCBs bought back to USD 62.6 million and reducing outstanding FCCBs to USD 212.4 million

9. Exchange risk

There has been a marked change in the exchange rate between INR and GBP and INR and USD in the recent years and these currencies may continue to fluctuate significantly in future as well. The Company expects that a majority of its income will continue to be generated in foreign currencies and that a significant portion of its expenses will continue to be denominated in Indian rupees. Accordingly, the Company's operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian rupee and the British pound and the Indian rupee and the US dollar, as well as exchange rates with other foreign currencies.

The Company's treasury function actively tracks the movements in foreign currencies and has an internal risk management policy of proactively hedging exposures. As per the internal guidelines, the Company has been judiciously hedging its net exposures on regular basis through forward cover contracts and Options. As of March 31, 2010, the company has outstanding forward covers of USD 26 million and GBP 35 million. Also over the years, the Company has expanded operations in India for service offerings to domestic clients, which essentially results in such related income & expenses denominated in Indian rupee and hence no exposure to the currency exchange risk.

% of revenue	Fiscal 2006	Fiscal 2008	Fiscal 2010	Trend
Domestic business	2.5 %	10.8%	11.9%	↑

10. Risks related to attrition

BPO industry is a labor intensive industry and the Company's success depends on its ability to retain key employees. Historically, high employee attrition has been common in BPO industry and the Company has also experienced high level of attrition. In March 2010 quarter, the company's attrition rate for all employees who were employed for more than 180 days was 43.5% for offshore delivery and 34.5% for onshore delivery. Attrition rate for domestic delivery in Asia business unit is significantly higher as well. Higher level of attrition rate has an impact on the company's operating efficiency and productivity and thus profitability.

The Company is taking several new initiatives to reduce employee attrition including better employee engagement, increased focus on first time supervisory training, better targeted compensation measures, etc. There is a lot of focus across the organization to reduce attrition with linked reward mechanisms.

11. Risks related to ability to recruit employees and wage costs

With signs of stabilisation and recovery in global economy, demand and competition for qualified employees has increased and is expected to remain high. Significant competition for employees could have an adverse effect on the Company's ability to recruit and thus expand its business and service its clients, as well as cause it to incur greater personnel expenses and training costs. Personnel costs including salaries and related benefits, for fiscal 2010 amounted to 61.0% of the Company's income. Considering salaries and related benefits of employees are most significant costs in BPO industry, pressure on wages will reduce the Company's profit margins and competitive advantage over longer term.

The Company has developed innovative recruitment channels and practices to mitigate these risks. These include strong employee referral program called TOMTOM, which contributes to more than one third of the overall hiring requirements along with Stride, an initiative to train and create a pool of employable resources. Several other innovative campaigns were launched during fiscal 2010 such as TOMTOM Jockey, a program to create an employee referral network and Firstsource Premier League, an intra-program referral championship resulting in a huge increase in employee referrals. The Company also invests considerable efforts in establishing Firstsource as a preferred employer of choice and participates in several career events to strengthen Firstsource brand and get access to talent.

12. Country level risks

The Company has a global footprint and has operations in India, the United States, the United Kingdom and Philippines and it services clients across Europe, North America and Asia. The Company's corporate structure also spans multiple jurisdictions, with intermediate or operating subsidiaries and branches incorporated in India, the United States, the United Kingdom and Philippines. As a result, the Company is exposed to various risks typically associated with conducting business internationally, many of which are beyond its control. Such risks pertain to geographical, political or regulatory risks.

The Company has designed comprehensive business continuity plans to mitigate this risk. In all the countries the Company operates, the Company has local management teams that help it understand country specific operating level nuances. The Company is building deep customer relationships and has a well diversified geographic spread to mitigate the risks specific to a country or geography.

13. Regulatory & Compliance related Risk

As the company has grown in size, geographic presence and customer base, exposure to various regulatory and compliance risks has also increased. The Company's operations and clients are spread across multiple geographies and are governed by various regulations, or government guidelines. Breach of any of these regulatory provisions can attract regulatory inspection, notices, penalty, revocation of permits or licenses, etc., which can also result in significant reputation risk for the company along with legal liability and loss in stakeholder confidence.

This kind of business environment calls for enhanced management focus on regulatory and compliance risks. The Company has deployed various measures including devising and implementing regulatory compliance policy to continuously monitor and report risks along with providing support for mitigation. The following steps are being undertaken by the company in order to mitigate the risk of non-compliance:

- Compliance management through framework
  - A "compliance framework" governed by the regulatory compliance policy enables compliance risk management and clearly defines the roles and responsibilities across the functions and the business processes. Management information system ensures timely and accurate reporting, basis compliance risk parameters (internal and external), non compliance incidents, breaches, etc.
  - This framework is owned by enterprise risk management team which is centralized and dedicated for regulatory and compliance management. Functionally, this team reports into risk committee.
  - The Company has a strong review mechanism whereby the compliance reporting is being done to the risk committee on a quarterly basis. The risk committee reviews the efficacy of the controls implemented to mitigate the risk of non-compliance and also provides overall direction in creating and maintaining the culture of compliance.
  - The Company has a dedicated in-house legal team comprising of qualified and experienced legal professionals who on an ongoing basis identify and interpret all legal and regulatory provisions applicable at the company level, business line level, process level and contract level. This team also assists all other business and support functions to identify and understand their respective compliance obligations.
- Business and process level risk mitigation
  - All businesses are governed through risk parameters that are identified annually and compliance against them is reported on a monthly basis.
  - Risk identification for processes is done through assessment of compliance against customer and business requirements on a bi-annual basis.
- Organizational awareness
  - The Company clearly states and updates the requirements according to compliance obligations at each level of the organization. Detailed understanding and ongoing training is provided to all employees during their lifecycle in the organization.
  - The Company also encourages the use of local managers as well as consultants, auditors, lawyers, specialists and experts in all countries where it has a presence to ensure thorough compliance.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Firstsource Solutions Ltd. (the Company), the philosophy of Corporate Governance hinges on total transparency, integrity and accountability of the Management team. The Company is committed to good governance practices. With the objective of conducting its business in a highly professional and ethical manner and thereby enhancing trust and confidence of all its stakeholders, the Company has devised a complete framework for compliance of Corporate Governance norms.

Recognition for Corporate Governance

The Company was recognised amongst the top 25 companies in India for excellence in Corporate Governance for the years 2008 and 2009 by The Institute of Company Secretaries of India.

In compliance with the disclosure requirements of Clause 49 of the Listing Agreement with the Stock Exchanges (Listing Agreement), the details are set out herein below.

2. BOARD OF DIRECTORS

The Board of Directors of the Company (the Board) is committed to ensure good Corporate Governance practices across the Company in letter and in spirit. The Board consists of eminent persons with considerable skills and professional expertise and experience in business and industry, finance, management, legal, marketing, technical, general management, strategy etc.

The Company has an optimum combination of Directors on the Board. The Board consists of 11 Directors of which 9 are Non-Executive Directors and 6 out of 11 Directors are Independent Directors.

Dates of the Board and Committee Meetings to be held in a financial year are decided in advance. The Company uses teleconferencing facilities to ensure maximum participation of the Board Members. Audit Committee Meetings are usually held a day prior to the Board Meetings. Five Board Meetings were held during the year 2009-10, i.e. on April 28, July 28 and October 27 in 2009 and on January 25 and February 26 in 2010. Time gap between any 2 meetings was not more than 4 months.

Details of composition, qualification and category of Directors, their attendance at the Board Meetings held during the year, Directorships and Committee Memberships and no. of equity shares held by them in the Company are as under:

Name of the Director and his Qualifications	Category	No. of Board Meetings Attended in Person	No. of Board Meetings Attended through Tele-conference	No. of Equity Shares held as on 31.3.2010	Directorships in other Public Companies # as on 31.3.2010	Memberships/Chairmanships in other Public Companies as on 31.3.2010 ##	
						Memberships	Chairmanships
Dr. Ashok Ganguly, *Chairman* Ph.D and M.Sc., Illinois and Hons. Graduate, Mum. Univ.	I-NED	5	–	367,500	1) Mahindra & Mahindra Ltd. 2) Wipro Ltd. 3) Tata AIG Life Insurance Co. Ltd. 4) Dr. Reddy's Laboratories Ltd.	Tata AIG Life Insurance Co. Ltd. – Audit Committee	-
Mr. Ananda Mukerji, *Managing Director and CEO%* B.Tech-IIT, P.G.D.M-IIM	ED	5	-	414,300	1) RevIT Systems Private Ltd.	-	-
Mr. Alexander Matthew Vallance, Joint *Managing Director* @ Dip in Marketing, B.A.(Hons), UK	ED	2	-	381,250	-	-	-

Name of the Director and his Qualifications	Category	No. of Board Meetings Attended in Person	No. of Board Meetings Attended through Tele-conference	No. of Equity Shares held as on 31.3.2010	Directorships in other Public Companies # as on 31.3.2010	Memberships/Chairmanships in other Public Companies as on 31.3.2010 ##	
						Memberships	Chairmanships
Mrs. Lalita D. Gupte * B.A.-Eco., Masters-Mgt. Studies	NI-NED	5	-	-	1) ICICI Venture Funds Mgt. Co. Ltd. 2) Bharat Forge Ltd. 3) Kirloskar Brothers Ltd. 4) HPCL- Mittal Energy Ltd. 5) Godrej Properties Ltd.	Godrej Properties Ltd.- Audit Committee	HPCL- Mittal Energy Ltd.- Audit Committee
Mr. Mohit ** Bhandari BE (Comp. Engg.) & P.G in Bus.Mgt, IIM-C	NI-NED	5	-	-	-	-	-
Mr. Ram. V. Chary $ MS-Fin & Ops Mgt, Purdue Univ.	NI-NED	1	-	-	-	-	-
Mr. Donald W. Layden Jr. $ B.A. - Eco & Pol. Sc., Juris Doctorate with Hons, Marquette Univ. Law School	I-NED	2	2	-	-	-	-
Mr. Y. H. Malegam B.Com., F.C.A., England & Wales, F.C.A., ICAI, India	I-NED	5	-	62,500	1) ABC Bearings Ltd. 2) The Clearing Corp. of India Ltd. 3) Hindustan Construction Co. Ltd. 4) National Securities Clearing Corp. Ltd. 5) National Stock Exchange of India Ltd. 6) Piramal Healthcare Ltd. 7) Siemens Ltd.	1) National Stock Exchange of India Ltd.– Audit Committee 2) Piramal Healthcare Ltd.- Audit Committee	1) The Clearing Corp. of India Ltd. - Audit Committee 2) Siemens Ltd.-Audit Committee 3) National Securities Clearing Corp. Ltd.-Audit Committee
Mr. Charles Miller Smith M. A. Hons., Scotland	I-NED	3	1	-	-	-	-

Name of the Director and his Qualifications	Category	No. of Board Meetings Attended in Person	No. of Board Meetings Attended through Tele-conference	No. of Equity Shares held as on 31.3.2010	Directorships in other Public Companies # as on 31.3.2010	Memberships/Chairmanships in other Public Companies as on 31.3.2010 ##	
						Memberships	Chairmanships
Mr. K. P. Balaraj $$ MBA-Harvard Business School	I-NED	3	2	-	1) Amalgamated Bean Coffee Trading Co. Ltd. 2) Manappuram General Finance & Leasing Ltd. 3) SC India Holdings Ltd.	-	-
Dr. Shailesh J. Mehta B.Tech (Mech. Eng.), IIT-M, M.S & Ph.D.- Ops Res, Comp. Sc., USA	I-NED	4	-	170,000	1) SAFARI Industries Ltd. 2) Manappuram Finance and Leasing Ltd.	Manappuram Finance and Leasing Ltd.- Audit Committee	-

I-NED: Independent - Non-Executive Director, NI - NED: Non Independent – Non-Executive Director, ED: Executive Director

\# The Directorships of Indian public limited companies only have been considered. Directorships of foreign companies, Section 25 companies and private limited companies have not been considered.

\## Memberships/Chairmanships in Audit Committee and Shareholders'/Investors' Grievance Committee only of Indian public limited companies have been considered.

% Mr. Ananda Mukerji, Managing Director and CEO resigned effective July 27, 2010. He has been appointed as Non-Executive Vice Chairman of the Board of Directors effective July 28, 2010.

@ Mr. Alexander Matthew Vallance was appointed as Joint Managing Director w.e.f. January 25, 2010 and has been further appointed as the Managing Director and CEO of the Company w.e.f. July 28, 2010.

* Represents ICICI Bank Ltd., Promoter.

** Represents, Aranda Investments (Mauritius) Pte. Ltd., Equity Investor.

$ Mr. Ram V. Chary, appointed as Director w.e.f. October 27, 2009 in place of Mr. Donald W. Layden Jr., represents Metavante Investment (Mauritius) Ltd., Equity Investor. Mr. Donald W. Layden Jr. continued on the Board as an Independent Director w.e.f. October 27, 2009.

$$ Mr. K. P. Balaraj, representing 'WestBridge Ventures I Investment Holdings (WestBridge)', Equity Investor on the Board, ceased to represent WestBridge consequent to WestBridge divesting its entire shareholding in the Company and continued on the Board as an Independent Director w.e.f. July 28, 2009.

Note: Dr. Ashok Ganguly, Chairman resigned w.e.f. July 27, 2010 and Dr. Shailesh J. Mehta was appointed as Chairman in his place. Further, Mrs. Lalita D. Gupte resigned w.e.f. July 27, 2010 and Mr. Pravir Vohra was appointed as Director in her place, representing ICICI Bank Limited, Promoter.

All the Directors of the Company except Mr. Mohit Bhandari and Mr. K.P.Balaraj were present at the last Annual General Meeting (AGM) of the Company held on July 29, 2009.

The Company has a process to provide information to the Board as required under Annexure IA to Clause 49 of the Listing Agreement. The Board periodically reviews the compliance report of all laws applicable to the Company. All the Directors have made necessary disclosures about the Directorships and Committee Positions they occupy in other companies.

The particulars of Directors, who are proposed to be appointed/re-appointed at the ensuing Annual General Meeting (AGM), are given in the Notice convening the AGM.

3. AUDIT COMMITTEE

The Audit Committee, reconstituted on July 28, 2009, comprises of Mr. Y. H. Malegam-Chairman, Mr. K.P. Balaraj, Mr. Charles Miller Smith and Mrs. Lalita D. Gupte.

Four meetings of the committee were held during the year 2009-10 i.e., on April 27, July 27 and October 27 in 2009 and January 25 in 2010. The time gap between any 2 meetings was not more than 4 months. Details of composition of committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended	No. of Meetings Attended through Teleconference
Mr. Y. H. Malegam, Chairman	I-NED	4	-
Mr. K.P. Balaraj*	I-NED	1	-
Mr. Charles Miller Smith	I-NED	3	-
Mrs. Lalita D. Gupte	NI-NED	3	-
Mr. Mohit Bhandari*	NI-NED	1	-

*Mr. K.P. Balaraj was appointed as member w.e.f. July 28, 2009 in place of Mr. Mohit Bhandari.

Note: The above committee was reconstituted w.e.f. July 27, 2010. Mrs. Lalita D. Gupte and Mr. K.P. Balaraj ceased to be members and Mr. Ananda Mukerji and Dr. Shailesh J. Mehta were inducted as members of the committee.

The terms of reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956 such as overseeing of the Company's financial reporting process, recommending the appointment/re-appointment of Statutory Auditors, reviewing with the Management, quarterly and annual financial statements, internal audit reports and controls of the Company.

The members of Audit Committee are financially literate having accounting and related financial management expertise.

The Managing Director and CEO, Statutory Auditors and Global Chief Financial Officer (CFO) are invitees to the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the committee.

4. REMUNERATION COMMITTEE

The Company has Compensation cum Board Governance Committee, which also acts as the Remuneration Committee of the Company. The committee approves the grant of options to employees/Directors, reviews the overall compensation structure and policies of the Company and approves remuneration payable to the Executive Directors. It comprises of Dr. Ashok Ganguly-Chairman, Mr. K. P. Balaraj, Dr. Shailesh J. Mehta and Mr. Charles Miller Smith.

Five meetings of the committee were held during the year 2009-10 i.e. on April 27, May 1, July 27 and October 27 in 2009 and January 25 in 2010.

Details of composition of the committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended	No. of Meetings Attended through Teleconference
Dr. Ashok Ganguly, Chairman	I-NED	5	-
Mr. K. P. Balaraj	I-NED	2	1
Mr. Charles Miller Smith	I-NED	3	1
Dr. Shailesh J. Mehta	I-NED	4	1

Note: The above committee was reconstituted w.e.f. July 27, 2010. Dr. Ashok Ganguly ceased to be a Director and Chairman of the committee and Dr. Shailesh J. Mehta was appointed as Chairman of the committee in his place. Further, Mr. Ananda Mukerji was inducted as a member of the committee.

The details of remuneration of the Executive Directors for the year ended March 31, 2010 are as under:

(Amount in Rupees)

Name	Salary & Allowances	Performance Bonus*	Perquisites	Retirals (Contribution to Provident Fund)	Total
Mr. Ananda Mukerji, Managing Director & CEO	13,595,304	10,416,407	343,265	547,200	24,902,176

*Performance Bonus is based on Company's performance and his individual performance.

Mr. Alexander Matthew Vallance, Joint Managing Director of the Company is drawing remuneration from Firstsource Solutions UK Ltd., a wholly-owned subsidiary of the Company. His remuneration for financial year 2009-10 was GBP 385,721 (Equivalent to INR 263.25 Lakhs considering exchange rate as on March 31, 2010 of 1GBP = 68.25 INR). Apart from receiving stock options under the Company's Employee Stock Option Scheme, he has not drawn any remuneration or benefits from the Company.

During the financial year 2009-10, Mr. Ananda Mukerji and Mr. Alexander Matthew Vallance were granted 900,000 and 400,000 stock options respectively under the Company's Employee Stock Option Scheme. The said stock options were granted at the 'market price' as defined under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Options granted vest over a period of 4 years with 25% options vesting after 12 months and thereafter 12.5% options vesting after every 6 months from the date of the grant. The exercise period is 10 years from the date of the grant of options.

Mr. Ananda Mukerji and Mr. Alexander Matthew Vallance are also entitled to participate in the Management Incentive Plan (MIP) of the Company, which is linked to achievement of Operating Earnings Before Interest and Tax (EBIT) Target of the Company. Notice period for both Mr. Ananda Mukerji and Mr. Alexander Matthew Vallance is 3 months.

All the Independent Directors were being paid sitting fee of Rs. 20,000/- for attending each Board and Committee Meeting. With the approval of the Board, w.e.f. October 27, 2009, sitting fee of Rs. 20,000/- is also being paid to the Non-Executive Directors representing Equity investors. No stock options were granted to Non-Executive Directors during the financial year 2009-10. Other than sitting fees, the Non-Executive Directors do not have any pecuniary relationship or transactions with the Company.

The details of sitting fees paid for the year 2009-10 are as under:

(Amount in Rupees)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings	Total
Dr. Ashok Ganguly	100,000	180,000	280,000
Mr. Y. H. Malegam	100,000	140,000	240,000
Mrs. Lalita D. Gupte	100,000	60,000	160,000
Dr. Shailesh J. Mehta	80,000	80,000	160,000
Mr. Charles Miller Smith	60,000	120,000	180,000
Mr. Mohit Bhandari	60,000	100,000	160,000
Mr. K.P. Balaraj	40,000	60,000	100,000
Mr. Ram V. Chary	20,000	-	20,000

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee comprises of Dr. Ashok Ganguly-Chairman, Mr. Ananda Mukerji and Mr. Mohit Bhandari. The committee reviews shareholder's/investors' complaints like non-allotment of shares under IPO, non-receipt/ short-receipt of IPO refund, non-receipt of Annual Report etc. Mr. Sanjay Gupta, Company Secretary is the Compliance Officer.

Four meetings of the committee were held during the year 2009-10 i.e. on April 27, July 27 and October 27 in 2009 and January 25 in 2010. The details of Composition of the committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Dr. Ashok Ganguly, Chairman	I-NED	4
Mr. Ananda Mukerji	ED	4
Mr. Mohit Bhandari	NI-NED	4

Note: The above committee was reconstituted w.e.f. July 27, 2010. Dr. Ashok Ganguly ceased to be Director & Chairman of the committee and Dr. Shailesh J. Mehta was appointed as Chairman of the committee in his place. Further, Mr. Ananda Mukerji ceased to be a member of the committee and Mr. Alexander Matthew Vallance was inducted as member in his place.

7 complaints were received during the year, all of which were resolved. There were no pending complaints as on March 31, 2010. The Company had received 5 requests for transfer of shares of which 3 were processed and 2 were rejected and no such request was pending for approval as on March 31, 2010.

OTHER COMMITTEES OF THE BOARD

Financial Results Committee: The committee comprises of Mr. Y. H. Malegam - Chairman, Mr. Ananda Mukerji and Mr. Mohit Bhandari. It reviews and approves the quarterly financial statements. During the year 2009-10, three Meetings of the committee were held i.e. on July 29 and October 28 in 2009 and January 27 in 2010.

Note: Financial Results Committee was reconstituted w.e.f. July 27, 2010. Mr. Ananda Mukerji ceased to be a member of the committee and Mr. Alexander Matthew Vallance was inducted as a member in his place.

Investment Committee: The committee comprises of Mr. Y. H. Malegam - Chairman, Dr. Ashok Ganguly and Mr. Ananda Mukerji, Directors and Mr. Carl Saldanha, Global CFO of the Company. It reviews the Investment decisions made by the Management, ensures adherence to the 'Investment Policy' of the Company and approves modifications to the Investment Policy as may be required from time to time.

Note: Investment Committee was reconstituted w.e.f. July 27, 2010. Dr. Ashok Ganguly and Mr. Ananda Mukerji ceased to be members of the committee and Mr. Alexander Matthew Vallance was inducted as a member.

Strategy Committee: The committee comprises of Dr. Ashok Ganguly-Chairman, Mr. Ananda Mukerji, Mr. K. P. Balaraj and Dr. Shailesh J. Mehta. It deliberates on various strategic options from time to time.

