challenges
chances
changes

Annual Report 2011

firstsource®

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firstsource®

Registered Office: 6th Flr., Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013, India. www.firstsource.com
Statutory Auditors: BSR and Co., Chartered Accountants, 1st Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011, India.
Registrars & Transfer Agents: 3i Infotech Ltd., Tower #5, 3rd-6th Flr., International Infotech Park, Vashi, Navi Mumbai 400 703, India.
Bankers: Axis Bank Ltd., Barclays Bank Plc, Citibank, N.A., DBS Bank Ltd., Deutsche Bank AG, HDFC Bank Ltd., ICICI Bank Ltd., Key Bank, Kotak Mahindra Bank Ltd., Standard Chartered Bank, The PNC Financial Services Group, Yes Bank Ltd.

challenges

chances

changes

Driven by challenges, nurtured by chances,
transformed by changes…
that's the Firstsource strategy for success.

Challenges are the lifeblood of business. They inspire you to think smarter, work more effectively, perform better and strive for more. And the more compelling the challenges, the greater the opportunities they open up for you. It is this "bring-it-on" attitude that has powered Firstsource to the forefront of the BPO arena within the first 10 years of our existence.

But our drive to be the best does not end here. We realize that, to make the most of the possibilities emerging worldwide, we need to continually challenge ourselves. Which is why we at Firstsource are embarking on an era of unprecedented changes.

You can see this dynamic new mindset in the vision and leadership of our management team. You can feel it in the commitment and energy of our 26,000+ skilled professionals located around the world. You can quantify it in the robust performance and growing global presence we have achieved over the past year. The summit is within our grasp...

progressive
perceptive
positive

firstsource®

How do you help employees spread across the globe to develop, grow and reach their full potential? What does it take to foster a sense of understanding and common purpose across diverse businesses? How do you transform a corporate culture into a force for change that resonates throughout the enterprise? At Firstsource, it starts with an inspiring vision and a core set of values which underscore everything that the company stands for.

Because, above all, it is human values which nurture financial values… that's the Firstsource vision for the future.

Our vision: To be among the top two leaders in the markets we choose to compete in and be recognized as the most trusted partner to our global clients. We will achieve this by simplifying complex business processes through operational excellence and innovation.

But every vision is only as strong as the values that support it. Which is why our values reflect the talent, skills and tenacity of our most essential assets... our people. Titled "IIPACE", they denote the Innovation, Integrity, People-centricity, Agility, Collaboration and Excellence that our people draw upon to ensure the highest standards for our clients.

IIPACE

Business Highlights: Healthcare

- Focus on technologies to improve operational efficiencies and increase performance results.
- Realization of benefits from realigning Centers of Excellence for Eligibility Services and Receivables Management.
- 98% client satisfaction levels for Healthcare from external Voice of Customer (eVOC) ratings.
- Certification of best practice processes by the Health Financial Management Association (HFMA).
- No. 1 Ranking for Extended Business Office Services in KLAS Annual Healthcare Industry Report.

innovate
motivate
accelerate

Never stop striving, never stop driving and you never stop thriving… that's the Firstsource imperative for leadership.

At Firstsource, we believe that, like an idea whose time has come, nothing can hold back the initiative of empowered people. Which is why, beyond just resources, we have invested in building resourcefulness. It encourages a leadership mentality, champions breakthrough thinking and motivates outstanding achievers at every level of the organization.

Little wonder that Firstsource was named as one of India's Best Companies To Work For in 2010 by Great Places To Work. What's more, our Belfast and Londonderry centers were awarded the bronze standard by the prestigious Investors in People accreditation authority.

Renewed momentum has also been injected into the company with the induction of exceptional talent in key positions. From the Board to senior management and department heads, these appointments underline our focus to adapt, change and exploit our innate strengths. And this drive was further reinforced by the launch of the Business Leaders' Programme for General Managers and above at IIM Bangalore in July last year. So that, in a world focused on results, Firstsource takes the lead in setting new frontiers of performance.

Business Highlights: Banking, Financial Services & Insurance

- 5 year outsourcing deal with the UK's premier card issuer involving the take over of its Teesside center from November 1, 2010.
- Significant add-on business in various processes like Credit Operations and Recoveries for a leading UK banking group.
- Client growth across all collections clients during the year and new segments were introduced for 4 leading global banking organizations.
- Awarded "Agency of the Year" by a leading UK group for the second consecutive year.
- Received the IQPC 2011 award for Best Process Improvement Project for a top UK banking group.

identify
intensify
satisfy

firstsource®

We do whatever it takes to get the job done right… that's the Firstsource commitment to customers.

At Firstsource, "customer first" is not just a statement but a core belief that infuses every project we undertake. It goes beyond high technology infrastructure, operational excellence and robust business processes to encompass something rarely experienced with clients... close partnerships and enduring relationships built on mutual trust, understanding and an uncompromising quest to deliver the best.

All this has had a positive impact on our businesses. In healthcare, payer and provider segments have witnessed enhanced client satisfaction levels. The BFSI vertical has seen alliances with one of the world's leading banking services groups. The Asia Business Unit has added India's third largest private bank as a new client. In telecom and media, we have tied up with another global leader in telecommunications services, for their diverse customer service requirements.