Note: Strategy Committee was reconstituted w.e.f. July 27, 2010. Dr. Ashok Ganguly and Mr. K. P. Balaraj ceased to be the members of the committee and Mr. Alexander Matthew Vallance and Mr. Donald W. Layden Jr. were inducted as members.

6. GENERAL BODY MEETINGS

Venue, Day, Date and Time of last three AGMs:

Year	Venue	Day & Date	Time
2008-09	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Wednesday, July 29, 2009	3.00 p.m.
2007-08	Same as above	Thursday, July 31, 2008	3.00 p.m.
2006-07	Same as above	Tuesday, August 14, 2007	4.00 p.m.

Special Resolution passed at last 3 AGMs:

a) 2008-09

i. Re-classification of un-issued Authorised Preference Share Capital into Equity Share Capital.

ii. Approval of the remuneration of Mr. Ananda Mukerji, Managing Director & CEO for the year ending March 31, 2009 and considering the same as minimum remuneration.

iii. Approval of modification in terms of remuneration of Mr. Ananda Mukerji, Managing Director & CEO w.e.f. April 1, 2009 till March 31, 2012.

iv. Approval of the remuneration of Mr. Raju Venkatraman, Joint Managing Director & COO for the year ending March 31, 2009 and considering the same as minimum remuneration.

b) 2007-08

Alteration of the Articles of Association of the Company.

c) 2006-07

i Adoption of Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles.

ii. Approval of Employee Stock Option Schemes (ESOS).

iii Extending benefits of ESOS to employees of subsidiary companies.

Postal Ballot:

No resolution was passed last year by Postal Ballot. No special resolution is proposed to be passed through Postal Ballot till the ensuing AGM.

7. DISCLOSURES

i. Related Party Transactions

The transactions with related parties as per Accounting Standard AS-18 are set out in Notes to accounts - Schedule No. 22 forming part of financial statements.

ii. Disclosures from Senior Management

Disclosures from Senior Management are obtained on quarterly basis to the effect that they have not entered into any material, financial and commercial transactions, where they have personal interest that may have potential conflict with the interest of the Company at large.

iii. Compliances by the Company

The Company has complied with the requirements of regulatory authorities on matters related to capital markets and no penalties/strictures have been imposed against the Company by Stock Exchange or SEBI or any other regulatory authority on any matter related to capital market during the last 3 years.

iv. Mandatory Requirements of Clause 49

The Company has complied with all applicable mandatory requirements of Clause 49 of the Listing Agreement.

v. Non-Mandatory Requirements of Clause 49

The Company has adopted the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement:

The Board: The Company has provided the Chairman (Non-Executive) with a full fledged office, the expenses of which are borne by the Company. The Chairman is reimbursed all expenses incurred in the performance of his duties.

Remuneration Committee: The Company has set up a Compensation cum Board Governance Committee which acts as a Remuneration Committee of the Company, details of which have been given earlier in this Report.

Shareholders' Rights: As an investor friendly measure, from quarter ended June 30, 2009, the Company has begun e-mailing the quarterly & annual financial statements to all shareholders, who have provided their e-mail address to their respective depositories. The financial results of the Company are normally published in Business Standard, Mint (English) and Sakal (Marathi) which have wide circulation and are not being sent individually to each household of the shareholders.

Audit Qualifications: The Company adopts best practices to ensure unqualified financial statements. There are no audit qualifications in the Company's financial statements for the year ended March 31, 2010.

Training of Board Members: At every Board Meeting, presentation is being made to the Board, which includes review of the financial statements, performance of the business verticals including financial and operational performance, highlights during the quarter, targets, client wins/losses, future outlook etc. which helps the Board to get an insight into the business model, financial and operational performance of the Company and enable value-added suggestions from them. They are also kept updated with the risk profile of the business parameters of the Company.

Whistle Blower Policy: The Company has adopted a Whistle Blower Policy and has established necessary mechanism for employees to report concerns about unlawful acts, unethical behaviour, mal-administration, miscarriage of justice, breach of organisational policies, unprofessional standards below established standards of justice, abuse of power or use of organisation's powers and authority for any unauthorized or ulterior purpose, unfair discrimination in course of organisation's employment etc. The policy ensures protection of employees who raise a concern. No person has been denied access to the Audit Committee.

vi. CEO/CFO Certification

Certification on financial statements pursuant to Clause 49(V) of the Listing Agreement has been obtained from the Managing Director & CEO and the Global CFO of the Company. Copy of the same is given at the end of this Report.

vii. Code of Conduct for Directors and Senior Management

The Board has laid down separate Codes of Conduct for Executive Directors & Senior Management and for all Non-Executive Directors of the Company. The Code of Conduct has been circulated to the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director & CEO in this regard is given at the end of this Report.

viii. Code for Prevention of Insider Trading

The Company has framed 'Firstsource Solutions Code of Conduct for Prevention of Insider Trading' ('Code') applicable to its Directors, Officers and Designated employees. The Code includes provisions relating to disclosures, closure of Trading Window and Pre-clearance procedure. In compliance with SEBI Regulations, the Company sends intimations to Stock Exchanges from time to time.

ix. Subsidiary Companies

The Company has no material non-listed Indian subsidiary company as defined in Clause 49(III) of the Listing Agreement. The minutes of the meetings and Board Consents of the subsidiary companies are placed at the Board Meetings of the Company. The financials of the subsidiaries are reviewed by the Audit Committee.

x. Risk Management

The Company has implemented comprehensive 'Enterprise Risk Management' framework in order to anticipate, identify, measure, mitigate, monitor and report the risks to meet the strategic business objectives, details of which are given in the 'Risk Management Report' which forms part of this Annual Report.

xi. Compliance Reports

The Board reviews the compliance reports of all laws applicable to the Company on quarterly basis. The Managing Director and CEO submits a 'Compliance Certificate' to the Board every quarter based on the compliance certificates received from the functional heads and heads of subsidiary companies.

xii. Anti-Sexual Harassment Policy

The Company has a policy to deal with complaints on sexual harassment to induce productive work environment. The complaints received by the Sexual Harassment Committee and actions taken thereon are sent to the Chairman of the Company and are also reviewed by the Audit Committee at its meeting held every quarter.

xiii. Criteria for selection of Independent Directors

The selection of Independent Directors is made by the Board of Directors based on the qualifications, skills, professional experience and expertise possessed by them. In a recent instance, Mr. Donald W. Layden Jr. representing Metavante Investments (Mauritius) Ltd., continued as Independent Director after ceasing to represent Metavante. Similarly, Mr. K.P. Balaraj was inducted as independent Director after he ceased to represent WestBridge Investments on sale of stake by them. Both the Directors were retained considering the skills, professional experience, expertise possessed by them and their valuable inputs to the Board decisions.

xiv. Secretarial Standards Issued by the Institute of Company Secretaries of India (ICSI)

The Company substantially follows the Secretarial Standards on Board and General meetings issued by the ICSI.

xv. Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of this Annual Report.

VOLUNTARY GUIDELINES ON CORPORATE GOVERNANCE

The Ministry of Corporate Affairs (MCA) has issued voluntary guidelines on Corporate Governance in December 2009 to serve as a benchmark for the corporate sector and help them achieve highest standard of Corporate Governance. The Company is already compliant with most of the recommendations given by MCA, details of which are given as under:

(I) Board of Directors

A. Appointment of Directors

- **Separation of offices of Chairman & Chief Executive Officer**

  There is clear demarcation of the roles and responsibilities of the Chairman of the Company and the Managing Director & Chief Executive Officer (MD & CEO) of the Company.

- **Number of Companies in which an Individual may become a Director**

  Mr. Ananda Mukerji and Mr. Alexander Matthew Vallance, do not hold any directorships in other public limited companies or private limited companies that are either holding or subsidiaries of public companies other than the company's subsidiaries. Other Directors are also holding Directorships within the limit prescribed under the Companies Act, 1956.

B. Independent Directors

- **Independent Directors to have the option and freedom to meet Company's Management periodically**

  The Independent Directors of our Company have the option and freedom to meet and interact with the Company's Management as and when they deem necessary. They are provided with necessary resources and support to enable them to analyse the information/data provided by the Management and help them perform their functions effectively.

C. Remuneration of Directors

- **Guiding principles-linking corporate and individual performance**

  The Company has a defined Remuneration Policy for all its employees. The payment of Performance Bonus is based on Company/vertical performance and individual performance providing a balance between fixed and incentive pay. In addition, Senior Management's incentives are linked with the Performance of the Company under the Management Incentive Plan (MIP) of the Company. The Company has granted Executive Options to Executive Directors and some key executives, 50% vesting of which is based on achievement of target performance.

- **Remuneration of Non-Executive Directors (NEDs)**

  All Non-Executive Directors are paid remuneration by way of sitting fees of Rs.20,000 for attending each Board/ Committee Meeting, which is the maximum amount that can be paid under the Companies Act, 1956. Presently, no remuneration is paid by way of monthly/annual remuneration or profit based commission. Besides, some NEDs have also been granted stock options of the Company.

- **Remuneration Committee**

  The Company has Compensation cum Board Governance Committee, which also acts as the Remuneration Committee. The committee approves the grant of options to employees/Directors, reviews the overall compensation structure and policies of the Company and approves remuneration payable to the Executive Directors. Majority of the members of the committee are Non-Executive Independent Directors.

(II) Responsibilities of the Board

- **Enabling quality decision making**

  The Company has adequate systems, procedures and resources available to ensure supply of precise and concise information to enable Board to discharge its duties effectively. For instance, Agenda papers for Board Meetings which include detailed review on the quarter's performance is being sent to all Board members sufficiently in advance to enable the Board to remain well informed. At Board Meetings held to approve financial results, detailed presentations are made to review the overall financial performance and performance of each vertical, which helps the Board to take well informed decisions.

- **Risk Management**

  The Company has implemented comprehensive 'Enterprise Risk Management' framework in order to anticipate, identify, measure, mitigate, monitor and report the risks to meet the strategic business objectives. The Audit Committee reviews the Risk Management Policy of the Company once a year.

(III) Audit Committee of the Board

- **Constitution**

  The Company has an Audit Committee comprising of 4 members, of which 3 are Independent Directors. The Chairman is an Independent Director. All the members of Audit Committee have adequate knowledge of financial management, audit and accounts.

- **Enabling Powers**

  Audit Committee is provided with back office support, when required, has access to information contained in the records of the Company and has the facility of separate discussions with both internal and external auditors as well as the Management.

- **Roles and Responsibilities**

  Roles and responsibilities of the Audit Committee include review of Related Party Transactions, internal audit function and risk management, recommending appointment, re-appointment or removal of external auditors.

(IV) Auditors

- **Appointment of Auditors**

  Audit Committee, having regard to the profile of the audit firm, the qualification and experience of audit partners, recommends the appointment/re-appointment of the Statutory Auditors of the Company and approves the remuneration payable to them.

- **Clarity on information to be sought by Auditors**

  There is sufficient clarity between the Company's Management and the Auditors on the amount and nature of documents to be made available for audit.

(V) Secretarial Audit

The Company has got a system to get Secretarial Audit done as a part of internal audit.

(VI) Institution of mechanism for Whistle Blowing

The Company has adopted a Whistle Blower Policy. The policy ensures protection of employees raising concern about unethical behaviour, actual or suspected fraud etc. No person has been denied access to the Audit Committee.

The Company is in process of complying with the other recommendations under the Corporate Governance Voluntary Guidelines 2009 to the extent possible.

8. MEANS OF COMMUNICATION

The announcement of quarterly and annual financial results to the Stock Exchanges is followed by media call and earnings conference calls. The quarterly and annual consolidated financial results are normally published in Business Standard, Mint (English) and Sakal (Marathi).The Company's standalone and consolidated financial results, investors' presentations, press release, fact sheet and transcript of earnings conference calls are uploaded on the Company's website viz. www.firstsource.com. Besides, the Company's website also displays Clause 35 shareholding pattern and Clause 49 corporate governance compliance report filed with the Stock Exchanges on quarterly basis.

9. GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Day, Date, Time and Venue:

Thursday, September 16, 2010 at 3.00 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025.

II. Financial Year

April 1 to March 31

Financial Calendar (Tentative)

First quarter results - last week of July
Second quarter results - last week of October
Third quarter results - last week of January
Fourth quarter and Annual results - last week of April
Annual General Meeting (Financial year 2010-11) - July/ August/ September

III. Dates of Book Closure (both days inclusive)

Thursday, September 9, 2010 to Thursday, September 16, 2010.

IV. Dividend

Given the growth requirements of the business, it is necessary for the Company to plough back its profits into the business, and hence the Directors have not recommended any dividend for the financial year 2009-10.

V. Listing on Stock Exchanges and Payment of Listing Fees

The equity shares of the Company are listed on National Stock Exchange of India Ltd. (NSE), Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 and Bombay Stock Exchange Ltd. (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

The Foreign Currency Convertible Bonds (FCCBs) are listed on Singapore Exchange Securities Trading Ltd. (SESTL), 2 Shenton Way, # 19-00 SGX Centre 1, Singapore 068804.

Annual Listing fees for the financial year 2010-11 has been paid by the Company to NSE, BSE and SESTL.

VI. (a) Stock Code

BSE – 532809
NSE – FSL

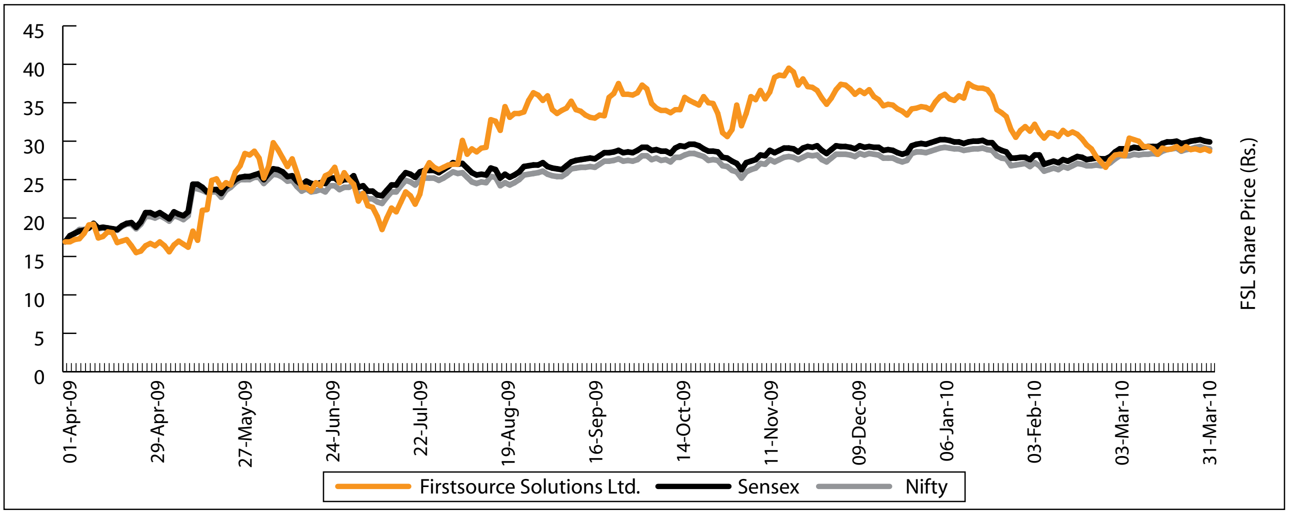
(b) ISIN in National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL)

INE684F01012

VII. Market Price Data – The market price data i.e. monthly high and low prices of the Company's shares on NSE and BSE are given below:

Month	NSE			BSE		
	Share Price (Rs.)		No. of shares traded	Share Price (Rs.)		No. of shares traded
	High	Low		High	Low	
April 2009	21.00	15.10	85,456,571	21.45	15.10	45,837,750
May 2009	26.40	15.25	233,788,950	26.40	15.25	130,129,072
June 2009	32.90	22.10	273,872,276	30.90	22.30	142,897,930
July 2009	27.90	18.25	329,208,983	28.00	18.25	152,909,353
August 2009	37.00	26.50	611,776,908	37.00	26.55	258,713,675
September 2009	37.80	32.30	244,419,717	37.80	32.35	92,952,888
October 2009	37.40	28.55	142,705,861	37.50	28.65	51,845,576
November 2009	39.95	31.55	183,465,014	40.00	31.50	73,311,656
December 2009	38.10	33.20	92,676,592	38.10	33.25	39,097,799
January 2010	37.95	29.55	102,456,497	37.95	29.55	38,782,658
February 2010	32.65	26.40	69,176,718	32.60	26.50	20,326,114
March 2010	30.90	27.65	73,423,874	30.95	27.70	22,185,552

VIII. The performance of share price of the Company in comparison to BSE Sensex and NSE Nifty is given below:



IX. Registrar & Transfer Agents

3i Infotech Ltd.
Tower #5, 3rd to 6th Floors, International Infotech Park,
Vashi, Navi Mumbai - 400 703

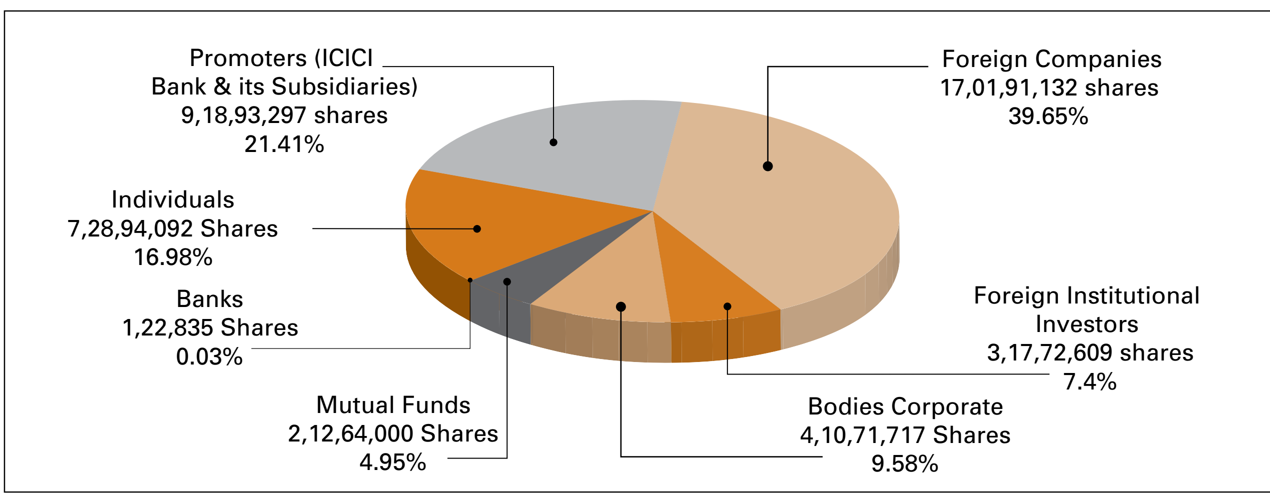
X. Share Transfer System

The transfer of shares in physical form is generally processed by 3i Infotech Ltd. within a period of 7 days from the date of receipt thereof, provided all the documents are in order. In case of shares in electronic form, the transfers are done by depositories viz. NSDL and CDSL. In compliance with Clause 47(c) of the Listing Agreement, the Company obtains a certificate from Practising Company Secretaries confirming that all certificates have been issued within one month from the date of lodgement for transfer, sub-division, consolidation etc.

XI. Distribution of shareholding as on March 31, 2010

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
Rs.	Nos.	%	Rs.	%
Upto 5000	141,477	85.46	232,044,640	5.41
5001 - 10000	13,219	7.98	111,528,610	2.60
10001 - 20000	5,723	3.46	89,120,280	2.08
20001 - 30000	1,799	1.09	47,156,520	1.10
30001 - 40000	794	0.48	28,951,780	0.67
40001 - 50000	788	0.48	37,818,140	0.88
50001 - 100000	932	0.56	69,720,510	1.62
100001 - above	813	0.49	3,675,756,340	85.64
Total	**165,545**	**100.00**	**4,292,096,820**	**100.00**

The Shareholding pattern as on March 31, 2010 is given as under:



Top 10 Shareholders as on March 31, 2010

Sr. No.	Name of the Shareholder	Category of Shareholder	No. of Shares	%
1.	Aranda Investments (Mauritius) Pte Ltd.	Foreign Company	91,925,269	21.42
2.	ICICI Bank Ltd	Promoter	83,649,599	19.49
3.	Metavante Investments (Mauritius) Ltd.	Foreign Company	78,265,863	18.23
4.	Birla Sun Life Insurance Company Ltd.	Body Corporate	14,862,719	3.46
5.	ICICI Prudential Life Insurance Company Ltd.	Promoter	8,243,298	1.92
6.	Morgan Stanley Mauritius Company Ltd.	Foreign Institutional Investor (FII)	6,199,903	1.44
7.	Societe Generale	Foreign Institutional Investor (FII)	5,396,000	1.26
8.	CLSA (Mauritius) Ltd.	Foreign Institutional Investor (FII)	3,896,097	0.91
9.	Credit Suisee (Singapore) Ltd.	Foreign Institutional Investor (FII)	3,239,500	0.75
10.	Tata Trustee Co. Pvt. Ltd. A/C Tata Mutual Fund - Tata Equity P/E Fund	Mutual Fund	3,000,000	0.70

XII. Dematerialisation of Shares and Liquidity

Trading in the Company's shares is permitted only in dematerialised form. The Company has established connectivity with both the depositories viz. NSDL and CDSL through the Registrars, 3i Infotech Ltd., whereby the investors have the option to dematerialise their shares with either of the depositories.

Company obtains a certificate from Practising Company Secretaries every quarter, which confirms that total issued capital of the Company is in agreement with total listed capital with NSE & BSE and with total number of shares in dematerialised form with NSDL and CDSL and shares in physical form.

Shares held in dematerialised and physical form as on March 31, 2010

	Shareholders		Share Capital	
	No. of Shareholders	**% to Total Shareholders**	**No. of Shares**	**% to Total share Capital**
Dematerialised Form				
NSDL	114,310	69.05	401,123,551	93.46
CDSL	51,219	30.94	27,939,552	6.51
Total	**165,529**	**99.99**	**429,063,103**	**99.97**
Physical Form	16	0.01	146,579	0.03
Total	**165,545**	**100.00**	**429,209,682**	**100.00**

As on March 31, 2010, 99.97% of the paid up share capital consisting of 99.99% of the number of shareholders, had been dematerialised.

Details of unclaimed shares

The Company came out with an Initial Public Offer (IPO) in February 2007. The Equity shares issued pursuant to the said IPO which remained unclaimed are lying in the Demat Suspense Account/ Escrow Account of the Company with ICICI Bank Ltd. The Company had sent 2 reminders to the investors earlier and third reminder requesting them to furnish correct demat account details was sent in March 2010. 6629 unclaimed shares pertaining to 59 investors are lying in the said Escrow Account as on March 31, 2010.

Pursuant to Clause 5A of the Listing Agreement notified by SEBI vide its circular dated April 24, 2009, the details of unclaimed shares are as under:

Particulars	No. of Shareholders	No. of Shares
Outstanding shares in the Escrow Account with ICICI Bank Ltd. as on April 1, 2009	60	6865
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2009-10	1	136
Investors to whom shares were transferred from Escrow Account during the year 2009-10	1	136
Outstanding shares in the Escrow Account as on March 31, 2010	59	6629*

*Voting rights on these shares shall remain frozen till the rightful owners of such shares claim the shares.

Details of unclaimed refunds (IPO):

Post the Initial Public Offer (IPO) of the Company in February 2007, Rs.4,681.24 Crores was transferred to the refund account. Refunds were made through ECS/ Direct credit / RTGS and issue of physical warrants. The Company has sent 2 reminders to the shareholders asking for their correct Bank account details to enable the Company to refund the unclaimed share application amount. The balance in the refund account as on March 31, 2010 has reduced to Rs.11.67 Lakhs pertaining to 59 investors.

XIII. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has no outstanding GDRs/ ADRs/ Warrants. The Company had issued Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of USD 275 Million. The FCCBs have a maturity period of 5 years and 1 day. The FCCBs are listed on Singapore Exchange Securities Trading Ltd. During financial year 2009-10, the Company repurchased and cancelled its FCCBs of the nominal value of USD 12.9 Million. Upto March 31, 2010, the total amount of FCCBs repurchased and cancelled was USD 62.6 Million. The nominal amount of Bonds outstanding as on March 31, 2010, after cancellation was USD 212.4 Million.

XIV. Delivery Centers

The Company along with its subsidiaries has 42 global delivery centers of which 25 are located in India, 14 in USA, 2 in UK and 1 in Philippines as per the details below:

India: Mumbai (3), Navi Mumbai (2), Bangalore (2), Chennai (3), New Delhi, Gurgoan, Kolkata, Pondicherry, Vijaywada, Cochin, Trichy (2), Coimbatore, Hubli, Indore, Jalandhar, Siliguri, Bhubaneshwar and Bhopal.

USA: Louisville in Kentucky, Kingston & Amherst in New York, Rockford and Belleville in Illinois, Salt Lake City in Utah, Colorado Springs and 7 operational hubs of MedAssist.

United Kingdom: Belfast and Londonderry in Northern Ireland

Philippines: Manila

XV. Address for Correspondence

Registrar and Share Transfer Agents:	**Company Secretary and Compliance Officer**
3i Infotech Ltd. Tower#5, 3rd to 6th Floors International Infotech Park, Vashi, Navi Mumbai - 400 703 Tel. No.: 91 (22) 67928000	Mr. Sanjay Gupta Firstsource Solutions Ltd. 6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013 Tel. No.: 91 (22) 6666 0888, Fax: 91 (22) 6666 0804 Dedicated e-mail id for redressal of Investors grievances: complianceofficer@firstsource.com

Mumbai

Dated: April 29, 2010

PRACTISING COMPANY SECRETARY'S CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of
Firstsource Solutions Limited

We have examined the compliance of conditions of Corporate Governance by Firstsource Solutions Limited for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Nilesh Trivedi
Practising Company Secretary
FCS: 2245 CP: 8970

Mumbai
Date: April 29, 2010

CERTIFICATION FROM MANAGING DIRECTOR & CEO AND CFO

In terms of Clause 49(V) of the Listing Agreements with the NSE and BSE, we hereby certify as under:

a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2010 and that to the best of our knowledge and belief:

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) There have been no

   i. Significant changes in internal control over financial reporting during the year;

   ii. Significant changes in accounting policies during the year;

   iii. Instances of fraud of which we have become aware and the involvement therein, of the management or any employee having significant role in the Company's internal control system over financial reporting.

For Firstsource Solutions Limited

Ananda Mukerji
Managing Director & CEO

For Firstsource Solutions Limited

Carl Saldanha
Global CFO

Mumbai
April 29, 2010

DECLARATION BY MANAGING DIRECTOR & CEO ON 'CODE OF CONDUCT'

I hereby confirm that:

The Company has obtained from all the members of the Board and senior management, affirmation that they have complied with the Code of Conduct as applicable to them.

Mumbai
April 29, 2010

Ananda Mukerji
Managing Director & CEO

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 2010, 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 31 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. The Group has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards.

   Had the Group not early adopted AS-30 and the related limited revisions, profit after taxation for the year ended 31 March 2010 would have been higher by Rs. ('000) 1,477,796, Reserves and Surplus would have been lower by Rs. ('000) 533,717, Unsecured loans would have been lower by Rs. ('000) 1,214,429, Current liabilities would have been higher by Rs. ('000) 1,744,904 and Current assets would have been higher by Rs. ('000) 3,242.

2. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 – 'Consolidated Financial Statements' prescribed by the Companies (Accounting Standards) Rules 2006, and read with paragraph 1 above, other accounting standards issued by the Institute of Chartered Accountants of India and other accounting principles generally accepted in India.

3. In our opinion, and to the best of our information and according to the information and explanations given to us, read with paragraph 1 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 2010;

   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 **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai
29 April 2010

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	Schedule	2010	2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,292,097**	4,281,897
Share application money		**3,450**	–
Reserve and surplus	4	**9,948,159**	9,512,425
		14,243,706	13,794,322
Minority interest		**49,753**	54,668
Loan funds			
Secured loans	5	**2,786,880**	1,855,638
Unsecured loans	6	**10,791,583**	12,089,971
		27,871,922	27,794,599
APPLICATION OF FUNDS			
Goodwill on consolidation	7	**20,725,908**	22,875,613
Fixed assets	8		
Gross block		**6,432,542**	6,348,219
Less: Accumulated depreciation and amortization		**4,674,629**	4,157,497
Net block		**1,757,913**	2,190,722
Add: Capital work in progress (including capital advances)		**80,115**	70,228
		1,838,028	2,260,950
Investments	9	**1,005,308**	18,181
Deferred tax asset, net	10	**55,048**	140,504
Current assets, loans and advances			
Sundry debtors	11	**2,610,578**	2,379,474
Unbilled receivables		**673,041**	605,033
Cash and bank balances	12	**1,217,512**	966,939
Loans and advances	13	**2,011,397**	1,187,104
		6,512,528	5,138,550
Less: Current liabilities and provisions			
Current liabilities	14	**1,620,093**	2,029,513
Provisions	15	**644,805**	609,686
		2,264,898	2,639,199
Net current assets		**4,247,630**	2,499,351
		27,871,922	27,794,599
Significant accounting policies	2		
Notes to accounts	20-32		

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

As per our report attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.:101248W

For and on behalf of the Board of Directors

Akeel Master
Partner
Membership No.: 046768

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

A. M. Vallance
Jt. Managing Director

Ram Chary
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

K. P. Balaraj
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
29 April 2010

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	Schedule	2010	2009
INCOME			
Income from services		**19,539,104**	17,525,208
Other operating income	26	**168,774**	(31,510)
Other income	16	**210,111**	298,233
		19,917,989	17,791,931
EXPENDITURE			
Personnel costs	17	**12,029,744**	10,252,884
Operating costs	18	**4,956,950**	5,034,819
Depreciation and amortization	8	**872,632**	961,318
		17,859,326	16,249,021
Profit before finance charges, taxation, minority interest		**2,058,663**	1,542,910
Finance charges, net	19	**455,842**	1,036,010
Profit before taxation, minority interest		**1,602,821**	506,900
Provision for taxation			
– Current tax expense		**260,854**	268,694
– Fringe benefits tax		–	25,268
– Deferred tax charge/(release)		**108,504**	(69,921)
– Minimum alternate tax credit entitlement		**(131,747)**	(24,967)
Profit after taxation before minority interest		**1,365,210**	307,826
Minority interests		**4,500**	1,104
Profit after taxation and minority interest		**1,360,710**	306,722
Add: Accumulated balance brought forward from previous year		**2,919,014**	2,612,292
Accumulated balance carried forward to the balance sheet		**4,279,724**	2,919,014
Earnings per share	27		
Weighted average number of equity shares outstanding during the year			
– Basic		**428,742**	427,914
– Diluted		**520,300**	427,914
Earnings per share (Rs.) – Basic		**3.17**	0.72
– Diluted		**2.84**	0.72
Significant accounting policies	2		
Notes to accounts	20-32		

The accompanying schedules form an integral part of this consolidated profit and loss account.

As per our report attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

For and on behalf of the Board of Directors

Akeel Master
Partner
Membership No.: 046768

Dr. Ashok S. Ganguly
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Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
29 April 2010

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	2010	2009
Cash flow from operating activities		
Profit after tax	**1,360,710**	306,722
Adjustments for		
Depreciation and amortization	**872,632**	961,318
Deferred taxes	**108,504**	(69,921)
Provision for current tax, FBT and MAT credit entitlement	**129,107**	268,995
Provision for doubtful debts	**24,243**	64,194
Bad Debts written off	**9**	6,784
Foreign exchange loss/ (gain), net	**(129,247)**	320,958
Interest expenses	**369,518**	279,013
Exchange loss on foreign currency loans	**111,236**	796,788
Interest and dividend income	**(32,877)**	(49,155)
Profit on sale on investments	**(17,962)**	(12,834)
Gain on FCCB Buyback	**(73,909)**	(634,980)
Minority interest	**4,500**	1,104
Rent expenses on account of adoption of AS 30	**16,661**	17,822
Gain on sale of fixed asset	**(4,738)**	(1,474)
Operating cash flow before changes in working capital	**2,738,387**	2,255,334
Changes in working capital		
Decrease/(Increase) in Debtors	**(428,531)**	(449,208)
Decrease/(Increase) in Loans and advances and unbilled receivable	**(192,184)**	(189,760)
(Decrease)/Increase in Current liabilities and provisions	**(31,097)**	411,969
Net changes in working capital	**(651,812)**	(226,999)
Income taxes paid	**(370,870)**	(281,254)
Net cash generated from operating activities (A)	**1,715,705**	1,747,081
Cash flow from investing activities		
Purchase of investment in mutual funds/ Government securities	**(12,762,736)**	(4,582,654)
Sale of investment in mutual funds	**11,793,687**	4,798,476
Interest and dividend income received	**16,458**	31,789
Goodwill	**-**	(202,352)
Capital expenditure	**(564,652)**	(918,064)
Sale of Fixed Assets	**45,047**	59,142
Business acquisitions, net of cash acquired	**-**	(66,586)
Net cash used in investing activities (B)	**(1,472,196)**	(880,249)
Cash flow from financing activities		
Proceeds from secured loans	**1,347,000**	1,354,967
Repayment secured loans	**(507,200)**	(180,025)
Proceeds from unsecured loans – Others	**23,624**	74,693
Repayment unsecured loans – Others	**(176,302)**	(803,839)
Repayment of unsecured loan – FCCB, including expenses	**(455,425)**	(1,257,182)
Proceeds from issuance of equity shares and share application money	**23,789**	23,389
Interest paid	**(248,422)**	(136,546)
Net cash generated from/(used in) financing activities (C)	**7,064**	(924,543)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	2010	2009
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**250,573**	(57,711)
Cash and cash equivalents at the beginning of the year	**966,939**	1,024,650
Cash and cash equivalents at the end of the year	**1,217,512**	966,939

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.

	2010	2009
Cash on hand	**444**	1,136
Balances with scheduled banks		
– in current accounts	**116,340**	3,159
– in deposit accounts*	**2,100**	1,524
– in foreign currency accounts	**331**	492
Balances with non-scheduled banks		
– in current accounts	**1,146,266**	758,782
– in deposit accounts**	**46,760**	171,509
Remittances in transit	–	111,603
	1,312,241	1,048,205
Less: Current account balance held in trust for customers in non-scheduled banks**	**94,729**	81,266
	1,217,512	966,939

* Includes Rs. 2,000 (31 March 2009: Rs. 1,524) under lien for bank guarantees to the customs authorities.

** Includes Rs. Nil (31 March 2009: Rs. 39,344) placed in Escrow account towards buyback of FCCB and includes Rs. 33,675 (31 March 2009: Rs. 38,040) towards line of credit for FAL.

As per our report attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

For and on behalf of the Board of Directors

Akeel Master
Partner
Membership No.: 046768

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

A. M. Vallance
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Mumbai
29 April 2010

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(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.

During the year the Company has carried out restructuring exercise in USA. The company set up Firstsource Group USA Inc. (FG-US) and Firstsource Business Process Services LLC (FBPS) as its wholly-owned subsidiary in USA.

On 31 December 2009 FirstRing Inc. (FR-US) has been merged with FBPS. In consequence of merger FG-US has issued 29,088 shares to Firstsource Solutions Limited India in exchange of shares of FR-US.

Effective 31 March 2010 Firstsource Solutions USA Inc. has been merged with FG-US. In consequence of merger FG-US has issued 189,394 shares and debt instrument of Rs. 6,735,000 (equivalent to USD 150 million) to Firstsource Solutions Limited India in exchange of shares of FSL USA.

The list of subsidiaries considered in these consolidated financial statements as at 31 March 2010 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 Limited, UK ("FSL-UK")	A subsidiary of Firstsource Solutions Limited, organized under the laws of United Kingdom.	100%	2002-2003
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 Argentina	99.98%	2006-2007
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
Firstsource Group USA, Inc. ("FG-US")	A subsidiary of Firstsource Solutions Limited, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Sherpa Asset LLC (Sherpa LLC)	A subsidiary of FG US (post merger of FSL USA) incorporated in the State of Delaware, USA. (Effective 1 April 2010, merged with MedAssist LLC)	100%	2009-2010
Firstsource Business Process Services, LLC. ("FBPS")	A subsidiary of FG-US incorporated in the state of Delaware, USA.	100%	2009-2010
Firstsource Advantage LLC, ("FAL")	A subsidiary of FBPS (post merger of FR-US), incorporated under the laws of the State of New York, USA	100%	2004-2005
FirstRing Inc, USA ("FR-US")	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA. Effective 31 December 2009 FR US is merged into FBPS.	99.80%	2003-2004
Firstsource Solutions USA Inc ("FSL-USA")	A subsidiary of Firstsource Solutions Limited organized under the laws of State of Delaware, USA. Effective 31 March 2010 FSL-USA is merged into FG US.	100%	2002-2003
MedAssist Holding, Inc. ("MedAssist")	A Subsidiary of FG US (post merger of FSL USA), organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist LLC	A subsidiary of MedAssist Holding, Inc., incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Financial Solution LLC	A subsidiary of MedAssist LLC., incorporated in the State of Delaware, USA.	100%	2009-2010

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
Firstsource Financial Solution Inc. (earlier known as Firstsource Healthcare Advantage, Inc.) ("FSA")	A subsidiary of MedAssist LLC (post merger of MedAssist Incorporated), organized under the laws of State of Delaware, USA. Effective 31 March 2010 FSA merged into Firstsource Financial Solution Acquisition LLC to form Firstsource Financial Solution LLC	100%	2007-2008
MedAssist Intermediate Holding, Inc. ("MIH")	A subsidiary of MedAssist Holding, Inc., organized under the laws of State of Delaware, USA. Effective 31 March 2010 MIH is merged into MedAssist.	100%	2007-2008
MedAssist, Incorporated ("MI")	A subsidiary of MedAssist Intermediate Holding, Inc., organized under the laws of State of Kentucky, USA. Effective 31 March 2010 MI is merged with MedAssist Acquisition LLC to form MedAssist LLC	100%	2007-2008
Twin Medical Transaction Services, Inc. ("Twin")	A subsidiary of MedAssist, Incorporated, organized under the laws of Nevada Corporation, USA. Effective 31 March 2010 Twin is merged into MI.	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

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 accrual basis of accounting and accounting principles generally accepted in India and comply with the Accounting Standards (AS) notified 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 and Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31 – 'Financial Instruments: Presentation' (AS 31) issued by the Institute of Chartered Accountants of India. From 1 July 2008 effective 1 April 2008, the Company has early adopted AS 30 read with AS 31 issued by ICAI. 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 interests' share of profits or losses is adjusted against income to arrive at the net income attributable to the Company's shareholders. Minority interests' share of net assets is disclosed separately in the balance sheet.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

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 acquired assets	5 or estimated useful life, whichever is shorter

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Asset category	Useful life (in years)
Tangible	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 - 4
Networking equipments	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 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

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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, 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 / 10B 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 2011 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). 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.

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. (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.

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

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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 31 to the financial statements.

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly 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 mainly 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 of integral foreign operations 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.

In respect of branch outside India, 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.

In respect of non-integral subsidiaries, assets and liabilities including fixed assets 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 exchange difference on consolidation of non-integral subsidiaries 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.

(Currency: In thousands of Indian rupees)

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.

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 30 and 31). Accordingly, any gain / loss arising on account of exchange fluctuation is accounted in Exchange difference on FCCB translation.

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 (Refer Schedule 31).

		2010	2009
3.	**Share capital**		
	Authorised		
	850,000,000 (31 March 2009: 600,000,000) equity shares of Rs. 10 each	**8,500,000**	6,000,000
	Nil (31 March 2009: 250,000,000) participatory optionally convertible preference shares ('POCPS') of Rs. 10 each	–	2,500,000
		8,500,000	8,500,000
	Issued, subscribed and paid-up		
	429,209,682 (31 March 2009: 428,189,682) equity shares of Rs. 10 each, fully paid-up	**4,292,097**	4,281,897
		4,292,097	4,281,897
	During the year 1,020,000 (31 March 2009: 876,718) options were allotted. Refer Schedule 21.		
4.	**Reserves and surplus**		
	Securities premium		
	Securities premium at the beginning of the year*	**4,027,517**	568,423
	Add: Premium on shares issued during the year	**10,139**	14,621
	Write back of amortised premium on buyback of FCCB (refer Schedule 30)	**51,487**	44,810
	Premium payable on redemption of FCCB reversed	–	4,095,749
	Less: Amortisation of premium payable on redemption of FCCB for the year (refer Schedules 2.18 b and 31)	**760,049**	696,086
	Securities premium at the end of the year	**3,329,094**	4,027,517
	Profit and loss account	**4,279,724**	2,919,014
	General reserve		
	General reserve at the beginning of the year	**667,944**	–
	Add: Transition adjustment on adoption of AS 30 (refer Schedule 31)	–	667,944
	General reserve at the end of the year	**667,944**	667,944
	Hedging reserve account (refer Schedule 29)		
	Balance at the beginning of the year	**(56,726)**	(48,702)
	Movement during the year	**473,418**	(8,024)
	Balance at the end of the year	**416,692**	(56,726)

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	2010	2009
Translation Reserve		
Balance at the beginning of the year	**1,954,676**	(4,763)
Exchange difference on FCCB translation (refer Schedules 2.18a and 31)	**1,440,194**	(1,778,551)
Exchange difference on consolidation of non-integral subsidiaries	**(2,140,165)**	3,737,990
Balance at the end of the year	**1,254,705**	1,954,676
	9,948,159	9,512,425
*Net securities premium of Rs. 39,270 (31 March 2009: Rs. 39,270) of Customer Assets India Limited has been eliminated on consolidation and considered as part of goodwill.		
5. Secured loans		
External commercial borrowings ('ECB')	**1,183,060**	1,262,012
(For buyback of FCCB - Secured against *pari passu* charge on all assets of FG US (formerly FSL USA))		
Finance lease obligation	**85,515**	86,426
(Secured against assets taken on lease) (refer Schedule 20)		
Term loan	****1,518,305**	*507,200
* Nil (31 March 2009: Rs. 507,200) (Secured against shares of subsidiary (MedAssist))		
** Rs. 1,518,305 (31 March 2009: Nil) (Secured against assets of FG US (formerly FSL USA))		
	2,786,880	1,855,638
6. Unsecured loans		
Working capital demand loan	-	160,183
Foreign currency convertible bonds (FCCB) (Refer Schedules 30 and 31)*	**10,751,189**	11,896,899
Loan from others	**40,394**	32,889
	10,791,583	12,089,971
*Includes pro-rata premium payable on redemption of FCCB amounting to Rs. 1,598,007 (31 March 2009: Rs. 899,220).		

7. Business acquisitions

Goodwill on consolidation

Entity Name	**Date of acquisition**	2010	2009
MedAssist	20 September 2007	**15,046,459**	16,996,801
BPM	29 December 2006	**1,538,035**	1,737,398
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
		20,725,908	22,875,613

Pursuant to 'Share Purchase agreement' ('SPA') dated 28 August 2007 entered into between the Company, FSL-USA and the erstwhile shareholders of MedAssist, on 20 September 2007, the Company through its wholly-owned subsidiary FSL-USA 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.

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The excess of cost of investment over the value of net assets acquired amounting to Rs. 13,393,943 has been recorded as goodwill.

During the year ended 31 March 2009, 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 restated at exchange rate on balance sheet date amounts to Rs. 15,046,459 (31 March 2009: Rs. 16,996,801)

Acquisition of Business Process Management, Inc. (BPM)

Pursuant to 'Share Purchase agreement' ('SPA') dated 21 December 2006 entered into between the Company, FSL-USA and the erstwhile shareholders of BPM, on 29 December 2006, the Company through its wholly-owned subsidiary FSL-USA 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 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 ended 31 March 2009 the payment has been crystalised at Rs. 196,110 (equivalent to USD 3.9 million). Goodwill has been restated accordingly.

Total goodwill of BPM restated at exchange rate on balance sheet date is Rs 1,538,035.

Acquisition of Firstsource Advantage LLC (ASG)

On 22 September 2004, the Company through its subsidiary, FR-US 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 2010 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.

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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 to Rs. 596,862. Firstsource acquired 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.

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.

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. 20,725,908 (31 March 2009: Rs. 22,875,613).