Importantly, putting clients first has made them put us first... with 98% satisfaction levels from our healthcare clients, the award for Best Process Improvement by a premier UK banking group and recognition for best-in-class service by a FTSE 100 telecom services and media company.

Business Highlights: Telecommunications & Media

- Consolidated our position in the US by partnering with a top telecom IP infrastructure provider.
- Reduced cost base and increased efficiency through multi channel delivery for a FTSE 100 telecom services and media company.
- Recognized by a FTSE 100 telecom services and media company for delivering best-in-class customer and technical service in India.
- Made the foray into the UK's largest telecom service provider.
- Managing customer service for a social media based community for a UK SIM only product firm.
- Entered into a partnership with a global telecommunications services leader to provide customer service and related operations.
- Best Performing Partner on all key SLA metrics for a European telecom retailer and service provider.
- Publishing business saw 4 new client wins.

industrywide
nationwide
worldwide

firstsource®

The only limits that matter are the ones you set yourself… that's the Firstsource promise of growth.

In just 10 years since inception, Firstsource has grown exponentially from start-up to our present status as a leading global BPO player, with 42 world class centers in India, US, UK and the Philippines. And we are still expanding fast with the latest phase of our UK investment being the establishment of a 500-person contact center at Middlesbrough in North East England.

Our solutions cover the spectrum of services across the customer lifecycle in industries as diverse as banking, financial services and insurance, healthcare, and telecommunications and media. As testimony to the quality of our offerings, we were awarded the No. 1 ranking for Extended Business Office Services by the reputed healthcare research firm, KLAS, in January this year.

Yet while accreditation from industry authorities provides a solid benchmark of our service quality, the greatest reward for us remains the appreciation and recognition we receive from our customers. That is what continually inspires us with the confidence to take on the world on our own terms... and emerge convincingly ahead.

Business Highlights: Asia Business Unit

- Entered into a five year Outsourcing Partnership with one of the premier private banks in the country.
- Won two awards from one of India's leading telecommunications companies – "Distinguished Partner for the Year" and "Value Partner for Operational Performance".
- Launched a new business model (plug and play centers) to drive operational efficiencies.
- Continued to expand in the current Tier 2 & Tier 3 locations of the company.

Corporate Information

Board of Directors

Standing (L-R) Ram V. Chary, Mohit Bhandari, Donald W. Layden Jr., Charles Miller Smith, Pravir Vohra, Y. H. Malegam, Matthew Vallance (Managing Director & CEO), K. P. Balaraj
Seated (L-R) Dr. Shailesh J. Mehta (Chairman), Ananda Mukerji (Vice Chairman)

Senior Management Team

Standing (L-R) Chandeep Singh (EVP, Process Excellence), Carl Saldanha (Global CFO), Sanjeev Sinha (Head, BFSI), Prashanth Maranayakanahalli (CTO), Sanjay Venkataraman (Head, Asia Business Unit), Santanu Nandi (Head, Telecom & Media), Tom Watters (President, Global Healthcare Solutions and CEO, North America)
Seated (L-R) Smita Gaikwad (Global Head, Corporate Communications), Matthew Vallance (Managing Director & CEO), Gaurav Bahadur (EVP, Human Resources)

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

Shareholders'/Investors' Grievance Committee: Dr. Shailesh J. Mehta (Chairman), Matthew Vallance, Mohit Bhandari

Company Secretary & Compliance Officer: Sanjay Gupta

Letter from the Chairman

'Change is the only constant' in a highly fluid world. It is imperative to embrace and adapt to the changes. With change, we make informed choices – either to be content with the status quo or capitalize on the exciting new opportunities change presents us and be future-ready. I am glad to note that your company continues to make the right choices as it has over the last 10 years of its existence.

The last year was characterized by key changes at Firstsource which saw the departure of the Chairman, Dr. A. S. Ganguly, and the MD & CEO, Mr. Ananda Mukerji. Regardless of these changes, your company has continued to deliver excellent performance in a very challenging business environment. It is thanks to our outstanding management, helmed by our able and experienced MD & CEO, Matthew Vallance. He has taken the leadership role with single minded dedication and, under his expert guidance, the company has moved forward on the path of growth and excellence.

The last two years were witness to a global economic slowdown and recovery has been slow albeit steady. I am happy to say that, during this challenging period, your company continued to perform well. Particularly noteworthy is that we have improved and sustained our profitability during these lean years. Your company will continue to be an attractive partner to global clients for its understanding of the market, domain expertise and the specialized skills it brings to the table.

I am very excited to note that a number of initiatives were launched at the organization level in the second half of the fiscal year. I am sure this will begin to reap benefits as it matures in concept and practice.

I do believe that success in an organization can be achieved only when its people, who work relentlessly to deliver solutions for their customers, and outstanding results for its stakeholders are recognized and rewarded. People are an organization's most valuable asset, and I am filled with pride with the quality of people we have.

In addition to self-motivated people, far sighted corporate governance is also a key to continued success. I am blessed to have outstanding individuals serving on the Board of the company with me. Thanks to the members of the Board, the management and outstanding employees for their role in this year's business performance. I do wish to put on record my appreciation for the support received from our shareholders.