8. Fixed assets

	Gross block (at cost)				Accumulated depreciation/amortisation				Net block	
	As at 1 April 2009	Additions during the year	Deletions/ adjustments during the year	**As at 31 March 2010**	As at 1 April 2009	Charge for the year	On deletions during the year	**As at 31 March 2010**	**As at 31 March 2010**	As at 31 March 2009
Intangible assets										
Domain name	6,720	–	–	**6,720**	5,109	1,611	–	**6,720**	–	1,611
Software*	785,873	66,997	(15,149)	**837,721**	569,876	116,170	(14,837)	**671,209**	**166,512**	215,997
Goodwill on asset acquisition	113,878	13,246	–	**127,124**	28,627	30,300	–	**58,927**	**68,197**	85,251
Tangible assets										
Computers *	1,438,775	92,195	(187,865)	**1,343,105**	1,061,981	182,882	(185,625)	**1,059,238**	**283,867**	376,794
Networking/Service equipments*	915,575	96,782	(27,319)	**985,038**	685,465	113,610	(10,989)	**788,086**	**196,952**	230,110
Furniture and fixtures and office equipments*	1,496,075	124,975	(115,836)	**1,505,214**	940,712	198,595	(96,633)	**1,042,674**	**462,540**	555,363
Leasehold improvements	1,577,939	74,825	(44,354)	**1,608,410**	858,919	226,609	(43,298)	**1,042,230**	**566,180**	719,020
Vehicles	13,384	11,112	(5,286)	**19,210**	6,808	2,855	(4,118)	**5,545**	**13,665**	6,576
Total	**6,348,219**	**480,132**	**(395,809)**	**6,432,542**	**4,157,497**	**872,632**	**(355,500)**	**4,674,629**	**1,757,913**	**2,190,722**
31 March 2009	5,340,421	1,072,873	(65,075)	6,348,219	3,203,586	961,318	(7,407)	4,157,497	2,190,722	

Note:

* The above assets include assets taken on lease having gross block of Rs. 174,551 (31 March 2009: Rs. 134,199) and net block of Rs. 88,546 (31 March 2009: Rs. 89,554).

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	2010	2009
9. Investments		
Short term		
Trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills)*	**4,356**	1,487
Non-trade (Unquoted)		
Super Ahorro Pesos (Mutual Fund in Argentina)	**–**	13,414
Nil (31 March 2009: 252,513) units of Prudential ICICI Liquid Plan - Dividend Option		3,280
13,290,439 (31 March 2009: Nil) units of IDFC Money Manager Fund - Treasury Plan C	**145,025**	–
25,961,423 (31 March 2009: Nil) units of ICICI Prudential Ultra Short Term Plan Super Premium Growth	**266,299**	–
14,420,464 (31 March 2009: Nil) units of Kotak Flexi Debt Scheme	**162,199**	–
202,789 (31 March 2009: Nil) units of ICICI Prudential Flexible Income Plan Premium Growth	**34,242**	–
268 (31 March 2009: Nil) units of ICICI Prudential Institutional Liquid Plan - Super Inst Growth	**36**	–
11,159,939 (31 March 2009: Nil) units of Birla Sun Life Saving Fund Institutional Growth	**193,991**	–
43,100 (31 March 2009: Nil) units of Reliance – Money Manager Fund - Institutional Option - Growth Plan	**54,043**	–
14,173,090 (31 March 2009: Nil) units of Religare Credit Opp. Fund – IP	**145,117**	–
(Net asset value of non-trade investments Rs. 1,006,975 (31 March 2009: Rs. 16,694))		
*Securities worth Rs. 4,356 (31 March 2009: Rs. 1,487) have been earmarked in favor of SEC, Philippines in compliance with corporation code of Philippines	**1,005,308**	18,181
10. Deferred tax assets, net		
Deferred tax asset on account of:		
Business losses carried forward	**351,713**	319,367
Difference between tax and book value of fixed assets	**299,364**	315,546
Gratuity and leave encashment	**42,375**	31,421
Accrued expenses / Allowance for doubtful debts	**57,703**	58,094
	751,155	724,428
Deferred tax liability on account of:		
Amortization	**696,107**	583,924
	696,107	583,924
Deferred tax asset, net	**55,048**	140,504
11. Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	**6,041**	–
- considered doubtful	**86,776**	72,419
	92,817	72,419
Others debts		
- considered good	**2,604,537**	2,379,474
- considered doubtful	**–**	25,815
	2,604,537	2,405,289
Less: Provision for doubtful debts	**86,776**	98,234
	2,610,578	2,379,474
12. Cash and bank balances		
Cash on hand	**444**	1,136
Balances with scheduled banks		
- in current accounts	**116,340**	3,159
- in deposit accounts *	**2,100**	1,524
- in foreign currency accounts	**331**	492
Balances with non scheduled banks		
- in current accounts	**1,146,266**	758,782
- in deposit accounts **	**46,760**	171,509
Remittances in transit	**–**	111,603
	1,312,241	1,048,205
Less: Current account balance held in trust for customers in non-scheduled banks	**94,729**	81,266
	1,217,512	966,939

* Includes Rs. 2,000 (31 March 2009: Rs. 1,520) under lien for bank guarantees to the customs authorities.

** Includes Nil (31 March 2009: Rs. 39,344) placed in Escrow account towards buyback of FCCB and includes Rs. 33,675 (31 March 2009: Rs. 38,040) towards line of credit for FAL.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	2010	2009
13. Loans and advances		
(Unsecured, considered good)		
Deposits	**339,043**	330,198
Prepaid expenses	**138,828**	149,805
Advances recoverable in cash or in kind or for value to be receive	**256,588**	147,521
Lease rentals receivable, net (refer Schedule 20)	**52,589**	46,644
Advance tax and tax deducted at source including FBT	**510,720**	387,436
Accrued Interest on loans and deposits	**3,189**	1,953
Unamortised cost (refer Schedule 31)	**87,574**	98,580
Exchange gain on derivative contracts	**466,207**	–
Minimum alternate tax credit carried forward	**156,659**	24,967
	2,011,397	1,187,104
14. Current liabilities		
Sundry creditors		
- for expenses	**1,253,842**	1,386,294
- for capital goods	**61,047**	149,996
Other liabilities	**105,502**	85,508
Value added tax payable	**109,732**	65,516
Tax deducted at source payable	**52,635**	24,265
Interest accrued but not due	**37,335**	31,496
Advance from customers	**–**	13,130
Exchange loss on derivatives	**–**	273,308
	1,620,093	2,029,513
15. Provisions		
Income tax (including FBT)	**371,831**	358,616
Gratuity	**87,963**	74,662
Leave encashment	**185,011**	176,408
	644,805	609,686
16. Other income		
Foreign exchange gain/(loss), net*	**98,044**	(370,812)
Profit on sale/redemption of non-trade investments, net	**17,962**	12,834
Gain on sale of fixed assets (net)	**4,738**	1,474
Dividend on investments	**7,965**	9,364
Miscellaneous income	**7,493**	10,393
Gain on FCCB buyback (net) (refer Schedule 30)	**73,909**	634,980
	210,111	298,233
* Net Foreign exchange gain/(loss) includes exchange gain of Rs. 7,573 (31 March 2009: Rs. 97,296) recognized on account of translation of financial statements of foreign integral subsidiaries for the purpose of preparation of these consolidated financial statements. Also includes mark to market gain of Rs. 171,571 (31 March 2009: loss of Rs. 236,202) on account of cancellation of derivative instruments (refer Schedule 29)		
17. Personnel costs		
Salaries, bonus and other allowances	**11,246,226**	9,417,727
Contribution to provident and other funds	**281,107**	342,327
Staff welfare	**502,411**	492,830
	12,029,744	10,252,884

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	2010	2009
18. Operating costs		
Rent, rates and taxes	**1,102,380**	1,029,991
Services rendered by business associates and others	**179,934**	582,220
Legal and professional fees	**469,244**	400,578
Connectivity charges	**388,812**	372,696
Information and communication expenses	**680,682**	542,801
Repairs and maintenance – others	**471,326**	437,304
Car and other hire charges	**290,301**	263,029
Travelling and conveyance	**340,539**	359,894
Recruitment and training expenses	**123,663**	123,688
Electricity, water and power consumption	**282,594**	223,686
Computer expenses	**142,576**	123,997
Marketing and support services	**88,184**	62,218
Insurance	**98,176**	107,086
Advertisement and publicity	**2,709**	1,924
Printing and stationery	**100,961**	97,196
Research expenses	**59,928**	45,304
Unamortised cost charged off	**–**	24,498
Meetings and seminar expenses	**8,475**	13,287
Auditors' remuneration		
- Audit fees	**12,000**	11,500
- Tax audit fees	**300**	403
- Other services	**1,310**	1,213
Membership fees	**5,139**	1,371
Directors' fees	**1,300**	1,280
Bad Debts written off	**9**	6,784
Provision for doubtful debts (net)	**24,243**	64,194
Bank administration charges	**56,751**	36,518
Miscellaneous expenses	**25,414**	100,159
	4,956,950	5,034,819
19. Finance charges, net		
Interest expense		
- on External commercial borrowings and term loan	**235,763**	140,733
- on Working capital demand loan and others	**7,705**	16,727
- Amortised cost on fair value of FCCB (refer Schedule 31)	**115,255**	113,860
Bank Guarantee Commission	**10,795**	7,693
	369,518	279,013
Less: Interest income		
- on deposits with bank	**5,206**	17,967
- on others	**19,706**	21,824
	344,606	239,222
Add: Exchange loss on FCCB for the period April 1 2008 to June 30 2008 (refer Schedule 31)	**–**	778,242
Exchange (gain)/loss on other foreign currency loans (other than FCCB)	**111,236**	18,546
	111,236	796,788
	455,842	1,036,010

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

20. Leases

The Group is obligated under non-cancelable operating leases for office space and office equipments which are renewable on a periodic basis at the option of both the lesser and lessee. Rental expenses under non-cancelable operating leases for the year ended 31 March 2010 aggregated to Rs. 610,999 (31 March 2009: Rs. 469,918). Of these expenses, Rs. 3,518 (31 March 2009: Rs. 22,868) and Rs. 13,394 (31 March 2009: Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work in progress respectively.

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

	2010	2009
Amount due within one year from the balance sheet date	**721,057**	500,402
Amount due in the period between one year and five years	**1,217,381**	1,250,444
Amount due in the period beyond five years	-	327,456
	1,938,438	2,078,302

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 2010 aggregated to Rs. 447,300 (31 March 2009 : Rs. 529,342).

Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2010 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2010			
Amount payable within one year from the balance sheet date	59,994	6,904	53,090
Amount payable in the period between one year and five years	37,175	4,750	32,425
	97,169	11,654	85,515
As at 31 March 2009			
Amount payable within one year from the balance sheet date	43,806	5,375	38,431
Amount payable in the period between one year and five years	52,464	4,469	47,995
	96,270	9,844	86,426

The Group also has given vehicles on finance lease to its employees as per policy. As at 31 March 2010, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2010			
Amount receivable within one year from the balance sheet date	24,641	4,742	19,899
Amount receivable in the period between one year and five years	37,014	4,324	32,690
	61,655	9,066	52,589
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

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(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 Compensation cum 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:

Description	**2010**		2009	
Exercise Range: 00.00 - 30.00	**Shares arising out of options**	**Weighted Average**	Shares arising out of options	Weighted Average
Outstanding at the beginning of the year	**99,375**	**34**	120,625	47
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	10,000	–
Exercised during the year	**7,500**	**–**	11,250	–
Outstanding at the end of the year	**91,875**	**22**	99,375	34
Exercisable at the end of the year	**91,875**	**–**	99,375	–

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 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 After the Company has been listed on any stock-exchange, the Exercise Price shall be determined by the Committee on the date the Option is granted in accordance with, and subject to, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended from time to time).

Description		**2010**		2009	
	Exercise Range	**Shares arising out of options**	**Weighted Average**	Shares arising out of options	Weighted Average
Outstanding at the beginning of the year	00.00 - 30.00	**7,542,774**	**19**	7,320,117	21
	30.01 - 60.00	**33,557,075**	**38**	39,555,733	50
	60.01 - 90.00	**14,562,564**	**44**	24,955,128	56
Granted during the year	00.00 - 30.00	**6,000,000**	**-**	1,575,000	-
	30.01 - 60.00	**100,000**	**-**	6,195,000	-
	60.01 - 90.00	**-**	**-**	-	-
Forfeited during the year	00.00 - 30.00	**1,361,250**	**-**	1,058,125	-
	30.01 - 60.00	**2,619,374**	**-**	11,622,408	-
	60.01 - 90.00	**993,750**	**-**	10,392,564	-
Exercised during the year	00.00 - 30.00	**952,500**	**-**	294,218	-
	30.01 - 60.00	**210,000**	**-**	571,250	-
	60.01 - 90.00	**-**	**-**	-	-

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Description		2010		2009	
	Exercise Range	**Shares arising out of options**	**Weighted Average**	Shares arising out of options	Weighted Average
Outstanding at the end of the year	00.00 - 30.00	**11,229,024**	**39**	7,542,774	19
	30.01 - 60.00	**30,827,701**	**27**	33,557,075	38
	60.01 - 90.00	**13,568,814**	**30**	14,562,564	44
Exercisable at the end of the year	00.00 - 30.00	**4,291,524**	**-**	5,486,524	-
	30.01 - 60.00	**17,956,451**	**-**	9,197,706	-
	60.01 - 90.00	**4,131,762**	**-**	1,673,750	-

Notes:

1. 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

2. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% of fully diluted issued and paid up share capital of the Company.

3. 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

   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.

4. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 30 October 2008 prescribed the Exercise Period for stock options (other than Executive Options) whether already granted or to be granted to employees of the Company and its subsidiaries under Firstsource Solutions Employee Stock Option Scheme 2003 as 10 years from the date of grant of Options.

5. 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	2010	2009
Net income as reported	**1,360,710**	306,722
Less: Stock-based employee compensation expense (fair value method)	**(132,345)**	261,843
Proforma net income	**1,493,055**	44,879
Basic earnings per share as reported (Rs.)	**3.17**	0.72
Proforma basic earnings per share (Rs.)	**3.48**	0.10
Diluted earnings per share as reported (Rs.)	**2.84**	0.72
Proforma diluted earnings per share (Rs.)	**2.87**	0.10

   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 75%

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

22. Managerial remuneration

Particulars	2010	2009
Salaries and allowances	**29,362**	25,595
Contribution towards retirement benefits	**1,314**	3,348
Perquisites	**343**	290
Total	**31,019**	29,233

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.

23. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2010 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 Schedule 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 • A. M. Vallance • Carl Saldanha
Non-Executive Directors	• Dr. Ashok S. Ganguly • Charles Miller Smith • K. P. Balaraj • Shikha Sharma** • Dr. Shailesh Mehta • Mohit Bhandari*** • Y. H. Malegam • Donald Layden, Jr. • Lalita D. Gupte • Ram Chary***

* The shareholding has been diluted during the year resulting in exclusion from the list of Parties with substantial interests

** Resigned during the year

*** Additions during the year

Director having common interest resigned during the year

Name of the related party	Description	Transaction value for the year ended 31 March 2010	Transaction value for the year ended 31 March 2009	Receivable / (Payable) at 31 March 2010	Receivable / (Payable) at 31 March 2009
ICICI Bank Limited	Income from services	**48,542**	120,048	–	13,822
	Software expenses and professional fees	–	651	–	–
	Interest expenditure	**6,996**	32,169	–	(124)
	Bank balance	–	–	–	1,406
	Bank overdraft	–	–	–	(153,174)
	Fixed deposit placed	–	100,000	–	1,416
	Fixed deposit matured	–	300,000	–	–
	Interest income	–	1,641	–	96
	Term loan	**507,200**	–	–	(507,200)
	External Commercial Borrowings	–	105,800	–	–
	Guarantee commission	**22,980**	7,693	–	3,813
	Fees and commission	–	151,422	–	(138,643)
ICICI- Prudential Life Insurance company Limited	Income from services	**22,982**	178,456	–	15,265
	Insurance Premium Paid	**1,006**	6,622	–	–
	Rent paid	**2,193**	23,971	–	–
Metavante Investments (Mauritius) Limited	Income from services	**40,451**	34,157	**5,826**	37,473
Key management personnel and relatives	Remuneration paid	**41,885**	35,086	–	–
Non-executive directors	Sitting fees paid	**1,300**	1,280	–	–

Note: Excludes forward contracts and ESOP's

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

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

Description	2010	2009
Remuneration paid		
Ananda Mukerji	**24,902**	14,289
Raju Venkatraman	–	14,944
A. M. Vallance	**6,117**	–
Carl Saldahna	**10,866**	5,853

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	2010	2009	2008	2007
Change in present value of obligations				
Obligations at beginning of the year	**74,662**	53,737	36,218	24,873
Service cost	**55,698**	24,010	22,531	15,405
Interest cost	**5,760**	4,570	2,733	1,633
Actuarial (gain)/loss	**(41,471)**	(3,191)	(4,159)	(1,566)
Benefits paid	**(6,686)**	(4,464)	(3,586)	(2,051)
Obligations at the end of the year	**87,963**	74,662	53,737	38,294
Change in plan assets				
Fair value of plans assets at beginning of the year	**46,105**	2,076	2,076	2,076
Expected return on plan assets	**3,871**	1,358	164	(21)
Actuarial gain/(loss)	**657**	1,570	(164)	(1,958)
Contributions	–	45,565	3,586	–
Benefits paid	**(6,197)**	(4,464)	(3,586)	1,979
Fair value of plans assets at end of the year	**44,436**	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	**87,963**	74,662	53,737	38,294
Fair value of plan assets at the end of year	**(44,436)**	(46,105)	(2,076)	(2,076)
Funded status being amount of liability recognized in the balance sheet	**43,527**	28,557	51,661	36,218
Gratuity cost for the year				
Service cost	**55,698**	24,010	22,531	15,405
Interest cost	**5,760**	4,570	2,733	1,633
Actuarial (gain)/loss	**(42,128)**	(1,619)	(1,045)	(21)
Expected return on plan assets	**(3,871)**	(1,358)	(3,115)	(3,523)
Net gratuity cost	**15,459**	25,603	21,104	13,494
Actual return on plan assets	**4,527**	2,928	–	–
Assumptions				
Interest rate	**8.00%**	7.86%	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	8.00%	8.70%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%
Withdrawal rate	**25% reducing to 2%**	**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.

(Currency: In thousands of Indian rupees)

24. Employee Benefit (Continued)

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 year 2011.

b) *Contribution to Provident Funds*

The provident fund charge during the year amounts to Rs. 106,855 (31 March 2009: Rs. 100,450)

c) Compensated absences

Actuarial Assumptions	2010	2009	2008	2007
Interest rate	**8.00%**	7.86%	8.75%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%

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, including unbilled receivables, 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.

	2010	2009
Primary Segment		
Segment Revenue		
UK	**5,276,273**	4,550,852
USA and Canada	**11,808,839**	11,033,998
India	**2,317,144**	1,885,031
Rest of the world	**136,848**	55,327
	19,539,104	17,525,208
Segment Result		
UK	**1,607,190**	1,740,912
USA and Canada	**992,673**	881,606
India	**257,520**	264,252
Rest of the world	**48,995**	10,072
	2,906,378	2,896,842
Finance charges, net	**(455,842)**	(1,036,010)
Other un-allocable expenditure, net of un-allocable income	**(847,715)**	(1,353,932)
Profit before taxation and minority interest	**1,602,821**	506,900
Taxation	**(237,611)**	(199,074)

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Minority interest	**(4,500)**	(1,104)
Profit/(Loss) after taxation and minority interest	**1,360,710**	306,722
Debtors including unbilled receivables		
UK	**1,231,898**	822,500
USA and Canada	**1,618,572**	1,729,670
India	**404,094**	423,785
Rest of the world	**29,055**	8,552
	3,283,619	2,984,507

	Revenue		**Debtors including unbilled receivables**	
	2010	2009	**2010**	2009
Secondary Segment				
Banking, Financial Services & Insurance	**4,485,936**	4,408,715	**437,916**	481,578
Non-Banking, Financial Services & Insurance	**15,053,168**	13,116,493	**2,845,703**	2,502,929
	19,539,104	17,525,208	**3,283,619**	2,984,507

26. Other operating income

Other operating income represents net gain of Rs. 72,611 (31 March 09: net loss of Rs. 77,377) on restatement and settlement of debtor balances and related forward /option contracts and gain of Rs. 96,163 (31 March 2009: gain of Rs. 45,867) 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)

	2010	2009
Number of shares considered as basic weighted average shares outstanding	**428,742**	427,914
Add: effect of potential issue of shares/ stock options*	–	–
Add: Adjustment for options relating to Foreign currency convertible bonds*	**91,558**	–
Number of shares considered as weighted average shares and potential shares outstanding	**520,300**	427,914
Net profit after tax attributable to shareholders	**1,360,710**	306,722
Add: Interest on FCCB*	**115,255**	–
Add: Exchange loss on FCCB*	–	–
Net profit after tax for diluted earnings per share	**1,475,965**	306,722
* Not considered when anti dilutive		

28. Capital and other commitments and contingent liabilities

	2010	2009
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**73,944**	68,918
Claims not acknowledged as debt	**45,546**	51,450
Guarantees and letters of credit given	**1,826,369**	1,039,251

Direct tax matters

Income tax demand amounting to Rs. 106,659 (31 March 2009: Rs. 106,659) 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 2004-2005.

Indirect tax matters

The service tax demand amounting to Rs. 23,574 (31 March 2009: Rs. 23,574) 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. 742,646 (GBP 10.93 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.

(Currency: In thousands of Indian rupees)

29. Derivatives

As at 31 March 2010, the Company has derivative financial instruments to sell USD 25,702,798 (31 March 2009: USD 98,834,044) having fair value gain Rs. 55,246 (31 March 2009: loss of Rs. 497,649) and GBP 35,176,114 (31 March 2009: GBP 21,000,000) having fair gain of Rs. 336,936 (31 March 2009: gain of Rs. 224,340) relating to highly probable forecasted transactions. The company has derivative financial instruments to buy CAD 34,337,000 and GBP 5,000,000 (31 March 2009: Nil) which has been taken to hedge the foreign currency loans. These derivative financial instruments has fair value gain of Rs. 78,917 (31 March 2009: Nil) and loss of Rs. 192 (31 March 2009: Nil) respectively.

The Company has recognized mark to market gain of Rs. 416,691 (31 March 2009: loss of Rs. 56,726) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders' funds (refer Schedule 4) and gain of Rs. 78,917 (31 March 2009: Nil) has been taken to profit and loss account.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are Rs. 349,671 (equivalent to USD 12.2 million, GBP 10 million, AUD 0.2 million, CAD 0.1 million and EUR 0.09 million) (31 March 2009: Rs. 1,747,333).

At 31 March 2009, the Company had undesignated certain derivative financial instruments. During the year ended March 2010, it recognised gain of Rs. 124,426 (31 March 2009 mark to market loss of Rs. 236,202) on cancellation of such instruments in the Profit and loss account. (Refer Schedule 15).

30. 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 2010	USD 212,400,000
Face Value	USD 100,000
Conversion price per share and fixed exchange rate	Rs 92.2933 Rs. 39.27 = USD 1
Number of shres to be issued if converted	90,374,373
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 2010	2,124

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

During the year ended 31 March 2010, pursuant to RBI notification, the Company has bought back and cancelled 129 FCCBs of the face value of USD 100,000 each under the Automatic route. The Company has recognised a net gain of Rs 73,909 on the said buy back which has been disclosed under "Other Income".

31. Adoption of AS-30

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. On 1 July, 2008, effective 1 April, 2008, the Company early adopted AS 30 and the limited revisions to other accounting standards which come into effect upon adoption of AS 30.

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 derivatives. Similarly, the Company also adopted AS 30 with respect to hedging

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

transactions with effect from 1 July, 2008. On 1 October, 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 Accounting Standards referred above viz., AS-4, AS-11 and AS-13 stands withdrawn as it believes that principles of AS 30 has been disclosed as "Unamortized cost" under Loans and Advances, which is 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 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".

In accordance with the transition provisions of AS 30, impact on first time adoption has been accounted in General Reserves.

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, 2010 would have been higher by Rs. 1,421 (31 March 2009: Rs. 570)

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 gain on FCCB of Rs. 1,440,194 for the year ended 31 March 2010 (31 March 2009: translation loss Rs. 1,778,551) which is determined to be effective hedge of net investment in non integral foreign operations, has been adjusted in Translation Reserve Account. 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 gain 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. 115,255 for the year ended 31 March 2010 (31 March 2009: Rs. 113,860) 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.

32. Prior period comparatives

Previous year figures have been appropriately regrouped/reclassified to conform to current year presentation.

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

K. P. Balaraj
Director

A.M.Vallance
Jt Managing Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

Y.H.Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
29 April 2010

Ram Chary
Director

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2010

(Currency in thousands of Indian Rupees)

Sr. No	Particulars	REV IT Systems Private Limited	Firstsource Group USA, Inc $	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Firstsource Solutions S.A. #	Firstsource Solutions UK Limited £	Pipal Research Corporation $	Pipal Research Analytics and Information Services India Private Limited	MedAssist Holding, Inc. $	MedAssist LLC	Firstsource Financial Solutions, LLC $
1	The Financial Year of the Subsidiary Companies ended on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010
2	Date from which they became subsidiary Companies	31.03.2005	25.11.2009	25.11.2009	22.09.2004	25.09.2006	27.05.2002	26.07.2004	26.07.2004	20.09.2007	31.03.2010	31.03.2010
3	Country of Incorporation	India	USA	USA	USA	Argentina	UK	USA	India	USA	USA	USA
4 a)	Number of shares held by Firstsource Solutions Ltd and/ or its nominees in the subsidiaries as on 31.3.2010	8,012,583 equity shares of Rs 10 each	218,483 common stock with par value of USD 1 each	NA	@ 10,000 Units of USD 1 each	€ 6,024,599 shares of ARS 1 each	2,834,672 equity shares of GBP 1 each	136,093 equity shares of USD 24.10 each	*10,000 equity shares of Rs10 each	◊11,655,150 Shares of voting Common Stock, 1,430,375 Shares of non-voting Common Stock , 28,672 Shares of Class A Preferred Stock and 9,594 Shares of Class B Preferred Stock all of par value USD 0.01 each.	NA	NA
b)	Extent of Interest of Firstsource Solutions Ltd (holding Company) in the Subsidiaries as on 31.3.2010	100%	100%	100%	100%	€ 99.98%	100%	51%	*51%	◊100%	100%	Δ100%
5	The net aggregate amount of the profits /(losses) of the subsidiaries so far as it concerns the members of Firstsource Solutions Limited and is not dealt with in the accounts of Firstsource Solutions Limited .											
a)	For the financial year ended 31st March, 2010	–	–	–	–	–	–	4,995	602	–	–	–
b)	For the previous financial years of the Subsidiary since it became a Subsidiary	–	–	–	–	–	–	(90,549)	2,519	–	–	–
6	The net aggregate amount of the profits /(losses) of the subsidiaries so far as it concerns the members of Firstsource Solutions Limited dealt with or provided for in the accounts of Firstsource Solutions Limited .											
a)	For the financial year ended 31st March, 2010(PAT)	167,706	–	(38,150)	135,470	(56,287)	114,083	5,199	626	–	–	–
b)	For the previous financial years of the Subsidiary since it became a Subsidiary	363,576	–	–	(4,151)	26,482	315,209	(94,247)	2,623	–	–	–

Notes:

$ Converted to Indian Rupees at the Exchange Rate,1 USD = INR 44.90

Converted to Indian Rupees at the Exchange Rate,1 ARS = INR 11.643

£ Converted to Indian Rupees at the Exchange Rate,1 GBP = INR 67.955

@ Held by Firstsource Business Process Service LLC

€ Held by Firstsource Solutions UK Limited

* Held by Pipal Research Corporation

◊ Held by Firstsource Group USA, Inc.

Δ Held by MedAssist LLC

FINANCIAL INFORMATION OF SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2010

(Currency in thousands of Indian Rupees)

Particulars	REV IT Systems Private Limited	Firstsource Group USA, Inc. $	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Firstsource Solutions S.A #	Firstsource Solutions UK. Limited £	Pipal Research Corporation $	Pipal Research Analytics and Information Services India Private Limited $	MedAssist Holding, Inc. $	MedAssist, LLC $	Firstsource Financial Solutions, LLC $
Paid-up Share Capital	80,126	9,810	–	449	70,156	192,630	169,194	100	5,892	–	–
Reserves & Surplus	413,724	9,004,303	629,227	171,891	(29,483)	422,300	(87,224)	(17,548)	1,361,632	8,970,743	1,359,189
Total Assets	410,016	17,678,844	1,816,460	610,921	50,563	1,627,635	117,994	42,443	2,068,635	9,832,703	1,388,620
Total Liabilities (excluding Capital and Reserves)	173,478	8,664,731	1,187,233	438,581	9,890	1,012,705	36,024	62,080	701,111	861,960	29,431
Investments (excluding Investments in Subsidiaries)	257,312	–	–	–	–	–	–	2,189	–	–	–
Total Income	495,665	–	449	2,146,469	225,687	4,002,134	363,357	236,054	–	–	–
Profit / (Loss) Before Tax	170,125	–	(5,544)	136,293	(46,861)	161,961	10,194	1,453	–	–	–
Provision for Tax	2,419	–	32,606	823	9,424	47,878	–	225	–	–	–
Profit / (Loss) After Tax	167,706	–	(38,150)	135,470	(56,287)	114,083	10,194	1,228	–	–	–
Proposed Dividend (including Tax thereon)	–	–	–	–	–	–	–	–	–		–

Notes:

$ Converted to Indian Rupees at the Exchange Rate,1 USD = INR 44.90

Converted to Indian Rupees at the Exchange Rate,1 ARS = INR 11.643

£ Converted to Indian Rupees at the Exchange Rate,1 GBP = INR 67.955

AUDITORS' REPORT

To the Members of
Firstsource Solutions Limited

We have audited the attached Balance Sheet of Firstsource Solutions Limited ('the Company') as at 31 March 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. Without qualifying our opinion, we draw attention to Schedule 30 to the financial statements that describes the adoption by the Company 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. The Company has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards. AS 30 is not yet notified/prescribed under the Companies (Accounting Standards) Rules, 2006, and therefore, can be applied only to the extent that it does not conflict with other accounting standards notified/ prescribed under the said rules.

   Had the Company not accounted for the transactions referred to above as per AS-30 and the related limited revisions, profit after taxation for the year ended 31 March 2010 would have been higher by Rs. ('000) 1,477,314, Reserves and Surplus would have been lower by Rs. ('000) 871,647, Investments would be lower by Rs. 338,358, Unsecured loans would have been lower by Rs. ('000) 1,214,429, Current liabilities would have been higher by Rs. ('000) 1,744,904 and Current assets would have been higher by Rs. ('000) 2,814.

2. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to above, we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act except for the matters stated in paragraph 1 above;

   e) On the basis of written representations received from directors of the Company as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Act; and

   f) In our opinion, and to the best of our information and according to the explanations given to us, read with paragraph 1 above, the said accounts give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

      i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2010;

      ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and

      iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm Registration Number: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai
29 April 2010

ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2010

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   (c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.

2. The Company is a service Company, primarily rendering contact centre, transaction processing and debt collection services. It does not hold any physical inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.

3. (a) The following are the particulars of loans granted by the Company to parties covered in the register maintained under Section 301 of the Act:

Name of Party	Relationship with Company	Amount Rs. ('000)	Year end balance Rs. ('000)	Maximum balance oustanding Rs. ('000)
Firstsource Business Process Services, LLC	Subsidiary	885,250	416,122	885,250
Firstsource Group USA, Inc.	Subsidiary	6,735,000	6,735,000	6,735,000
Pipal Research Corporation	Subsidiary	Nil	20,000	20,000

   (b) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the party listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.

   (c) In accordance with the terms of the loan, interest and principal are repayable on demand. According to the information and explanations given to us, the parties have repaid interest and principal as and when demanded during the year.

   (d) According to the information and explanations given to us, there is no overdue amount of loans granted to parties listed in the register maintained under Section 301 of the Act.

   (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.

5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Act have been so entered.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs in respect of any party during the year are for the Company's specialised requirements for which suitable alternate sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the prices appear reasonable.

6. The Company has not accepted any deposits from the public.

7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales tax, Excise duty and Investor Education

and Protection Fund.

There were no dues on account of cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

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

Name of the Statute	**Nature of the Dues**	**Amount Rs. ('000)**	**Period to which the amount relates**	**Forum where dispute is pending**
Income-tax Act, 1961	Transfer pricing demand	40,929.13	2002-03	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 143	39,728.49	2003-04	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	15,621.20	2004-05	Deputy Commissioner of Income Tax
Service Tax Rules, 1994	Demand notice	23,574.28	2007-08	Commissioner of Service Tax

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, bondholders or to any financial institutions.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are, prima facie, not prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. In our opinion and according to the information and explanations given to us, the Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act.
19. According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants
Firm Registration Number: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai
29 April 2010

BALANCE SHEET AS AT 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	Schedule	2010	2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,292,097**	4,281,897
Share application money		**3,450**	-
Reserves and surplus	4	**6,738,331**	6,290,008
		11,033,878	10,571,905
Loan funds			
Secured loans	5	**1,265,093**	1,342,434
Unsecured loans	6	**10,791,583**	12,084,993
		23,090,554	23,999,332
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		**3,950,677**	3,754,470
Less: Accumulated depreciation and amortization		**2,840,500**	2,386,288
Net block		**1,110,177**	1,368,182
Add: Capital work-in-progress (including capital advances)		**62,567**	69,271
		1,172,744	1,437,453
Investments	8	**11,106,872**	18,647,006
Deferred tax assets	9	**303,686**	246,171
Current assets, loans and advances			
Sundry debtors	10	**994,305**	1,436,739
Unbilled receivables		**326,977**	319,972
Cash and bank balances	11	**118,403**	153,124
Loans and advances	12	**8,833,638**	1,981,591
		10,273,323	3,891,426
Less: Current liabilities and provisions			
Current liabilities	13	**571,004**	1,161,833
Provisions	14	**331,788**	197,612
		902,792	1,359,445
Net current assets		**9,370,531**	2,531,981
Amalgamation deficit adjustment account		**1,136,721**	1,136,721
		23,090,554	23,999,332
Significant accounting policies	2		
Notes to accounts	19 – 35		

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

As per our report attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.:101248W

For and on behalf of the Board of Directors

Akeel Master
Partner
Membership No.: 046768

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

A. M. Vallance
Jt. Managing Director

Ram Chary
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

K. P. Balaraj
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
29 April 2010

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	Schedule	2010	2009
INCOME			
Income from services		**6,521,492**	5,660,439
Other operating income	24	**95,741**	(125,455)
Other income	15	**214,789**	445,258
		6,832,022	5,980,242
EXPENDITURE			
Personnel costs	16	**3,302,090**	2,758,919
Operating costs	17	**2,106,092**	1,890,571
Depreciation and amortization	7	**524,380**	522,446
		5,932,562	5,171,936
Profit before finance charges and taxation		**899,460**	808,306
Finance charges, net	18	**277,781**	676,412
Profit before taxation		**621,679**	131,894
Provision for taxation			
– Current tax expense, including foreign taxes		**111,340**	26,235
– Fringe benefits tax		-	23,710
– Deferred tax release		**(57,515)**	(53,115)
– Minimum alternate tax credit entitlement		**(105,474)**	(16,001)
Profit after taxation		**673,328**	151,065
Accumulated balance brought forward from previous year		**1,611,736**	1,460,671
Accumulated balance carried forward to the balance sheet		**2,285,064**	1,611,736
Earnings per share	25		
Weighted average number of equity shares outstanding during the year			
- Basic		**428,742**	427,914
- Diluted		**520,300**	427,914
Earnings per share (Rs.)			
- Basic		**1.57**	0.35
- Diluted		**1.51**	0.35
Nominal value per share (Rs.)		**10**	10
Significant accounting policies	2		
Notes to accounts	19 – 35		

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

As per our report attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.:101248W

For and on behalf of the Board of Directors

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Membership No.: 046768

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	2010	2009
Cash flow from operating activities		
Net profit after tax	**673,328**	151,065
Adjustments for		
Depreciation and amortization	**524,380**	522,446
Provision for current tax, FBT and MAT credit entitlement	**5,866**	33,944
Provision for doubtful debts/(written back)	**(6,409)**	13,645
Profit on sale of fixed assets net	**(5,112)**	(1,134)
Foreign exchange (gain)/loss net	**(1,39,846)**	168,558
Interest costs	**266,521**	142,158
Exchange loss on foreign currency loans	**53,937**	611,778
Interest and dividend income	**(66,604)**	(78,711)
Deferred taxes	**(57,515)**	(53,115)
Profit on sale on investments	**(10,014)**	(12,494)
Rent expenses on account of adoption of AS 30	**19,001**	16,085
Gain on FCCB buyback	**(73,909)**	(634,980)
Operating cash flow before changes in working capital	**1,183,624**	879,245
Changes in working capital		
Decrease/(Increase) in Debtors	**262,884**	(281,140)
Decrease/(Increase) in Loans and advances and unbilled receivables	**470,515**	(253,013)
(Decrease)/Increase in Current liabilities and provisions	**(193,568)**	261,424
Net changes in working capital	**539,831**	(272,729)
Income taxes paid	**(149,412)**	(137,760)
Net cash generated from operating activities (A)	**1,574,043**	468,756
Cash flow from investing activities		
Purchase of investment in mutual funds/ government securities	**(11,254,707)**	(4,579,374)
Sale of investment in mutual funds	**10,522,845**	4,791,111
Interest and dividend income received	**102,257**	13,312
Capital expenditure	**(388,234)**	(752,015)
Sale of fixed assets	**35,170**	43,216
Investment in subsidiary	**(48)**	(55,930)
Proceeds from sale of investment in subsidiary, net of expenses	**106,978**	–
Business acquisition, net of cash acquired	–	(66,586)
Net cash used in investing activities (B)	**(875,739)**	(606,266)
Cash flow from financing activities		
Repayment of unsecured loan – FCCB, including expenses	**(455,424)**	(1,257,182)
Repayment of unsecured loan – Others	**(171,324)**	–
Proceeds from unsecured loan – Others	**23,624**	83,738
Repayment of secured loan	–	(105,800)
Proceeds from secured loan	–	1,248,967
Proceeds from issuance of equity shares and share application money	**23,789**	23,389
Interest paid	**(153,690)**	(14,241)
Net cash used in financing activities (C)	**(733,025)**	(21,129)
Net decrease in cash and cash equivalents (A+B+C)	**(34,721)**	(158,639)
Cash and cash equivalents at the beginning of the year	**153,124**	311,763
Cash and cash equivalents at the end of the year	**118,403**	153,124

Notes to the cash flow statement

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

	2010	2009
Cash on hand	**102**	167
Remittances in transit	-	108,735
Balances with scheduled banks		
– in current accounts	**113,627**	2,647
– in deposit accounts *	**2,100**	1,524
Balances with non-scheduled banks		
– in current accounts	**2,574**	707
– in deposit accounts **	-	39,344
	118,403	153,124

* Includes Rs. 2,000 (31 March 2009: Rs. 1,524) under lien for bank guarantees to the Customs authorities.

** Includes Nil (31 March 2009: Rs. 39,344) placed in Escrow account towards buyback of FCCB during the year.

As per our report attached.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.:101248W

For and on behalf of the Board of Directors

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SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

1. Background

Firstsource Solutions Limited ('Firstsource' 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.

During the year the Company has carried out restructuring exercise in USA. The Company set up Firstsource Group USA Inc. (FG-US) and Firstsource Business Process Services LLC (FBPS) as its wholly owned subsidiary in USA.

On 31 December 2009 FirstRing Inc., USA (FR-US) has been merged with FBPS. In consequence of merger FG-US has issued 29,088 shares to Firstsource Solutions Limited India in exchange of shares of FR-US.

Effective 31 March 2010 Firstsource Solutions USA, Inc. (FSL-USA) has been merged with FG-US. In consequence of merger FG-US has issued 189,394 shares and debt instrument of Rs. 6,735,000 (equivalent to USD 150 million) to Firstsource Solutions Limited India in exchange of shares of FSL-USA.

The list of subsidiaries as at 31 March 2010 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 Limited, UK ("FSL-UK")	A subsidiary of Firstsource Solutions Limited, organized under the laws of United Kingdom.	100%	2002-2003
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 Argentina.	99.98%	2006-2007
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
Firstsource Group USA, Inc. ("FG-US")	A subsidiary of Firstsource Solutions Limited, incorporated in the state of Delaware, USA.	100%	2009-2010
Firstsource Sherpa Asset LLC ("Sherpa LLC")	A subsidiary of FG US (post merger of FSL-USA) incorporated in the state of Delaware, USA. (Effective 1 April 2010, merged with MedAssist LLC)	100%	2009-2010
Firstsource Business Process Services, LLC. ("FBPS")	A subsidiary of FG-US incorporated in the state of Delaware, USA.	100%	2009-2010
Firstsource Advantage LLC, ("FAL")	A subsidiary of FBPS (post merger of FR-US), incorporated under the laws of the State of New York, USA.	100%	2004-2005
FirstRing Inc., USA ("FR-US")	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA. Effective 31 December 2009 FR US is merged into FBPS.	99.80%	2003-2004
Firstsource Solutions USA Inc. ("FSL-USA")	A subsidiary of Firstsource Solutions Limited organized under the laws of State of Delaware, USA. Effective 31 March 2010 FSL-USA is merged into FG US.	100%	2002-2003
MedAssist Holding, Inc. ("MedAssist")	A Subsidiary of FG US (post merger of FSL-USA), organized under the laws of State of Delaware, USA.	100%	2007-2008
MedAssist LLC	A subsidiary of MedAssist Holding, Inc., incorporated in the state of Delaware, USA.	100%	2009-2010

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
Firstsource Financial Solution LLC	A subsidiary of MedAssist LLC. incorporated in the state of Delaware, USA.	100%	2009-2010
Firstsource Financial Solution Inc. (earlier known as Firstsource Healthcare Advantage, Inc.) ("FSA")	A Subsidiary of MedAssist LLC (post merger of MedAssist Incorporated), organized under the laws of State of Delaware, USA. Effective 31 March 2010 FSA merged into Firstsource Financial Solution Acquisition LLC to form Firstsource Financial Solution LLC.	100%	2007-2008
MedAssist Intermediate Holding, Inc. ("MIH")	A Subsidiary of MedAssist Holding, Inc., organized under the laws of State of Delaware, USA. Effective 31 March 2010 MIH is merged into MedAssist.	100%	2007-2008
MedAssist, Incorporated ("MI")	A Subsidiary of MedAssist Intermediate Holding, Inc., organized under the laws of State of Kentucky, USA. Effective 31 March 2010 MI is merged with MedAssist Acquisition LLC to form MedAssist LLC	100%	2007-2008
Twin Medical Transaction Services, Inc. ("Twin")	A Subsidiary of MedAssist, Incorporated, organized under the laws of Nevada Corporation, USA. Effective 31 March 2010 Twin is merged into MI.	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

2. Significant Accounting Policies

2.1. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention (except for certain financial instruments, which are measured on fair value basis) on accrual basis of accounting, in accordance with accounting principles generally accepted in India and comply with the Accounting Standards notified in the Companies (Accounting Standard) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standards and with the relevant provisions of the Companies Act, 1956, to the extent applicable and Accounting Standard 30,'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31 – 'Financial Instruments: Presentation' (AS 31) issued by the Institute of Chartered Accountants of India. From 1 July 2008 effective 1 April 2008, the Company has early adopted AS 30 read with AS 31 issued by ICAI. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

2.2. Use of estimates

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

2.3. Revenue recognition

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

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

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

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

2.4. 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
Tangible	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 – 4
Networking equipments	3 – 5
Furniture and fixtures and office equipments	3 – 5
Vehicles	2 – 5

Software purchased together with the related hardware is capitalised 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.

Impairment of assets

a) *Financial assets*

The Company 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 Company 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 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 Company assesses at each balance sheet date whether there is any indication that a non financial asset may be impaired. If any such indication exists, the Company 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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

2.5. Employee Benefits

Gratuity and leave encashment

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.