Dr. Shailesh J. Mehta
Chairman

Message from the Managing Director & CEO

Global BPO spending is estimated to grow at 6% CAGR during 2010-2014 to reach USD 201 billion, which offers huge opportunities for a young, dynamic company such as Firstsource. As a 'pure play' BPO company with particular strengths in our core verticals of Healthcare, Telecom & Media and Finanical Services, as well as strong strategic relationships with our long standing clients, Firstsource is well positioned to take a leading part in the continued growth of the market.

By maintaining focus on our strengths, we have continued to build our company and, as a result, have increased year on year revenues for 2010–11 by 4.3% to Rs. 20,553 million, with operating profits (earnings before interest and tax) increasing by 3.7% to Rs. 2,005 million. In spite of the recent economic slowdown, we have continued to drive growth, with key client wins and business expansion in established geographies. In the last fiscal, we achieved many important new business wins both with existing clients as well as adding some flagship new brand names to our client portfolio.

As we continue to strive for excellence, we have completed a strategic business review to set our course for the years ahead. We have also, during the past year, set out a new vision for the organization and revisited the company's values to ensure they are in step with our ambitions as a company. We are moving ahead with energy and determination in implementing our plans with the aim of building a sustainable position of success in our chosen markets, by pursuing opportunities for profitable growth.

As the global BPO market is large and competitive, we see a clear need to be focused in everything that we do, from the markets that we compete in to the way in which we build differentiated capabilities. We have, during the past year, set up Centers of Excellence in order to create innovation for our clients, so that we can help them to improve their business performance.

As a global organization with over 26,000 employees around the world, from the USA to Australia, we continue to work hard in providing opportunities for our staff to grow, develop and enhance their careers within the company. I am also delighted to see the steps taken by employees in playing a positive role as members of their local communities.

In partnership with our clients, we have weathered the recent global economic storms and are now in a good position to take advantage of the future upturn. It has not been easy and I would like to congratulate and thank each of our employees who have displayed extraordinary resilience and continue to deliver excellence with great energy and enthusiasm every single day.

I would also like to thank you, the shareholders, for your support and faith which have been the mainstays of our success. We will continue to focus on profitable growth, embracing change and making sound choices on our journey to market leadership. I believe that our employees, clients, shareholders and all stakeholders in the company will benefit from our strong position in the BPO market and together we will reap the rewards.

Matthew Vallance
Managing Director & CEO

Company Highlights & Global Recognition

LAUNCHED THE NEW VISION AND VALUES

Rolled out globally to employees in March 2011. Clearly defines the company's new direction.

ADDITION OF NEW CLIENTS

Added new marquee clients across BFSI, Healthcare and the Telecom and Media verticals.

CONTINUE TO SCALE

Employee strength increased to 26,413 across India, US, UK and Philippines.

GLOBAL RECOGNITION & CERTIFICATION

- Ranked #1 among Extended Business Office Service Providers for the Healthcare business by KLAS.
- Awarded the bronze standard in the Investors in People, the accreditation recognizing the best practices in HR followed by Firstsource in UK.
- Ranked 6th among top 15 BPO exporters in India in revenue, as per NASSCOM. Ranked 13th among Top 20 IT – BPO employers in India in employee count.
- Listed among the 50 Best Workplaces in India by the Great Place to Work® (GPTW) Institute, India. The study was done in partnership with the Economic Times, a leading Indian newspaper.
- The center in Amherst is certified compliant with the SAS 70 II Standard; assesses the internal controls of a service organization and the effectiveness of the controls during the period under review.
- Six centers in North America are certified compliant with the Payment Card Industry Data Security Standards Council (PCI DSS) v. 1.2 standard.
- Firstsource Advantage LLC received PPMS (Professional Practices Management System) recertification by ACA International, an association of Credit and Collection Professionals.
- The Derry center in UK received ISO 14001 certification for meeting the standards for an environmental management system.