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

Provident fund

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

2.6. Investments

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

2.7. Taxation

Income tax expense comprises current tax expense and deferred tax expense or credit.

Current taxes

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

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. 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 recognized only to the extent there is reasonable certainty that the assets can be realized in the future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of recognition of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

The profits of the Company are exempt from taxes under the Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A/10B of the Income tax Act, 1961, the Company can avail of an exemption of profits from income tax for a period up to fiscal year 2011 in relation to its undertakings set up in the Software Technology Park at Bangalore, Kolkata and Mumbai. The Company also has operations in Special Economic Zones (SEZ). Income from SEZ are eligible for 100% deduction for the first five years, 50% deduction for next 5 years

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

and 50% deduction for another 5 years, subject to fulfilling certain conditions. In this regard, the Company recognised 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 recognised in respect of the same.

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

Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the profit and loss account as incurred. (refer Schedule 19)

2.9. Foreign currency transactions, derivative instruments and hedge accounting

a) *Foreign currency transactions*

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

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 use of foreign currency forward contracts is governed by the Company's policies approved by the board of directors, which provides 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.

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.

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 recognised in shareholder's funds and the ineffective portion is recognized 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 30 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 under 'Finance charge, net' together with the translation of the related investment. Changes in fair value relating to the ineffective portion of hedges are recognised 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.

2.10. Earnings per share

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

2.11. Provisions and contingencies

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that 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.

2.12 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.

2.13 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. Net gain or loss resulting from restatement of this liability at period end rates is accounted through Profit and loss account. (Refer Schedules 18 and 30)

b) Premium payable on redemption of FCCB is amortized on pro-rata basis at implicit rate of return over the period of the bonds and charged to the Securities Premium account periodically.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

		2010	2009
3.	**Share capital**		
	Authorised		
	850,000,000 (31 March 2009: 600,000,000) equity shares of Rs. 10 each	**8,500,000**	6,000,000
	Nil (31 March 2009: 250,000,000) participatory optionally convertible preference shares ('POCPS') of Rs. 10 each	–	2,500,000
		8,500,000	8,500,000
	Issued, subscribed and paid-up		
	429,209,682 (31 March 2009: 428,189,682) equity shares of Rs 10 each, fully paid up	**4,292,097**	4,281,897
		4,292,097	4,281,897
	During the year 1,020,000 (31 March 2009: 876,718) options were allotted (refer Schedule 20).		
4.	**Reserves and surplus**		
	Securities premium		
	Securities premium at the beginning of the year *	**4,066,787**	607,693
	Add: Premium on shares issued during the year	**10,139**	14,621
	Write back of amortised premium on buyback of FCCB (refer Schedule 28.2)	**51,487**	44,810
	Premium payable on redemption of FCCB reversed	–	4,095,749
	Less: Amortisation of premium payable on redemption of FCCB (refer Schedules 2.13b and 30)	**760,049**	696,086
	Securities premium at the end of the year	**3,368,364**	4,066,787
	*Includes Rs. 39,270 (31 March 2009: Rs. 39,270) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.		
	Profit and loss account	**2,285,064**	1,611,736
	General reserve		
	Transition adjustment on adoption of AS 30 (refer Schedule 30)	**668,211**	668,211
	Hedging reserve account (refer Schedule 32)		
	Balance at the beginning of the year	**(56,726)**	(48,702)
	Movement during the year	**473,418**	(8,024)
	Hedging reserve account at the end of the year	**416,692**	(56,726)
		6,738,331	6,290,008
5.	**Secured loans**		
	External commercial borrowings (ECB) *	**1,183,060**	1,262,012
	(For buyback of FCCB – Secured against *pari passu* charge on all assets of FG US (formerly FSL USA))		
	Finance lease obligation (Secured against assets taken on lease) (refer Schedule 19)	**82,033**	80,422
		1,265,093	1,342,434
	*ECB Repayable within a year Nil (31 March 2009: Nil)		
6.	**Unsecured loans**		
	Working capital demand loan	–	155,205
	Foreign currency convertible bonds (refer Schedules 28 and 30)*	**10,751,189**	11,896,899
	Loan from others**	**40,394**	32,889
		10,791,583	12,084,993
	*Includes pro-rata premium payable on redemption of FCCB amounting to Rs. 1,598,007 (31 March 2009: Rs. 899,220).		
	** Repayable within a year Rs. 19,435 (31 March 2009: Rs. 10,718)		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

7 Fixed assets

	Gross block (at cost)				Accumulated depreciation/amortisation				Net block	
	As at 1 April 2009	Additions during the year	Deletions during the year	**As at 31 March 2010**	As at 1 April 2009	Charge for the year	On deletions during the year	**As at 31 March 2010**	**As at 31 March 2010**	As at 31 March 2009
Intangible assets										
Domain name	6,720	-	-	**6,720**	5,109	1,611	-	**6,720**	**-**	1,611
Software *	255,622	28,743	(398)	**283,967**	140,285	52,630	(86)	**192,829**	**91,138**	115,337
Tangible assets										
Computers *	785,272	44,438	(28,305)	**801,405**	602,951	88,814	(28,155)	**663,610**	**137,795**	182,321
Networking/ Service equipments *	449,777	52,476	(21,185)	**481,068**	324,472	56,559	(6,515)	**374,516**	**106,552**	125,305
Furniture and fixtures and office equipments *	1,038,104	106,572	(19,225)	**1,125,451**	618,066	159,394	(5,856)	**771,604**	**353,847**	420,038
Leasehold improvements	1,215,486	64,204	(27,624)	**1,252,066**	692,760	165,272	(26,811)	**831,221**	**420,845**	522,726
Vehicles	3,489	-	(3,489)	**-**	2,645	100	(2,745)	**-**	**-**	844
Total	**3,754,470**	**296,433**	**(100,226)**	**3,950677**	**2,386,288**	**524,380**	**(70,168)**	**2,840,500**	**1,110,177**	**1,368,182**
31 March 2009	2,956,966	846,517	(49,013)	**3,754,470**	1,869,766	522,446	(5,924)	**2,386,288**	**1,368,182**	

Note:

*The above assets include assets taken on lease having gross block of Rs. 140,855 (31 March 2009: Rs. 95,209) and net block of Rs. 82,219 (31 March 2009: Rs. 81,796).

	2010	2009
8 Investments		
Long-term (at cost)		
Trade (Unquoted)		
Investments in subsidiaries:		
Nil (31 March 2009: 6,796,917,550) fully paid-up common stock of USD 0.001 each of Firstsource Solutions USA Inc. ***(refer Schedule 30)	**-**	16,177,504
2,834,672 (31 March 2009: 2,834,672) fully paid-up equity shares of GBP 1 each of Firstsource Solutions Limited, UK	**18,349**	18,349
Nil (31 March 2009: 40,509,637) Series 'F' Convertible Preferred Stock of FirstRing Inc., US ('FR-US') of USD 0.00001 each, fully paid up***	**-**	1,350,859
136,093 (31 March 2009: 136,093) equity shares of Pipal Research Corporation of Rs. 10 each, fully paid up.	**157,260**	157,260
8,012,583 (31 March 2009: 9,088,886) equity shares of Rev IT Systems Private Limited of Rs 10 each, fully paid-up.	**830,049**	941,547
218,483 (31 March 2009: Nil) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc. ***(refer Schedule 30)	**9,353,217**	-
*** Refer schedule 1 – " Background"	**10,358,875**	18,645,519
Short-term (at lower of cost and fair value)		
Trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills) *	**4,356**	1,487
*Non-trade (Unquoted)***		
Investments in market mutual funds		
25,961,423 (31 March 2009: Nil) units of ICICI Prudential Ultra Short Term Bond Super Premuim Growth plan	**266,299**	-
6,821,606 (31 March 2009: Nil) units of Kotak Flexi Debt Scheme	**77,191**	-
8,709,314 (31 March 2009: Nil) units of IDFC Money Manger Fund – Treasury Plan C	**95,016**	-
6,293,120 (31 March 2009: Nil) units of Birla Sun Life Saving Fund	**110,008**	-
39,852 (31 March 2009: Nil) units of Reliance Money Manager Fund Growth Plan	**50,010**	-
14,173,090 (31 March 2009: Nil) units of Religare Credit Oppotunities Fund – IP	**145,117**	-
	747,997	1,487
(Net assets value of unquoted investments Rs 746,965 (31 March 2009: Nil)	**11,106,872**	18,647,006

*Securities worth Rs. 4,356 (31 March 2009: Rs. 1,487) have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.

**Refer schedule 31 for summary of investments purchased and sold during the year.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

		2010	2009
9.	**Deferred tax assets**		
	Difference between tax and book value of fixed assets	**268,551**	220,681
	Gratuity and leave encashment	**35,135**	25,490
		303,686	246,171
10.	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	– considered good	–	–
	– considered doubtful	**15,757**	10,666
		15,757	10,666
	Others debts		
	– considered good*	**994,305**	1,436,739
	– considered doubtful	–	11,500
		1,010,062	1,448,239
	Less: Provision for doubtful debts	**15,757**	22,166
		994,305	1,436,739
	*Includes receivable from companies under the same management		
	FG US/ FSL-USA	**39,312**	250,763
	FSL-UK	**636,273**	533,310
	FAL	**38,393**	297,104
	RevIT	**1,076**	–
	MedAssist	**22,308**	–
11.	**Cash and bank balances**		
	Cash on hand	**102**	167
	Remittances in transit	–	108,735
	Balances with scheduled banks		
	– in current accounts	**113,627**	2,647
	– in deposit accounts*	**2,100**	1,524
	Balances with non-scheduled banks**		
	– in current accounts	**2,574**	707
	– in deposit accounts***	–	39,344
		118,403	153,124
	*Includes Rs. 2,000 (31 March 2009: Rs. 1,524) under lien for bank guarantees to the Customs authorities.		
	**Maximum outstanding balance during the year		
	Current Account		
	The Royal Bank of Scotland, India	**242**	1,743
	ICICI Bank Singapore	**2,370**	–
	Deposit Account		
	The Royal Bank of Scotland, India	–	100,000
	KBC Bank, NV, UK	**183,304**	511,250
	***Includes Nil (31 March 2009: Rs. 39,344) placed in Escrow account towards buyback of FCCB during the year.		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

		2010	2009
12.	**Loans and advances**		
	(Unsecured, considered good)		
	Loans to subsidiaries **		
	– FBPS (earlier known as FR-US)	**416,122**	885,250
	– FG-US	**6,735,000**	–
	– Pipal	**20,000**	20,000
		7,171,122	905,250
	Advances to subsidiaries*	**185,952**	217,114
	Deposits (refer Schedule 30)	**292,519**	282,698
	Prepaid expenses	**68,447**	60,872
	Advances recoverable in cash or in kind or for value to be received	**98,366**	72,808
	Lease rentals receivable, net (refer Schedule 19)	**52,589**	46,644
	Advance tax and tax deducted at source	**372,942**	229,397
	Accrued interest on loans*	**3,974**	57,632
	Unamortised cost (refer Schedule 30)	**74,260**	93,175
	Minimum alternate tax credit carried forward	**121,475**	16,001
	Exchange gain on derivatives	**391,992**	–
		8,833,638	1,981,591
	* Includes amount outstanding from companies under the same management		
	FG US/ FSL-USA	**37,976**	25,198
	FBPS/ FR-US	**–**	55,389
	Rev IT	**18,493**	–
	FAL	**31,129**	102,719
	FSL-UK	**69,454**	–
	FSL-Arg	**–**	31,874
	BPMS	**–**	22,456
	MedAssist	**19,439**	30,282
	Pipal (including interest accrued)	**13,362**	6,328
	Maximum outstanding balance during the year		
	FG US/ FSL-USA	**37,976**	25,198
	FBPS/ FR-US	**–**	940,639
	FAL	**99,222**	102,719
	FSL-UK	**123,025**	–
	FSL-Arg	**31,346**	31,874
	BPMS	**22,456**	22,456
	MedAssist	**57,970**	30,282
	Pipal	**33,362**	26,328
	RevIT	**19,569**	–
	** Maximum outstanding balance during the year		
	FG US/ FSL-USA	**6,735,000**	–
	FBPS/ FR-US	**836,642**	892,319
	Pipal	**20,000**	20,000
13.	**Current liabilities**		
	Amount payable to subsidiaries	**–**	77,635
	Sundry creditors*		
	Due to other than micro and small enterprise		
	– for expenses	**373,363**	561,836
	– for capital goods	**56,313**	149,138
	Book credit in bank account	**76,377**	–
	Other liabilities	**34,166**	58,847
	Tax deducted at source payable	**19,153**	27,012
	Interest accrued but not due	**11,632**	14,057
	Exchange loss on derivatives	**–**	273,308
		571,004	1,161,833
	*Based on the information and records available with the Company, no amount is payable to micro and small enterprises as at 31 March 2010 (31 March 2009: Nil). (refer Schedule 33)		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

		2010	2009
14.	**Provisions**		
	Income tax (including fringe benefits tax)	**181,016**	75,542
	Gratuity	**78,224**	66,099
	Leave encashment	**72,548**	55,971
		331,788	197,612
15.	**Other income**		
	Foreign exchange gain, net*	**94,663**	(235,557)
	Profit on sale/redemption of non-trade investments, net	**10,014**	12,494
	Profit on sale of fixed assets, net	**5,112**	1,134
	Dividend on investments	**32**	1,187
	Provision for doubtful debts	**6,409**	(13,645)
	Miscellaneous income	**24,650**	44,665
	Gain on FCCB buy back, net (refer Schedule 28.2)	**73,909**	634,980
		214,789	445,258
	* Foreign exchange gain includes mark to market gain of Rs. 124,426 (31 March 2009: loss of Rs. 236,202) on cancellation of undesignated derivative financial instruments (refer Schedule 32).		
16.	**Personnel costs**		
	Salaries, bonus and other allowances	**3,119,063**	2,408,120
	Contribution to provident and other funds	**116,077**	135,306
	Staff welfare	**66,950**	215,493
		3,302,090	2,758,919
17.	**Operating costs**		
	Rent, rates and taxes	**543,142**	444,136
	Legal and professional fees	**111,259**	136,474
	Car and other hire charges	**246,037**	222,650
	Connectivity charges	**261,506**	220,354
	Maintenance and upkeep	**293,053**	252,399
	Recruitment and training	**73,851**	79,302
	Electricity, water and power consumption	**212,686**	169,129
	Travel and conveyance	**138,857**	144,068
	Computer expenses	**72,486**	72,237
	Communication	**50,077**	42,637
	Insurance	**32,674**	21,229
	Printing and stationery	**22,291**	22,353
	Marketing and support fees	**4,577**	2,689
	Auditors' remuneration		
	- Statutory audit	**11,500**	11,500
	- Tax audit	**300**	403
	- Other services	**793**	1,213
	Meeting and seminar	**7,412**	8,898
	Advertisement and publicity	**2,404**	1,292
	Registration fees	**192**	12
	Membership fees	**1,008**	1,014
	Directors' sitting fees	**1,300**	1,280
	Bank administration charges	**1,027**	1,384
	Miscellaneous expenses	**17,660**	33,918
		2,106,092	1,890,571

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

		2010	2009
18.	**Finance charges, net**		
	Interest expense		
	- on External commercial borrowings and term loan	**127,310**	14,449
	- on Working capital demand loan and others	**6,031**	6,114
	- finance charges on leased assets	**7,130**	42
	Bank guarantee commission	**10,795**	7,693
	Amortised cost on fair value of FCCB (refer Schedule 30)	**115,255**	113,860
		266,521	142,158
	Less: Interest income		
	- on deposit with banks (Tax deducted at source Rs. 13 (31 March 2009: Rs. 1,239))	**139**	3,488
	- on loan to subsidiaries	**43,150**	54,165
	- on others	**23,283**	19,871
		199,949	64,634
	Add:		
	- Exchange (gain)/loss on foreign currency loans other than FCCB, net (refer Schedule 30)	**77,832**	(166,464)
	- Exchange loss on FCCB (refer Schedule 30)	**-**	778,242
	- Translation (gain)/loss on FCCB	**(1,440,194)**	1,778,551
	- Exchange loss/(gain) on translation of investments (refer Schedule 30)	**1,440,194**	(1,778,551)
		277,781	676,412

19. Leases

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under non-cancellable operating leases for the year ended 31 March 2010 aggregated to Rs. 220,452 (31 March 2009: Rs 173,983). Rs. 3,519 (31 March 2009: Rs. 22,868) and Rs. 13,394 (31 March 2009: Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work-in-progress respectively.

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

	2010	2009
Amount due within one year from the balance sheet date	**225,402**	261,324
Amount due in the period between two year and five years	**467,558**	607,240
Amount due after five years	**–**	4,088
	692,960	872,652

The Company also leases office facilities and residential facilities under cancelable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancellable operating leases for the year ended 31 March 2010 aggregated Rs. 319,987 (31 March 2009: Rs. 268,428).

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2010 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2010			
Amount due within one year from the balance sheet date	**57,930**	**6,593**	**51,337**
Amount due between one year and five years	**35,284**	**4,588**	**30,696**
	93,214	**11,181**	**82,033**
As at 31 March 2009			
Amount due within one year from the balance sheet date	38,160	5,330	32,830
Amount due between one year and five years	52,049	4,457	47,592
	90,209	9,787	80,422

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2010, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2010			
Amount receivable within one year from the balance sheet date	**24,641**	**4,742**	**19,899**
Amount receivable in the period between one year and five years	**37,014**	**4,324**	**32,690**
	61,655	**9,066**	**52,589**
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

20. Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

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

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

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

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Employee stock option activity under Scheme 2002 is as follows:

Description	2010		2009	
	Shares arising out of options	**Weighted Average**	Shares arising out of options	Weighted Average
Exercise Range : 00.00 - 30.00				
Outstanding at the beginning of the year	**99,375**	**34**	120,625	47
Granted during the year	–	–	–	–
Forfeited during the year	–	–	10,000	–
Exercised during the year	**7,500**	–	11,250	–
Outstanding at the end of the year	**91,875**	**22**	99,375	34
Exercisable at the end of the year	**91,875**	–	99,375	–

Employee stock option scheme 2003 ('Scheme 2003')

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

- The Scheme would be administered and supervised by the members of the Compensation committee.
- Exercise price to be determined based on a fair valuation carried out at the beginning every six months for options granted during those respective periods. After the Company has been listed on any stock-exchange, the Exercise Price shall be determined by the Committee on the date the Option is granted in accordance with, and subject to, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended from time to time).
- Employee stock option activity under Scheme 2003 is as follows:

Description		2010		2009	
	Exercise Range	**Shares arising out of options**	**Weighted Average**	Shares arising out of options	Weighted Average
Outstanding at the beginning of the year	00.00 - 30.00	7,542,774	19	7,320,117	21
	30.01 - 60.00	33,557,075	38	39,555,733	50
	60.01 - 90.00	14,562,564	44	24,955,128	56
Granted during the year	00.00 - 30.00	6,000,000	–	1,575,000	–
	30.01 - 60.00	100,000	–	6,195,000	–
	60.01 - 90.00	–	–	–	–
Forfeited during the year	00.00 - 30.00	1,361,250	–	1,058,125	–
	30.01 - 60.00	2,619,374	–	11,622,408	–
	60.01 - 90.00	993,750	–	10,392,564	–
Exercised during the year	00.00 - 30.00	952,500	–	294,218	–
	30.01 - 60.00	210,000	–	571,250	–
	60.01 - 90.00	–	–	–	–
Outstanding at the end of the year	00.00 - 30.00	11,229,024	39	7,542,774	19
	30.01 - 60.00	30,827,701	27	33,557,075	38
	60.01 - 90.00	13,568,814	30	14,562,564	44
Exercisable at the end of the year	00.00 - 30.00	4,291,524	–	5,486,524	–
	30.01 - 60.00	17,956,451	–	9,197,706	–
	60.01 - 90.00	4,131,762	–	1,673,750	–

1. 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 employees and to non-executive directors. The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

2. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% fully diluted equity shares as of 31 March 2010.

3. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 22 November 2007 amended the scheme to include 'Executive Options'. 50% of the vesting for 'Executive Options' is time linked and the balance 50% is performance linked. The vesting schedule for time linked 'Executive Options' is set forth below:

Period within which Executive Options shall vest 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

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

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

4. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 30 October 2008 prescribed the Exercise Period for stock options (other than Executive Options) whether already granted or to be granted to employees of the Company and its subsidiaries under Firstsource Solutions Employee Stock Option Scheme 2003 as 10 years from the date of grant of Options.