Financial Highlights

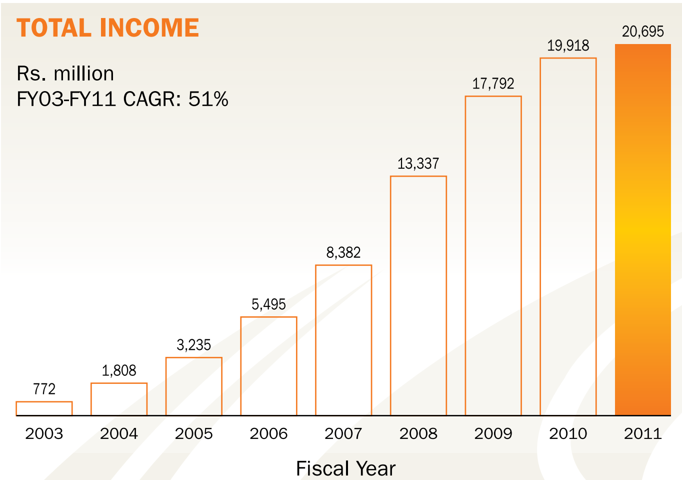
Consolidated Financial Performance

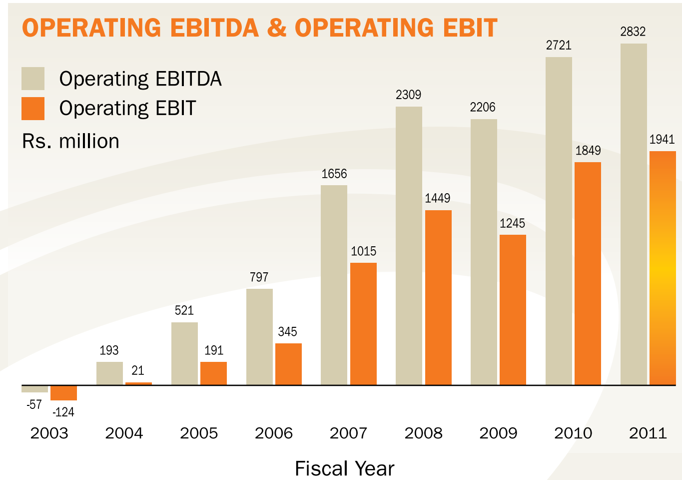
Rupees Million, Except Per Share Data	Fiscal 2011	Fiscal 2010	Growth
Revenue from Operations	20,553	19,708	4%
Other Income	142	210	-32%
Total Income	20,695	19,918	4%
Operating EBITDA	2,832	2,721	4%
Operating EBIT	1,941	1,849	5%
Profit before Tax	1,753	1,603	9%
Profit after Tax	1,385	1,361	2%
Earnings per Share (EPS) – Basic	3.22	3.17	2%
Earnings per Share (EPS) – Diluted	2.91	2.84	2%

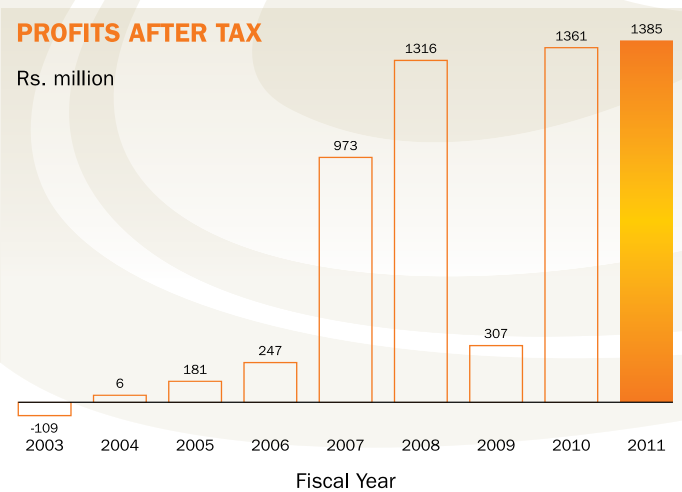
Consolidated Financial Position

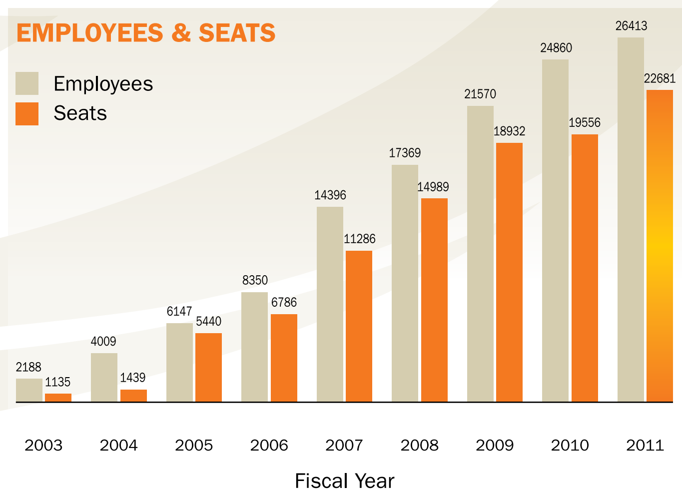
Rupees Million	Fiscal 2011	Fiscal 2010
Goodwill	20,454	20,726
Fixed Assets	2,285	1,838
Investments	1,329	1,005
Net Current Assets	5,150	4,248
Deferred Tax Asset	-	55
Application of Funds	**29,219**	**27,872**
Shareholders Funds	14,227	14,244
Minority Interest	1	50
Loan Funds	14,933	13,578
Deferred Tax Liability	58	-
Source of Funds	**29,219**	**27,872**

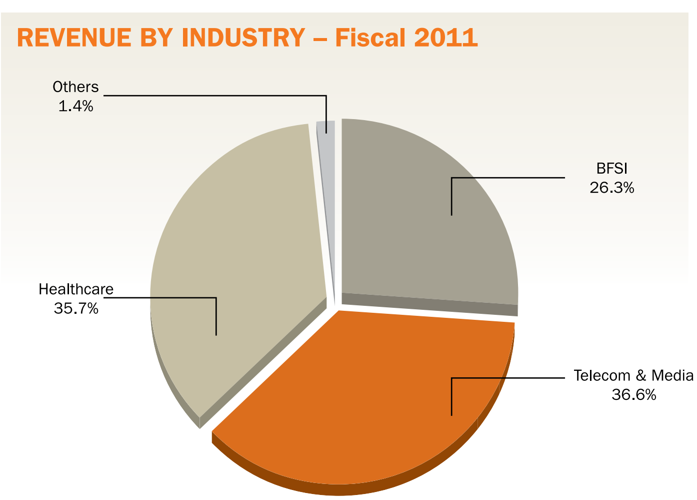
Financial Highlights

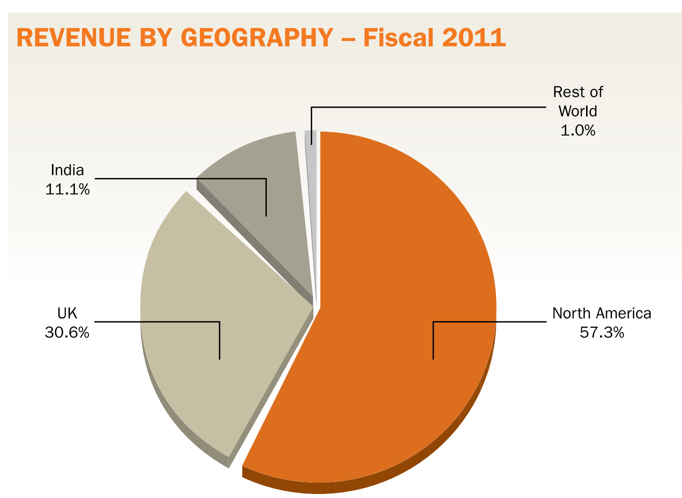












Awards & Accolades

AWARDS

- Firstsource and Barclaycard US received the prestigious Outsourcing Excellence Award from Outsourcing Center.
- Won the Agile CIO-100 awards by IDG India's CIO magazine. The award recognizes strategic excellence in information technology (IT) and Firstsource won the award for implementing Virtualization.
- Won three awards at the 13th International Conference on Quality 2011 organized by National Institute for Quality & Reliability (NIQR), an association that promotes excellence in quality in India.
- Secured First Prize in the "Qual-Tech Prize 2010 for Best Improvement Category" at the 22nd Qimpro Convention, Mumbai, India.
- International Quality and Productivity Council (IQPC), Orlando: Winners in categories including Best Master Black Belt of the year, Process Improvement Awards for the Best BPO Program and Best Process Improvement Project in Service and Transaction Award in two categories: Small to Medium Sized Corporations and Large Corporations.
- International Quality and Productivity Center (IQPC), London: Firstsource Healthcare, US, adjudged as winner for optimization through Business Process Management and won for Best Lean Transformation for Kaizen deployment.
- Selected as 2010 TMC Social Customer Relationship Management (CRM) Award Honoree by Technology Marketing Corporation (TMC) for its Customer Interactions Management services framework, which is focused on creating integrated strategies for clients across multiple channels of service delivery.

CLIENT ACCOLADES

- Won the "Agency of the Year Award" from a Fortune 50 client for the second consecutive year.
- Honored as the Best Performing Partner by European Telecom Retailer and Service provider for meeting all key client SLA metrics.
- Recognized for delivering best in class customer and technical service in India by a FTSE 100 telecom services and media company.
- Won two awards from a leading telecommunications company – "Distinguished Partner for the Year" and "Value Partner for Operational Performance".

Firstsource receives the prestigious Outsourcing Excellence Award from Outsourcing Center.

Firstsource wins the IQPC Award for Best Project Improvement – Service and Transaction.

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the members of Firstsource Solutions Limited will be held at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025 on Wednesday, August 3, 2011 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint **Dr. Shailesh J. Mehta**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint **Mr. K. P. Balaraj**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 and 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

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

   "RESOLVED THAT Mr. Mohit Bhandari, who was appointed as a Director by the Board of Directors on January 9, 2009, in the casual vacancy caused by the resignation of Mr. Dinesh Vaswani, and who holds office upto the date of this Annual General Meeting, and in respect of whom a notice has been received from a member under section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Mr. Pravir Vohra, who was appointed as a Director by the Board of Directors on July 27, 2010, in the casual vacancy caused by the resignation of Ms. Lalita D. Gupte, and in respect of whom a notice has been received from a member under section 257 of the Companies Act,1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:

6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel
Mumbai – 400 013
June 9, 2011

By Order of the Board of Directors

Sanjay Gupta
Vice President – Corporate Affairs and 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 appropriate resolution/authority, 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 No. 5 and 6 set out in the Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, July 27, 2011 to Wednesday, August 3, 2011 (both days inclusive).
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 duly filled 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 Depository Participants. The Company or its Registrars can not 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 at the AGM 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. **The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail address with 3i Infotech Limited, Registrar and Transfer Agents of the Company.**

EXPLANATORY STATEMENT

(Under Section 173(2) of the Companies Act, 1956)

Item No.5

Mr. Mohit Bhandari, representing Equity Investor, Aranda Investments (Mauritius) Pte. Limited, was appointed as a Director of the Company on January 9, 2009, in the casual vacancy caused by the resignation of Mr. Dinesh Vaswani and holds office as Director upto the date of this Annual General Meeting (AGM). As required by the provisions of Section 257 of the Act, a notice has been received from a member, signifying his intention to propose the appointment of Mr. Mohit Bhandari as a Director of the Company, along with prescribed deposit of ₹ 500/-. Brief resume of Mr. Mohit Bhandari is given in the Annexure to this Notice.