5. 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	2010	2009
Net income as reported	**673,328**	151,065
Less: Stock-based employee compensation expense (fair value method)	**(132,345)**	261,843
Proforma net income	**805,673**	(110,778)
Basic earnings per share as reported (Rs.)	**1.57**	0.35
Proforma basic earnings per share (Rs.)	**1.88**	–
Diluted earnings per share as reported (Rs.)	**1.51**	0.35
Proforma diluted earnings per share (Rs.)	**1.55**	–

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 75%

21. Managerial remuneration

Particulars	2010	2009
Salaries and allowances	**24,012**	25,595
Contribution towards retirement benefits	**547**	3,348
Perquisites	**343**	290
Total	**24,902**	29,233

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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

22. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2010 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 Schedule 1 to the financial statements
Companies in which directors are interested	• ICICI Prudential Life Insurance Company Limited (I-Prudential) #
Key Managerial Personnel including relatives	• Ananda Mukerji • A.M. Vallance • Carl Saldanha
Non-Executive Directors	• Dr. Ashok S. Ganguly • Charles Miller Smith • K. P. Balaraj • Ram Chary *** • Dr. Shailesh Mehta • Mohit Bhandari *** • Y. H. Malegam • Donald Layden, Jr. • Lalita D. Gupte • Shikha Sharma **

* The shareholding has been diluted during the year resulting in exclusion from the list of parties with substantial interests

** Resigned during the year

*** Additions during the year

Director having common interest resigned during the year

Particulars of related party transactions during the year ended 31 March 2010

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable)	
		31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
FSL-USA	Income from services	**572,224**	397,662	–	255,290
	Reimbursement of expenses	**17,766**	32,583	–	–
	Recovery of expenses	**45,557**	25,283	–	25,198
	Investment in equity	–	55,930	–	14,398,953
	Disinvestment in equity	**14,737,312**	–	–	–
FSL-UK	Income from services	**2,181,429**	1,615,961	**636,273**	465,733
	Reimbursement of expenses	**23,123**	25,319	–	49,291
	Recovery of expenses	**45,042**	35,181	**69,454**	–
	Investment in equity	–	–	**18,349**	18,349
FR-US	Interest Income	**33,743**	51,765	–	55,389
	Loan given	**885,250**	–	–	885,250
	Investment in equity	–	–	–	1,350,859
	Disinvestment in equity	**1,350,859**	–	–	–
FAL	Income from services	**262,196**	228,819	**38,393**	301,964
	Reimbursement of expenses	–	2,262	–	–
	Recovery of expenses	**31,889**	26,218	**31,129**	102,719
Rev IT	Income from services	**1,076**	–	**1,076**	–
	Reimbursement of expenses	**270**	6,553	–	33,580

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable)	
		31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	Recovery of expense	**20,714**	36,836	**18,493**	–
	Investment in shares	–	–	**830,049**	941,547
	Sale of shares	**107,028**	–	–	–
Pipal	Recovery of expenses	**5,703**	3,151	**9,461**	4,499
	Loan given	–	–	**20,000**	20,000
	Interest income	**2,400**	–	**3,901**	1,829
	Investment in equity	–	–	**157,260**	157,260
FSL-Arg	Reimbursement of expenses and income from services	–	11,168	–	31,874
BPM	Reimbursement of expenses and income from services	–	19,488	–	22,456
MedAssist	Income from services	**22,308**	27,688	**22,308**	27,688
	Reimbursement of expenses	**3,097**	–	**19,439**	–
	Recovery of expenses	**21,143**	30,282	–	30,282
FG US	Income from services	–	–	**39,312**	–
	Recovery of expenses	–	–	**37,976**	–
	Investment in equity	**9,353,217**	–	**9,353,217**	–
	Loan given	**6,735,000**	–	**6,735,000**	–
FBPS	Loan given	**416,122**	–	**416,122**	–
	Interest income	**7,007**	–	–	–
ICICI Bank Limited	Income from services	**48,542**	119,800	–	13,822
	Software expenses and professional fee	–	651	–	–
	Interest expenditure	**1,298**	5,462	–	–
	Bank balance	–	–	–	1,067
	Bank Overdraft	–	–	–	(148,196)
	Fixed deposit placed	–	100,000	–	1,416
	Fixed deposit matured	–	300,000	–	–
	External Commercial Borrowings Paid	–	105,800	–	–
	Interest income on fixed deposit	–	1,641	–	96
	Fees and commission	–	138,643	–	(138,643)
	Guarantee commission paid	**22,980**	7,693	–	3,813
ICICI Prudential Life Insurance Company Limited	Insurance premium paid	**1,006**	6,622	–	–
	Rent paid	**2,193**	23,971	–	–
	Income from services	**19,850**	178,456	–	15,265
Key management personnel and relatives	Remuneration	**35,768**	40,581	–	–
Non executive directors	Sitting fees paid	**1,300**	1,280	–	–

Note: Excludes forward contracts and ESOP's

(Currency: In thousands of Indian rupees)

List of transactions with Key management personnel and relatives having total value more than 10% of value of transactions with related parties:

Description	2010	2009
Remuneration paid		
Ananda Mukerji	**24,902**	14,289
Raju Venkatraman	-	14,944
Carl Saldanha	**10,866**	5,853

23. Employee Benefit

a) *Gratuity Plan*

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

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

Particulars	2010	2009	2008	2007
Change in present value of obligations				
Obligations at beginning of the year	**66,099**	46,870	30,202	21,745
Service cost	**53,733**	22,613	21,000	13,942
Interest cost	**4,952**	3,931	2,145	1,401
Actuarial (gain)/loss	**(40,363)**	(3,416)	(3,279)	(2,831)
Benefits paid	**(6,197)**	(3,899)	(3,198)	(1,979)
Obligations at the end of the year	**78,224**	66,099	46,870	32,278
Change in plan assets				
Fair value of plans assets at beginning of the year	**46,105**	2,076	2,076	(2,076)
Expected return on plan assets	**3,871**	1,358	164	(21)
Actuarial gain/(loss)	**657**	1,570	(164)	(1,958)
Contributions	–	45,000	3,198	–
Benefits paid	**(6,197)**	(3,899)	(3,198)	1,979
Fair value of plans assets at end of the year	**44,436**	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	**78,224**	66,099	46,870	32,278
Fair value of plan assets at the end of year	**(44,436)**	(46,105)	(2,076)	(2,076)
Funded status being amount of liability recognized in the balance sheet	**33,788**	19,994	44,794	30,202
Gratuity cost for the year				
Service cost	**53,733**	22,613	21,000	13,942
Interest cost	**4,952**	3,931	2,145	1,401
Expected return on plan assets	**(3,871)**	(1,358)	(164)	(4,788)
Actuarial (gain)/loss	**(41,020)**	(4,986)	(3,115)	(21)
Net gratuity cost	**13,794**	20,200	19,866	10,534
Actual return on plan assets	**4,527**	2,928	–	–
Assumptions				
Interest rate	**8.00%**	7.86%	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	8.00%	7.90%	7.90%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%
Withdrawal rate	**25.00% reducing to 2%for over 20 year of service**	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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23. Employee Benefit (Continued)

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 year 2011

b) Contribution to Provident Funds

The provident fund charge during the year amounts to Rs 102,250 (31 March 2009: Rs 96,075)

c) Compensated absences

Actuarial Assumptions	**2010**	2009	2008	2007
Interest rate	**8.00%**	7.86%	8.75%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%

24. Other operating income

Other operating income comprises of net gain/(loss) on restatement and settlement of debtor balances and related forward/ option contracts.

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

(No. of shares in '000)

	2010	2009
Number of shares considered as basic weighted average shares outstanding	**428,742**	427,914
Add: Effect of potential issue of shares/stock options *	–	–
Add: Adjustment relating to Foreign currency convertible bonds*	**91,558**	–
Number of shares considered as weighted average shares and potential shares outstanding	**520,300**	427,914
Net profit after tax attributable to shareholders	**673,328**	151,065
Add: Interest on FCCB	**115,255**	–*
Add: Exchange loss on FCCB	–	–*
Net profit after tax for diluted earnings per share	**788,583**	151,065
* Not considered when anti-dilutive		

26. Capital and other commitments and contingent liabilities

	2010	2009
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**59,880**	60,097
Claims not acknowledged as debts	**45,546**	51,450
Guarantees and letters of credit given	**1,826,369**	1,546,451

Direct tax matters

Income tax demand amounting to Rs. 106,659 (31 March 2009: Rs. 106,659) 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 2004-2005.

Indirect tax matters

The service tax demand amounting to Rs. 23,574 (31 March 2009: Rs. 23,574) in respect of FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

27. Supplementary statutory information (accrual basis)

		2010	2009
(i).	*Value of imports calculated on CIF basis*		
	Capital goods	**60,869**	97,467
(ii).	*Earnings in foreign exchange*		
	Income from services	**3,948,614**	3,525,204
	Interest income	**40,750**	51,765
	Other income	**17,287**	24,228
(iii).	*Expenditure in foreign currency*		
	Travel and conveyance	**8,199**	14,302
	Interest	**85,608**	1,400
	Connectivity charges	**104,877**	41,936
	Legal fees	**6,577**	9,939
	FCCB buy back expenses	**295**	23,597

28. Foreign Currency Convertible Bonds (FCCB)

28.1 Issue of FCCB:

On 3 December 2007, the Company issued US $ 275,000,000 Zero Coupon FCCB. The terms 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 2010	USD 212,400,000
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	90,374,373
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 2010	2,124

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

28.2 Buyback of FCCB

During the year ended 31 March 2010, pursuant to RBI notification, the Company has bought back and cancelled 129 FCCBs of the face value of USD 100,000 each under the Automatic route. The Company has recognised a net gain of Rs. 73,909 on the said buy back which has been disclosed under "Other Income".

29. Segmental Reporting

In accordance with paragraph 4 of Accounting Standard 17 "Segment Reporting" prescribed in the companies (Accounting Standards) Rules, 2006, issued by the central government, the Company has presented segmental information only on the basis of the consolidated financial statements (refer Note 25 of the consolidated financial statements).

30. Adoption of AS

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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

In accordance with the announcement dated 27 March, 2008 issued by ICAI, the Company had made an early adoption of AS 30 with effect from March 2008 in so far as it relates to derivatives. The Company also made an early adoption of AS 30 in so far as it relates to hedging with effect from 1 July, 2008. On 1 October, 2008, the Company has early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 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 (1 April 2011). In view of the Company, on an early adoption of AS – 30, the Accounting Standards referred above viz. AS-4, AS-11 and AS-13 are being treated as if they stand withdrawn.

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".

In accordance with the transition provisions of AS 30, impact on first time adoption has been accounted in General Reserves.

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 2010 would have been lower by Rs. 938 (31 March 2009: higher by Rs. 1,205).

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 gain on FCCB of Rs. 1,440,194 for the year ended 31 March 2010 (31 March 2009: loss of Rs. 1,778,551), which is determined to be effective hedge of net investment in non integral foreign operations, has been credited to Profit and loss account. Correspondingly, the loss of Rs. 1,440,194 for the year ended 31 March 2010 (31 March 2009: gain of Rs. 1,778,551) on translation of investment in non-integral foreign operations has been charged to Profit and loss account (refer Schedule 18). 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 investment would not 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. 115,255 for the year ended 31 March 2010 (31 March 2009: Rs. 113,860) 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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

(Currency: In thousands of Indian rupees)

31. Summary of investments purchased and sold during the year

Mutual Fund Scheme	2010		2009	
Fund Name	Units purchased	Purchase value	Units purchased	Purchase value
Birla Sun Life Cash Manager – IP – Growth	9,567,414	145,000	–	–
Birla Sun Life Cash Plus – IP – Growth	74,140,823	1,075,011	15,956,787	210,000
Birla Sun Life Saving Fund – IP – Growth	52,508,397	905,092	–	–
DSP Black Rock Money Manager Fund – IP – Growth	16,345	20,003	–	–
DSP ML Cash Manager Fund – Growth	17,730	20,000	–	–
DSP ML Cash Plus Institutional – Growth Option	–	–	65,591	70,000
DWS insta cash plus fund – IP – Growth	19,614,738	280,000	6,262,525	80,000
DWS insta cash plus fund – IP Dividend Option	–	–	7,093,283	80,020
DWS Ultra Short Term Fund – Growth	17,729,559	190,018	–	–
Fortis Money Plus – IP – Fund – Growth	26,635,144	365,032	–	–
Fortis Overnight Fund - Institutional Plus Plan – Growth	28,112,205	390,000	–	–
HDFC Cash Mgt – Treasury Adv WP – Growth	1,506,432	30,003	–	–
HDFC Cash Mgt Fund – Saving Plan – Growth	1,577,660	30,000	–	–
HSBC Cash Fund – IP – Growth	–	–	2,293,473	30,000
ICICI Prudential-Ultra Short Term Plan Super Premium Growth	39,076,121	400,033	–	–
IDFC Cash Fund - Plan C – IP – Growth	13,558,382	150,189	–	–
IDFC Cash Fund – Plan B – IP – Growth	8,889,673	145,000	–	–
IDFC Money Manager Fund – Treasury Plan B – Growth	9,420,703	140,011	–	–
IDFC Money Manager Fund – Treasury Plan C – Growth	22,799,280	245,076	–	–
ING Vyasya-Liquid Plus Growth	–	–	4,590,736	50,000
ING Vyasya-Super Institutional growth	–	–	16,160,430	200,000
Kotak-Flexi Debt Fund – IP – Growth	58,031,980	650,075	7,883,416	100,027
Kotak-Liquid – IP – Growth	36,838,212	680,333	19,809,301	330,000
L & T Freedom Institutional Short Term Plan – Growth	675,002	10,001	–	–
L & T Liquid – IP – Growth	538,692	10,000	–	–
MIRAE Asset Liquid Fund – Institutional – Growth Option	–	–	29,057	30,000
Prudential ICICI Flexible Income Plan – Premium – Growth	23,379,910	495,068	–	–
Prudential ICICI Liquid Plan – Super Institutional – Growth	29,527,260	805,000	78,218,266	955,000
Reliance Liquid Treasury Plan – IP – Growth	37,166,088	820,000	–	–
Reliance Liquid Plus – Institutional Growth Plan	–	–	459,333	511,834
Reliance Liquid Plus Monthly Interval Fund Growth	–	–	10,659,830	106,680
Reliance Liquidity Fund – Growth	25,013,743	335,000	120,001,121	1,395,251
Reliance Medium Term Fund – Daily Dividend Plan	–	–	5,295,219	90,524
Reliance Medium Term Fund – Retail Plan Growth Option	3,688,367	70,008	–	–
Reliance Money Manager Fund – IP – Growth	567,511	695,061	–	–
Reliance Monthly Interval Fund-Institutional Dividend Fund	–	–	9,093,720	100,000
Religare Credit Opportunities Fund – IP – Growth	16,125,262	165,016	–	–
Religare Liquid Fund – IP – Growth	37,456,025	465,745	–	–
Religare Ultra Short Term Fund – IP - Growth	16,100,392	200,022	–	–
Templeton India Institutional Plan – Growth	–	–	38,536	50,000
Templeton India Institutional Plan - Super IP Growth	–	–	121,139	150,037
Templeton India TMA Super IP – Growth	238,721	320,000	–	–
Templeton India Ultra Super Short Bond – IP – Growth	9,005,180	105,012	–	–
Templeton India Ultra Short Bond – IP – Growth	5,202,607	60,006	–	–
UTI Liquid Cash Plan – IP – Growth	336,912	500,095	29,898	40,000
UTI Treasury Advantage Fund – IP – Growth	277,018	335,043	–	–

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Mutual Fund Scheme	2010		2009	
	Units Sold	**Sale value**	Units Sold	Sale value
Birla Sun Life Cash Manager – IP – Growth	**(9,567,414)**	**(145,019)**	–	–
Birla Sun Life Cash Plus – IP – Growth	**(74,140,823)**	**(1,075,347)**	(19,846,929)	(262,079)
Birla Sun Life Saving Fund – IP- Growth	**(46,215,276)**	**(796,842)**	–	–
DSP Black Rock Money Manager Fund – IP – Growth	**(16,345)**	**(20,073)**	–	–
DSP ML Cash Manager Fund – Growth	**(17,730)**	**(20,003)**	–	–
DSP ML Cash Plus Institutional – Growth Option	**–**	**–**	(65,591)	(70,182)
DWS insta cash plus fund – IP Dividend Option	**–**	**–**	(7,093,283)	(80,941)
DWS insta cash plus fund – IP – Growth	**(19,614,738)**	**(280,059)**	(6,262,525)	(80,020)
DWS Ultra Short Term Fund – Growth	**(17,729,559)**	**(190,259)**	–	–
Fortis Money Plus – IP – Fund – Growth	**(26,635,144)**	**(366,711)**	–	–
Fortis Overnight Fund – Institutional Plus Plan – Growth	**(28,112,205)**	**(390,059)**	–	–
HDFC Cash Mgt – Treasury Adv WP -Growth	**(1,506,432)**	**(30,059)**	–	–
HDFC Cash Mgt Fund – Saving Plan – Growth	**(1,577,660)**	**(30,003)**	–	–
HSBC Cash Fund- IP – Growth	**–**	**–**	(2,293,473)	(30,057)
ICICI Prudential-Ultra Short Term Plan Super Premium Growth	**(13,114,698)**	**(135,000)**	–	–
IDFC Cash Fund – Plan B – IP – Growth	**(8,889,673)**	**(145,020)**	–	–
IDFC Cash Fund – Plan C – IP – Growth	**(13,558,382)**	**(150,217)**	–	–
IDFC Money Manager Fund – Treasury Plan B – Growth	**(9,420,703)**	**(140,107)**	–	–
IDFC Money Manager Fund – Treasury Plan C – Growth	**(14,089,967)**	**(150,432)**	–	–
ING Vyasya-Liquid Plus Growth	**–**	**–**	(4,590,736)	(50,448)
ING Vyasya-Super Institutional growth	**–**	**–**	(21,147,300)	(260,775)
Kotak-Flexi Debt Fund – IP – Growth	**(51,210,374)**	**(575,333)**	(7,883,416)	(100,931)
Kotak-Liquid – IP – Growth	**(36,838,212)**	**(680,429)**	(20,420,533)	(340,500)
L & T Freedom Institutional Short Term Plan – Growth	**(675,002)**	**(10,007)**	–	–
L & T Liquid – IP – Growth	**(538,692)**	**(10,001)**	–	–
MIRAE Asset Liquid Fund – Institutional – Growth Option	**–**	**–**	(29,057)	(30,022)
Prudential ICICI Flexible Income Plan – Premium – Growth	**(23,379,910)**	**(496,448)**	–	–
Prudential ICICI Liquid Plan – Super Institutional – Growth	**(29,527,260)**	**(805,148)**	(78,218,266)	(957,062)
Reliance Liquid Treasury Plan – IP – Growth	**(37,166,088)**	**(820,152)**	–	–
Reliance Liquid Plus– Institutional Growth Plan	**–**	**–**	(477,937)	(533,854)
Reliance Liquid Plus Monthly Interval Fund Growth	**–**	**–**	(10,659,830)	(107,301)
Reliance Liquidity Fund – Growth	**(25,013,743)**	**(335,075)**	(123,292,503)	(1,436,331)
Reliance Medium Term Fund – Daily Dividend Plan	**–**	**–**	(5,295,219)	(91,049)
Reliance Medium Term Fund –Retail Plan Growth Option	**(3,688,367)**	**(70,043)**	–	–
Reliance Money Manager Fund – IP – Growth	**(527,659)**	**(646,681)**	–	–
Reliance Monthly Interval Fund -Institutional Dividend Fund	**–**	**–**	(9,093,720)	(100,698)
Religare Credit Opportunities Fund – IP – Growth	**(1,952,172)**	**(20,000)**	–	–
Religare Liquid Fund – IP – Growth	**(37,456,025)**	**(465,809)**	–	–
Religare Ultra Short Term Fund – IP – Growth	**(16,100,392)**	**(200,847)**	–	–
Templeton India Institutional Plan – Growth	**–**	**–**	(38,536)	(50,037)
Templeton India Institutional Plan – Super IP Growth	**–**	**–**	(121,139)	(150,515)
Templeton India TMA Super IP – Growth	**(238,721)**	**(320,094)**	–	–
Templeton India Ultra Super Short Bond – IP – Growth	**(9,005,180)**	**(105,296)**	–	–
Templeton India Ultra Short Bond – IP – Growth	**(5,202,607)**	**(60,229)**	–	–
UTI Liquid Cash Plan – IP – Growth	**(336,912)**	**(500,166)**	(45,141)	(60,916)
UTI Treasury Advantage Fund – IP – Growth	**(277,018)**	**(335,876)**	–	–

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32. 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 2010, the Company has derivative financial instruments to sell USD 25,702,798 (31 March 2009: USD 98,834,044) having fair value gain Rs. 55,246 (31 March 2009: loss of Rs. 497,649) and GBP 35,176,114 (31 March 2009: GBP 21,000,000) having fair value gain of Rs 336,936 (31 March 2009: gain of Rs. 224,340) relating to highly probable forecasted transactions. The company has derivative financial instruments to GBP 5,000,000 (31 March 2009: Nil) which has been taken to hedge the foreign currency loans. The Company has recognized mark to market gain of Rs. 416,691 (31 March 2009: loss of Rs. 56,726) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders' funds (refer Schedule 4).

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are Rs. 835,247 (equivalent to USD 9.3million, GBP 10 million, AUD 0.2 million, CAD 0.1 million and EUR 0.09 million) (31 March 2009: Rs. 1,420,625 (equivalent to GBP 19.60 million)). At 31 March 2009, the Company had undesignated certain derivative financial instruments. During the year ended 31 March 2010, it has recognised mark to market gain of Rs. 124,426 (31 March 2009 loss of Rs 236,202) on cancellation of such instruments in the Profit and loss account. (refer Schedule 15).

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

	2010	2009
Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end	**Nil**	Nil
Amount of interest paid by the Company in terms of Section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	**Nil**	Nil
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	**Nil**	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	**Nil**	Nil

34. The Company is in the business of providing ITES and BPO services. Such services are not capable of being expressed in generic unit and hence, it is not possible to give the quantitative details required under paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

35 Prior period comparatives

Previous year figures have been appropriately regrouped/reclassified to conform to current year presentation.

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

A. M. Vallance
Jt. Managing Director

Ram Chary
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

K. P. Balaraj
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
29 April 2010

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	1 3 4 1 4 7	State Code	1 1
Balance Sheet Date	3 1 / 0 3 / 2 0 1 0 (Date / Month / Year)		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN THOUSANDS OF INDIAN RUPEES)

Pubilc Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	1 3 6 5 0

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN THOUSANDS OF INDIAN RUPEES)

Total Liabilities	2 3 0 9 0 5 5 4	Total Assets	2 3 0 9 0 5 5 4

SOURCES OF FUNDS

Paid Up Capital	4 2 9 2 0 9 7	Reserves and Surplus	6 7 3 8 3 3 1
Share Application Money	3 4 5 0		
Secured Loans	1 2 6 5 0 9 3	Unsecured Loans	1 0 7 9 1 5 8 3

APPLICATION OF FUNDS

Net Fixed Assets	1 1 7 2 7 4 4	Net Current Assets (+)	9 3 7 0 5 3 1
Accumulated losses (+)	N I L	Deferred tax	3 0 3 6 8 6
Investments (+)	1 1 1 0 6 8 7 2	Amalgamation deficit account	1 1 3 6 7 2 1

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN THOUSANDS OF INDIAN RUPEES)

Turnover	6 6 1 7 2 3 3	Total Expenditure	5 9 3 2 5 6 2
(+/–) Profit/(Loss) Before Tax (+)	6 2 1 6 7 9	(+/–) Profit/(Loss) After Tax (+)	6 7 3 3 2 8
Earnings Per Share (Rs.)	1.57 Basic 1.51 Diluted	Dividend%	N I L

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS /SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	Not Applicable
Service Description	IT enabled transaction processing services

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

A. M. Vallance
Jt. Managing Director

Ram Chary
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

K. P. Balaraj
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
29 April 2010

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the members of Firstsource Solutions Limited will be held on Thursday, September 16, 2010 at 3.00 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at March 31, 2010, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. To re-appoint **Mr. Donald W. Layden Jr.** as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

3. To re-appoint **Mr. Y. H. Malegam** as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

4. To re-appoint **Mr. Charles Miller Smith** as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT M/s. B S R & Co., Chartered Accountants, bearing Registration Number: 101248W, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Board of Directors (which term shall include any Committee of the Board) of the Company".