The Board recommends the resolution set out at Item No. 5 of the Notice for approval of the members.

None of the Directors of the Company, except Mr. Mohit Bhandari, is in any way concerned or interested in this resolution.

Item No.6

Mr. Pravir Vohra, representing ICICI Bank Limited, promoter of the Company, was appointed as a Director of the Company on July 27, 2010 in the casual vacancy caused by the resignation of Ms. Lalita D. Gupte. As required by the provisions of Section 257 of the Act, a notice has been received from a member, signifying his intention to propose the appointment of Mr. Pravir Vohra as Director of the Company, along with prescribed deposit of ₹ 500/-. Brief resume of Mr. Pravir Vohra is given in the Annexure to this Notice.

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. Pravir Vohra, is in any way concerned or interested in this resolution.

Registered Office:

6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel
Mumbai – 400 013
June 9, 2011

By Order of the Board of Directors

Sanjay Gupta
Vice President – Corporate Affairs and Company Secretary

ANNEXURE TO THE NOTICE

RESUMES OF DIRECTORS PROPOSED TO BE APPOINTED/ RE-APPOINTED AT THE ANNUAL GENERAL MEETING

DR. SHAILESH J. MEHTA

Dr. Shailesh J. Mehta, 62 years, has done B. Tech. - Mechanical Engineering from Indian Institute of Technology, Mumbai, M.S. - Operations Research and Ph.D. in Operations Research and Computer Science from Case Western Reserve University in Cleveland, USA. He also has honorary Ph.D. from California State University. His areas of expertise include Financial Services, Banking, Insurance, Investments and Advisory. He is Managing General Partner of Granite Hill Capital Partners LLC, Private Equity Fund. He was previously Chairman of the Board and CEO of Providian Financial Corporation (a Fortune 300 Company). He also served as President and COO of Capital Holding which was the 10th largest shareholder-owned insurance Company in USA. Prior to that, he was Executive Vice President at the Ohio-based Ameritrust Corporation (now Key Corp.) He has been a general partner with Invesco Funds and WestBridge Capital. He has been Director of US Board of MasterCard International, Hanover Direct and many other companies. He has also served as an Advisory Board member for Arcot Systems, OSI Inc.

Dr. Shailesh J. Mehta served as a Trustee of the California State University System. He was also advisor to India Studies Chair at University of California, Berkley. He is founder and is on the Advisory Board of Shailesh J Mehta School of Management at IIT, Mumbai. He serves on the Board of Heritage Fund of IIT Alumni in USA. He also serves as International President of Jain International Trade Organisation (JITO).

Besides being Chairman of Board of Directors of the Company, Dr. Shailesh J. Mehta holds directorships in Manappuram Finance and Leasing Limited, Safari Industries (India) Limited, Arch Pharmalabs Limited, Aptus Value Housing Finance India Limited, Allservices Under 1 Roof (Pvt.) Limited and Account Now Corp. USA. He is Chairman of Shareholders' / Investors' Grievance Committee and Compensation cum Board Governance Committee of the Company. He is also member of Audit Committee and Strategy Committee of the Company and Audit Committee of Manappuram Finance and Leasing Limited. He holds 170,000 shares and 650,000 stock options in the Company. He is not related to any other Director of the Company.

MR. K.P. BALARAJ

Mr. K.P. Balaraj, 40 years, has done MBA from Harvard Business School and a BS in Business Management from Brigham Young University, Hawaii, where he graduated as valedictorian of his class. He was co – founder and Managing Director of WestBridge Capital Partners. He was also co - founder and Managing Director of Sequoia Capital India. Prior to founding Sequoia Capital India, he was part of the private equity group at Goldman Sachs in Asia. He has over 14 years of experience in venture capital and equity investment in India and Asia.

Mr. K.P. Balaraj holds directorships in Amalgamated Bean Coffee Trading Co. Limited, Intercept Technologies India Private Limited, Vasan Healthcare Private Limited, K12 Techno Services Private Limited, WestBridge Advisors Private Limited, WestBridge Ventures I, LLC, WestBridge Ventures Co-Investments I, LLC, WestBridge Advisors I, LLC, WestBridge Ventures I Investment Holdings, CBD Holdings, Indecomm Corporation and Travel Guru.com. He is member of Compensation cum Board Governance Committee of the Company. He does not hold any shares in the Company. He holds 250,000 stock options in the Company. He is not related to any other Director of the Company.

MR. MOHIT BHANDARI

Mr. Mohit Bhandari, 34 years, is a Bachelor in Computer Engineering from Mumbai University and MBA from IIM Calcutta. He is part of the direct investment advisory team providing consultancy services to Temasek Holdings in India. Prior to joining Temasek Holdings Advisors India Private Limited in March 2008, he was with DSP Merrill Lynch as part of the Investment Banking/M&A team for 8 years. He is member of Shareholders'/Investors' Grievance Committee, Executive Committee and Financial Results Committee of the Company. He does not hold any shares or stock options in the Company. He is not related to any other Director of the Company.

MR. PRAVIR VOHRA

Mr. Pravir Vohra, 56 years, is a Certified Associate of the Indian Institute of Bankers and a postgraduate in Economics from St. Stephen's College, University of Delhi. His areas of expertise include domain expertise in financial products, process re-engineering, IT operations and strategy. He is the Group Chief Technology Officer of the ICICI Group and has been associated with ICICI Bank for over 10 years. He oversees Information Technology (IT) strategy and innovation, enterprise architecture, process automation, group IT infrastructure and is responsible for leveraging technology synergies across ICICI Bank and its group companies. Prior to joining ICICI Bank, he worked with Times Bank as Vice President in charge of the Corporate Services Group. He began his career in the banking industry with State Bank of India where he worked for 23 years. He has held various senior level positions with the State Bank of India, both in India and abroad. His assignments included responsibility for the technology function for State Bank's branches in USA and Canada. He is a Director on Board of ICICI Securities Limited. He is member of Executive Committee of the Company and also of Audit Committee of ICICI Securities Limited. He does not hold any shares or stock options in the Company. He is not related to any other Director of the Company.

DIRECTORS' REPORT

Dear Members,

The Directors take great pleasure in presenting their Tenth Annual Report on the business and operations of the Company and the audited financial statements for the year ended March 31, 2011.

FINANCIAL RESULTS

The performance of the Company for the financial year 2010-11 is summarised below:

(₹ in Million)

Particulars	Consolidated		Standalone	
	FY 2010-11	FY 2009-10	**FY 2010-11**	FY 2009-10
Total Income	**20,694.7**	19,918.0	**7,198.0**	6,832.0
Profit Before Interest and Depreciation	**2,973.8**	2,931.3	**1,146.3**	1,423.9
Interest and Finance Charges (net)	**330.0**	455.8	**-123.1**	277.8
Depreciation	**890.8**	872.7	**573.8**	524.4
Profit Before Tax	**1,753.0**	1,602.8	**695.6**	621.7
Provision for Taxation (including Deferred Tax Charge/Credit)	**349.3**	237.6	**32.7**	-51.6
Profit After Tax Before Minority Interest	**1,403.7**	1,365.2	**662.9**	673.3
Minority Interest	**18.6**	4.5	**-**	-
Net Profit After Tax	**1,385.1**	1,360.7	**662.9**	673.3
Balance Brought Forward	**4,279.7**	2,919.0	**2,285.0**	1,611.7
Appropriations	**-**	-	**-**	-
Accumulated Balance in Profit & Loss Account	**5,664.8**	4,279.7	**2,947.9**	2,285.0
Earning Per Share (₹) – Basic	**3.22**	3.17	**1.54**	1.57
Earning Per Share (₹) – Diluted	**2.91**	2.84	**1.52**	1.51

RESULT OF OPERATIONS

The consolidated total income increased from ₹ 19,918 Million to ₹ 20,694.7 Million, a growth of 3.9% over the previous financial year. The consolidated Net Profit After Tax increased from ₹ 1,360.7 Million to ₹ 1,385.1 Million, up by 1.8% 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 ₹ 6,832 Million to ₹ 7,198 Million, a growth of 5.4% over the previous financial year. The standalone Profit After Tax declined from ₹ 673.3 Million to ₹ 662.9 Million, reduced marginally by 1.5% over the previous financial year. The decrease in net profits in the financial year 2010-11 was due to higher taxation during the year under review.

With a view to conserve cash reserves to meet the current financial obligations of the Company, the Directors do not recommend any dividend for fiscal 2011.

INCREASE IN SHARE CAPITAL

During the year, the Company issued 1,428,500 equity shares of the face value of ₹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 429,209,682 shares to 430,638,182 shares of ₹ 10 each as on March 31, 2011.

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. Upto March 31, 2011, 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 Borrowing (ECB) from ICICI Bank, UK and Internal cash flows of the Company. The nominal amount of Bonds outstanding after cancellation as on March 31, 2011 was USD 212.4 Million.

GLOBAL DELIVERY FOOTPRINT

The Company, on a consolidated basis had 42 global delivery centers as on March 31, 2011. The centers are located across India, USA, UK and Philippines. 25 of the Company's delivery centers are located in 15 cities in India, 14 are in the USA (including seven operational hubs of MedAssist), 2 are in UK and 1 center is in Philippines. The Company's established global delivery footprint enables it to deliver wide range of services and strengthen relationships with existing customers.

During the year, the Company incurred capital expenditure of ₹ 470.9 Million mainly towards refurbishment and maintenance of existing delivery centers and creation of additional capacity in Phillippines, India and UK.

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 centers RMZ and Pritech, Bangalore have been recertified for COPC ® 2000 CSP Standard v 4.3. 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:

- 2010 American Society for Quality (ASQ) Summit: Two recognitions for best team sprit and team alignment to organisation goals
- 2010 Qimpro Conventions: QualTech prize for Best Improvement Project
- 2010 Saakal Awards: Won Best project at International Location
- 2010 National Institute of Quality and Reliability, India: three technical papers recognised across three different categories.
- 2011 International Quality & Productivity Center (IQPC) Orlando, USA – Winners in following categories:
    - Best Process Improvement Project in Service and Transaction for Small to Medium Sised Corporations
    - Best Process Improvement Project in Service and Transaction Category for Large Corporations
    - Process Improvement Awards - Best BPO Program
- Master Black Belt of the Year
- 2011 Isixsigma USA: Winner for Most Successful Re-energised Lean Six Sigma Program
- 2011 IQPC London UK: Winners in Best BPM Programme (Business process management) category and Honorary Mention in the Best Lean Transformation category.