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT Mr. Alexander Matthew Vallance, who was appointed as an Additional Director by the Board of Directors on January 25, 2010, pursuant to the provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as 'the Act' including any statutory modification or re-enactment thereof for the time being in force), be and is hereby appointed as a Director of the Company in accordance with the provisions of Section 257 and other applicable provisions, if any, of the Act and the Articles of Association of the Company.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Act, subject to approval of Central Government, Reserve Bank of India and such other approvals, as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Alexander Matthew Vallance as Joint Managing Director of the Company from Janurary 25, 2010 to July 27, 2010 and as Managing Director and Chief Executive Officer of the Company from July 28, 2010 to January 24, 2015, at a remuneration and other terms and conditions, details of which are given in the Explanatory statement annexed hereto.

   RESOLVED FURTHER THAT the aggregate amount of remuneration payable to Mr. Alexander Matthew Vallance by the Company in a financial year will be subject to the ceiling laid down in Section 198, 309 and Schedule XIII to the Act, unless approved by the Central Government.

   RESOLVED FURTHER THAT Mr. Alexander Matthew Vallance, during his aforesaid tenure, subject to the provisions of the Act and Articles of Association of the Company, shall not be liable to retirement by rotation.

   RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the 'Board' which term shall include any Committee of the Board), be and is hereby authorised to determine/ increase/ alter/ modify/ vary from time to time, the terms of remuneration of Mr. Alexander Matthew Vallance, within the ceiling limit as approved by the members hereto.

   RESOLVED FURTHER THAT pursuant to applicable provisions, if any, of the Act and subject to the approval of the Central Government, if required, the remuneration as determined by the Board for a financial year, be paid as minimum remuneration to Mr. Alexander Matthew Vallance, Managing Director and Chief Executive Officer of the Company, in the event of loss or inadequacy of profits in that financial year, notwithstanding that such remuneration exceeds the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII to the Act.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to settle any question, difficulty or doubt that may arise in respect of the aforesaid, do all such acts, deeds, matters and things as it may, at its absolute discretion, deem necessary and execute all documents and writings as may be necessary to give effect to this resolution".

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT Mr. Ram V. Chary, who was appointed as an Additional Director by the Board of Directors on October 27, 2009, pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, subject to retirement by rotation, in accordance with the provisions of Section 257 and other applicable provisions, if any, of the Act and the Articles of Association of the Company".

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 309, 349 and 350 and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act' including any statutory modification or re-enactment thereof for the time being in force) and subject to such approval(s) as may be required, consent of the Company be and is hereby accorded for payment of commission to the Chairman, Vice-Chairman and Non-Executive Directors of the Company (other than the Managing Director and/or Whole Time Directors and Non-Independent Directors/ Directors representing equity investors) for each financial year over a period of 5 (five) years commencing from the financial year ending on March 31, 2011 upto and including the financial year ending on March 31, 2015 and for distributing the said commission amongst the aforesaid Non-Executive Directors in such a manner as may be determined by the Board of Directors (hereinafter referred to as 'Board' which term shall include any Committee of the Board), from time to time, within the maximum limit of 1% (one percent) of net profits of the Company in each of the above financial years to be calculated in accordance with the applicable provisions of the Act, besides the sitting fees to be paid by the Company to them for attending the meetings of Board of Directors and its Committees of which they are member(s).

RESOLVED FURTHER THAT the Board of be and is hereby authorised to distribute the commission, increase, decrease, vary, modify the commission payable to its aforesaid Non-Executive Directors in such a manner as may be determined by them from time to time, subject to the aggregate commission to be paid to all the aforesaid Non-Executive Directors not exceeding 1% of the net profits of the Company in a financial year.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as they may at their absolute discretion, deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in respect of the aforesaid matter and to execute all documents and writings as may be necessary, to give effect to this resolution".

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as the 'SEBI Guidelines' including any statutory modification(s) or re-enactment thereof for the time being in force), Listing Agreement with the Stock Exchanges and in supersession of resolution passed earlier by the shareholders of the Company, consent of the Company be and is hereby accorded for grant of Stock Options under Employee Stock Option Scheme of the Company viz. Firstsource Solutions Employee Stock Option Scheme, 2003 ('ESOS 2003') to all the Non-Executive Directors of the Company (including Independent Directors and Non-Independent Directors/Directors representing equity investors) upto 1% of the paid up equity share capital in a financial year and upto 2% of the paid up equity share capital in aggregate, in addition to the Stock Options granted earlier to the Non-Executive Directors.

RESOLVED FURTHER THAT the Board of Directors (which term shall include any Committee of the Board) be and is hereby authorised to do all such acts, deeds, matters and things, as they may, at their absolute discretion, deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in respect of the aforesaid matter and to execute all documents and writings as may be necessary, to give effect to this resolution".

Mumbai
July 27, 2010
Registered Office:
6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013

By Order of the Board of Directors

Sanjay Gupta
VP–Corporate Affairs & Company Secretary

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend, and on a poll, to vote instead of himself. Such a proxy need not be a member of the Company. Proxies, in order to be valid and effective, must be delivered at the registered office of the Company not later than forty-eight hours before the commencement of the AGM.** Proxies submitted on behalf of companies, bodies corporate, societies, etc. must be supported by certified copy of appropriate resolution/authority as applicable.

2. Corporate members intending to send their authorised representatives to attend the AGM are requested to send a certified copy of the Board resolution, as applicable, authorising their representatives to attend and vote on their behalf at the AGM.

3. The Explanatory Statement pursuant to Section 173(2) of the Act relating to Special Business under Item Nos. 6 to 9 set out in the Notice is annexed hereto.

4. The Register of members and Share Transfer Books of the Company will be closed from Thursday, September 9, 2010 to Thursday, September 16, 2010 (both days inclusive) for the purpose of AGM.
5. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the members at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on all working days upto the date of the AGM.
6. Members are requested to bring their Attendance Slip along with the copy of Annual Report at the AGM.
7. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.
8. Members holding shares in electronic (dematerialised) form are advised to send the requests for change of address, bank particulars, bank mandate, residential status or requests for transmission of shares, etc. to their respective Depository Participants. The Company or its Registrar cannot act on any such requests received directly from the members holding shares in electronic form.
9. Pursuant to the requirement of Corporate Governance Code under the Listing Agreement with the Stock Exchanges, the information about the Directors proposed to be appointed/re-appointed is given in the Annexure to this Notice.
10. Members desirous of getting any information about the accounts and operations of the Company are requested to write to the Company atleast 7 days before the AGM to enable the Company to keep the information ready at the AGM.
11. Central Government has, vide its letter dated May 17, 2010, granted exemption to the Company from attaching the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries with the Balance Sheet of the Company under Section 212(8) of the Companies Act, 1956.
12. Dr. Ashok Ganguly, Chairman of the Board of Directors, resigned from the Board w.e.f. July 27, 2010. Dr. Shailesh J. Mehta, Non-Executive Independent Director, was appointed as Chairman of the Board of Directors in place of Dr. Ashok Ganguly.
13. Mrs. Lalita D. Gupte, Director, representing ICICI Bank Limited, Promoter, resigned from the Board w.e.f. July 27, 2010. Mr. Pravir Vohra was appointed as Director, representing ICICI Bank Limited, Promoter, in place of Mrs. Lalita D. Gupte.

EXPLANATORY STATEMENT

(Under Section 173(2) of the Companies Act, 1956)

Item No.6

Mr. Alexander Matthew Vallance, Managing Director – Europe and President-Banking & Financial Services Industry (BFSI) and Telecom & Media, was appointed as an Additional Director. He was also appointed as Joint Managing Director of the Company for a period of 5 years w.e.f. January 25, 2010 subject to approvals of the shareholders of the Company and the Central Government. Subsequently, Mr. Ananda Mukerji, Managing Director & Chief Executive Officer (MD & CEO) resigned from his position, to be effective from July 27, 2010. The Board decided to appoint Mr. Alexander Matthew Vallance as MD & CEO of the Company in place of Mr. Ananda Mukerji from July 28, 2010 to January 24, 2015.

Mr. Alexander Matthew Vallance had joined the Company with the acquisition of Customer Asset Limited by the Company in the year 2002, where he was heading the UK sales delivery and he continued to lead this for the Company. In the year 2008, he started heading US sales delivery also. He played a key leadership role in delivering the new structure (verticalisation) to the vision set out by the Company in 2009 and took over as President-Banking and Financial Services and Telecom and Media verticals of the Company. Mr. Alexander Matthew Vallance is a Non-Resident and is a Person of Indian Origin (PIO). He is in whole time employment of Firstsource Solutions UK Limited (FS UK), wholly owned subsidiary of the Company incorporated in United Kingdom. Brief resume of Mr. Alexander Matthew Vallance is given in the Annexure to this Notice.

According to the provisions of Section 260 of the Companies Act 1956 (hereinafter referred to as the 'Act'), he holds office as Director upto the date of this Annual General Meeting ('AGM'). As required by the provisions of Section 257 of the Act, notice along with prescribed deposit of Rs. 500, has been received from a member, signifying his intention to propose the appointment of Mr. Alexander Matthew Vallance as a Director of the Company.

Pursuant to the provisions of Section 269 read with Part I(e) of Schedule XIII of the Act, the Company has made an application to the Central Government to seek approval for appointment of Mr. Alexander Matthew Vallance as he is Non-Resident in India.

Mr. Alexander Matthew Vallance is currently drawing remuneration from FS UK, Wholly Owned Subsidiary of the Company. His remuneration for financial year 2009-10 was GBP 385,721 (Equivalent to INR 263.25 lacs). During the financial year 2009-10, he was granted 400,000 stock options by the Company under the Company's Employee Stock Option Scheme. Apart from stock options, he has not drawn any remuneration or benefits from the Company.

The details of the remuneration, pursuant to the recommendation of the Compensation cum Board Governance Committee of the Board, payable to Mr. Alexander Matthew Vallance, Managing Director and CEO of the Company during the period from July 28, 2010 to January 24, 2015 are as under:

Salary and fixed allowances:

An amount in the range of GBP 200,000 (equivalent to Rs.145.82 Lacs) to GBP 500,000 (equivalent to Rs.364.55 Lacs) per annum. The Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall include any committee of the Board), in its absolute discretion and from time to time, will fix within the range stated above, the salary payable to Mr. Alexander Matthew Vallance.

Perquisites:

Mr. Alexander Matthew Vallance will also be entitled to perquisites, subject to the absolute discretion of the Board (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company/ FS UK in other cases), like rent free furnished/ unfurnished residential accommodation owned/ leased/ rented by the Company or House Rent Allowance in lieu thereof together with benefit of gas, electricity, water and other utilities, repairs and maintenance, club fees, personal insurance, use of car and reimbursement of expenses thereof, telephone at residence, medical insurance/reimbursement, leave and leave travel concession, education benefits for children, provident/pension fund, gratuity and other retirement benefits, in accordance with the scheme(s) and rule(s) applicable to the senior executives of the Company/FS UK from time to time, for the aforesaid benefits.

He shall also be entitled to grant of Stock Options by the Company under its Employee Stock Option Scheme, in one or more tranches as may be decided by the Board from time to time.

Variable Compensation including Bonus and Management Incentives:

In addition to above salary and perquisites, Mr. Alexander Matthew Vallance will also be entitled to variable compensation including bonus and incentives under the Management Incentive Plan of the Company upto 150% of fixed salary (100% of which will be linked to base target), based on achievement of such performance parameters as may be laid down by the Board and subject to such other approvals as may be necessary.

The above remuneration to Mr. Alexander Matthew Vallance may be paid from the Company or FS UK, Wholly Owned Subsidiary of the Company or both from the Company and FS UK, as may be decided by the Board subject to approval of the Central Government, RBI and such other approvals, as may be necessary.

The remuneration to Mr. Alexander Matthew Vallance, to be paid by the Company, in a financial year, shall be within the limits prescribed under Sections 198, 309 and Schedule XIII of the Act, unless approved by the Central Government. Further, the remuneration as determined by the Board for a financial year, shall be paid as minimum remuneration to Mr. Alexander Matthew Vallance, in the event of loss or inadequacy of profits in that financial year, subject to the approval of the Central Government, if required, notwithstanding the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII of the Act.

The Board may determine/ increase/ alter/ modify/ vary from time to time the terms of remuneration of Mr. Alexander Matthew Vallance within the limits as approved by members hereto.

Mr. Alexander Matthew Vallance shall not be entitled to any sitting fee for attending meetings of the Board and/or Committee of Directors. Subject to the provisions of the Act and Articles of Association of the Company, his office shall not be liable to retire by rotation.

The above may also be treated as an abstract of the terms of appointment of Mr. Alexander Matthew Vallance pursuant to the provisions of Section 302 of the Act.

The Board recommends the Resolution set out at Item No. 6 of the Notice for approval of the members.

None of the Directors of the Company, except Mr. Alexander Matthew Vallance, is in any way concerned or interested in this resolution.

Item No.7

Mr. Ram V. Chary was appointed as an Additional Director, representing equity investor, Metavante Investments (Mauritius) Limited in place of Mr. Donald W. Layden Jr., by the Board of Directors ('Board') on October 27, 2009. According to the provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as the 'Act'), he holds office as Director upto the date of this Annual General Meeting. As required by the provisions of Section 257 of the Act, notice has been received from a member along with prescribed deposit of Rs. 500, signifying his intention to propose the appointment of Mr. Ram V. Chary as Director of the Company. Brief resume of Mr. Ram V. Chary is given in the Annexure to this Notice.

The Board recommends the resolution set out at Item No. 7 of the Notice for approval of the members.

None of the Directors of the Company, except Mr. Ram V. Chary, is in any way concerned or interested in this resolution.

Item No.8

The current corporate governance norms have entrusted greater responsibilities on Directors requiring their increased involvement in the Management of the Company. In consideration of their valuable services and guidance to the Board, it is proposed to remunerate the Chairman, Vice-Chairman and Non-Executive Directors of the Company (other than the Managing Director and/ or Whole Time Directors and Non-Independent Directors/ Directors representing equity investors) by payment of commission based on net profits of the Company commensurate with the time devoted at Board/Committee meetings and the contribution made by them.

The Board of Directors of the Company have recommended to the shareholders for approval, payment of commission to the Chairman, Vice-Chairman and Non-Executive Directors of the Company within the maximum limit of 1% percent of net profits of the Company, to be determined by the Board of Directors for each such Director for each financial year over a period of 5 (five) years commencing from the financial year ending on March 31, 2011 upto and including the financial year ending on March 31, 2015. The payment of commission will be in addition to payment of sitting fee being paid to them for attending each meeting of the Board / its Committees of which they are members. Shareholders approval is required through special resolution under Section 309 of the Companies Act, 1956 for payment of commission to Non-Executive Directors of the Company.

The Board recommends the resolution set out at Item No. 8 of the Notice for approval of the members.

None of the Directors of the Company, except Dr. Shailesh J. Mehta, Mr. Ananda Mukerji, Mr. Y. H. Malegam, Mr. Charles Miller Smith, Mr. K. P. Balaraj and Mr. Donald W. Layden Jr., is concerned or interested in the resolution to the extent of the commission that may be received by them.

Item No. 9

Stock Options have long been recognised as an effective instrument to attract talent and align the interest of employees (including Directors) with those of the Company and its shareholders, providing an opportunity to employees to share the growth of the Company and to create long-term wealth in the hands of employees.

The members had at the Annual General Meeting held on August 14, 2007, approved grant of Stock Options to the Non-Executive Directors of the Company including Independent Directors upto 0.25% of the paid up equity share capital in a financial year and upto 0.50% of the paid up equity share capital in aggregate.

As per Clause 49(I)(B) of the Listing Agreement with Stock Exchanges, members approval is being sought to increase the said limits from 0.25% to 1% of the paid up equity share capital in a financial year and from 0.50% to 2% of the paid up equity share capital in aggregate. The said limits shall exclude the Stock Options granted earlier to the Non-Executive Directors.

The Board recommends the resolution set out at Item No. 9 of the Notice for approval of the members.

All the Directors of the Company, except Mr. Alexander Matthew Vallance, are concerned or interested in the resolution to the extent of the Stock Options that may be granted to them.

By Order of the Board of Directors

Mumbai
July 27, 2010
Registered Office:
6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013

Sanjay Gupta
VP–Corporate Affairs & Company Secretary

ANNEXURE TO THE NOTICE

Mr. Donald W. Layden Jr., 52 years, is a Bachelor in Economics and Political Science and has Juris Doctorate degree with Honours from Marquette University Law School. He is currently an Advisor to Warburg Pincus, on investments in payments and transaction processing. Warburg Pincus is a US based leading global private equity firm with more than USD 25 Billion under management. He is also a partner in corporate services practice in Quarles & Brady LLC, a leading national law firm in US, with headquarters in Milwaukee.

In the past, Mr. Donald W. Layden Jr. has been Senior Executive Vice-President, General Counsel and Secretary and President, International Group of Metavante Technologies, Inc. (NYSE: MV) and its principal operating subsidiary, Metavante Corporation, where he directed the firm's enterprise risk management, compliance, internal audit, legal and corporate development activities including mergers and acquisitions and Company's international business. He has held senior management positions with Fiserv (President, Lending Systems Division), Marshall & Ilsley Corporation (Senior Vice-President and Chief Executive Officer, Trust and Investment Management Group). He began his career practicing law, as a partner in the Quarles & Brady LLP Law firm, where he practiced corporate laws. He holds Directorship in FEI Behavioral Health, USA, Online Resources Corporation, USA and several non-profit entities. He does not hold any shares or Stock Options in the Company.

Mr. Y. H. Malegam, 76 years, is a Chartered Accountant in India and in England & Wales. He has been a Managing Partner of S.B. Billimoria & Co., Chartered Accountants and Co-Chairman of Deloitte Haskins & Sells, Chartered Accountants. He is a Member of Indo-German Chamber of Commerce Committee, Council of Indian Institute of Banking & Finance and Central Board and Western Area Local Board of Reserve Bank of India. He holds Directorships in ABC Bearings Ltd., The Clearing Corporation of India Ltd., Hindustan Construction Company Ltd., National Securities Clearing Corporation Ltd., National Stock Exchange of India Ltd., Siemens Ltd., Piramal Healthcare Ltd. and Bharatiya Reserve Bank - Note Mudran (P) Ltd. He is Chairman of Audit Committee of the Board of Directors of the Company and also of The Clearing Corporation of India Ltd., National Securities Clearing Corporation Ltd., Siemens Ltd., Bharatiya Reserve Bank - Note Mudran (P) Ltd. and member of Audit Committee of National Stock Exchange of India Ltd. and Piramal Healthcare Ltd. He holds 62,500 shares and 250,000 Stock Options in the Company.

Mr. Charles Miller Smith, 70 years, has M.A.(Hons) Degree in Medieval and Modern History from St. Andrews in Scotland and he was awarded Honorary Doctorate in 1995. He is the former Chairman of Scottish Power, which he served since the year 2000. He was appointed as Chairman to the Scottish Power Advisory Board in 2007, following the integration with Iberdrola. He has also been Chairman of Imperial Chemical Industries, where he joined as Chief Executive in 1994. Prior to that, he was a Director at Unilever, where he held financial and general management positions in UK, Netherlands and its Indian branches. He has served as a Non-Executive Director of Midland Bank Plc. and HSBC Holdings Plc. and has been an International Advisor to Goldman Sachs International.

He is the Chairman of Firstsource Solutions UK Ltd., wholly-owned subsidiary of the Company and Director of Premier Foods, U.K. He holds membership of Audit Committee and Compensation cum Board Governance Committee of the Board of Directors of the Company. He does not hold any shares in the Company. He holds 495,000 Stock Options in the Company.

Mr. Alexander Matthew Vallance, 42 years, holds a PG Diploma in Marketing from Chartered Institute of Marketing and is a B.A. (Hons) Graduate from Buckinghamshire Chilterns University College, UK. He is currently Joint Managing Director of Firstsource Solutions Limited and President - BFSI, Telecom & Media and Managing Director, Europe. He has been appointed as Managing Director and Chief Executive Office of the Company effective July 28, 2010. He has over 22 years of professional experience and has held various leadership positions in the areas of General Management, Business Development, Public Relations and Marketing. He has worked with global technology companies including Microsoft, Gateway and Xerox as PR Consultant and worked as Country Manager of Text 100 India, an Indian subsidiary of Text 100 Group Plc. He has been the Founder and Managing Director of Incode Limited wherein he provided consultancy services to UK software product companies on IT services. He is a member of Shareholders'/Investors' Grievance Committee of the Company.

He holds Directorships in Firstsource Solutions UK Ltd., Firstsource Group USA, Inc., Pipal Research Corporation, USA and Firstsource Business Process Services, LLC, USA, subsidiaries of the Company. He holds 381,250 equity shares and 2,700,000 Stock Options in the Company.

Mr. Ram V. Chary, 39 years, has done MS in Finance and Operations Management from the Krannert School at Purdue University and has an undergraduate Degree in Economics from the University of Colorado. He has led the global delivery operations of Global Commercial Services (FIS), handling off-shore resources, global contact centers, technology, global supply chain operations, commercial technology services etc. He had been with IBM Global Services for 13 years in infrastructure outsourcing & technology consulting and has served in a number of leadership roles in global operations and finance. He is Director on the Board of FIS Global Solutions Philippines, Inc. He also serves on the Board of Trustees of the Leukemia and Lymphoma Society. He does not hold any shares or Stock Options in the Company.

No Director of the Company is related to any other Director of the Company.

Firstsource Solutions Limited
6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai 400 013, India
Tel: +91 22 6666 0888 Fax: +91 22 6663 5481