HUMAN RESOURCES

On a consolidated basis, the Company has grown from 24,860 full-time employees as of March 31, 2010 to 26,413 employees as of March 31, 2011. The statement of particulars required pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, forms part of this Report. However, as permitted under the Companies Act, 1956, this 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

During the year, Dr. Ashok Ganguly, Chairman, resigned as Chairman and Director w.e.f July 27, 2010 and Dr. Shailesh J. Mehta, Director was appointed as the Chairman on the same date. Dr. Ashok Ganguly led the Company as Chairman for a long period of over 8 years. He had enormous experience in the industry and deep understanding of the Company and its operations. The Board places on record its sincere appreciation for the invaluable contribution made by him to the Company by his able leadership, experience and expertise.

Mr. Ananda Mukerji, Managing Director & CEO, resigned from his position w.e.f. July 27, 2010 and Mr. Alexander Matthew Vallance, Joint Managing Director of the Company then, was appointed as the Managing Director & CEO of the Company w.e.f July 28, 2010. Mr. Ananda Mukerji continues to be associated with the Company as the Non-Executive Vice - Chairman of the Board of Directors w.e.f. July 28, 2010.

Ms. Lalita D. Gupte, Director, representing ICICI Bank Limited, Promoter of the Company, resigned w.e.f. July 27, 2010 and Mr. Pravir Vohra was appointed as a Director, representing ICICI Bank Limited, in the casual vacancy caused by the resignation of Ms. Lalita D. Gupte. The Board places on record its appreciation for the contribution made by Ms. Lalita D. Gupte during her tenure as Director of the Company. The Company has received notices along with the requisite deposits from the members of the Company pursuant to Section 257 of the Companies Act, 1956, proposing the appointment of Mr. Pravir Vohra and Mr. Mohit Bhandari as the Directors of the Company at the forthcoming AGM.

Dr. Shailesh J. Mehta and Mr. K. P. Balaraj retire by rotation at the forthcoming AGM and are eligible for re-appointment.

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 earlier ESOS introduced in 2002 is in force for the limited purpose of exercise of options granted pursuant to the scheme. The Scheme is applicable to the eligible employees which include employees and directors of the Company and its subsidiary companies.

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 out below:

Sr. No.	Description	ESOS 2003	
1.	Total number of options under the Plan		68,149,354
2.	Options granted during the year 2010-11		17,350,000
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, on that Stock Exchange where there is highest trading volume on the said date. The Compensation 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 2010-11		11,504,354
5.	Options exercised during the year 2010-11		1,277,250*
6.	Total number of shares arising as a result of exercise of options during the year 2010-11		1,427,250**
7.	Options lapsed during the year 2010-11		18,699,819***
8.	Variation of terms of options during the year 2010-11		Nil
9.	Money realised by exercise of options during the year 2010-11 (Amount in ₹)		21,958,313 #
10.	Total number of options in force		52,998,470
11.	Employee wise details of options granted to:		
	i) Senior Managerial personnel during the year 2010-11	Mr. Alexander Matthew Vallance	3,000,000
		Mr. Thomas Watters	2,000,000
		Mr. Gaurav Bahadur	500,000
		Mr. Sanjay Venkataraman	500,000
		Mr. Santanu Nandi	250,000
		Mr. Chandeep Singh	250,000
		Mr. Sanjeev Sinha	250,000
		Mr. Aashu Calapa	300,000
		Ms. Mitzi Winters	250,000
	ii) Any other employee, who has been granted options amounting to 5% or more of options granted during the year 2010-11.	Nil	
	iii) Identified employees who were granted options, equal to or exceeding 1% of the issued capital of the Company, during the year 2010-11.	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 - ₹ 1.52 per share. Consolidated EPS - ₹ 2.91 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.	

Sr. No.	Description	ESOS 2003
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 - ₹ 32.06 per option Weighted average fair value as per the Black Scholes Model - ₹ 12.45 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.

* Excluding 150,000 stock options which were exercised on March 31, 2010 and shares were allotted in April, 2010.

** Including 150,000 stock options which were exercised on March 31, 2010 and shares were allotted in April, 2010.

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

\# Including money realised with respect to 150,000 options which were exercised on March 31, 2010 and shares were allotted in April, 2010.

Prior to the Initial Public Offering (IPO), the Company had granted options to employees at the fair market value, as certified by an independent valuer. Post IPO, the exercise price of the options granted equals the market price of the stock i.e. the latest available closing price, prior to the date when options are granted, 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 2010-11	Nil
3.	Options vested during the year 2010-11	Nil
4.	Options exercised during the year 2010-11	1,250
5.	Total number of shares arising as a result of exercise of option during the year 2010-11	1,250
6.	Options lapsed during the year 2010-11	Nil
7.	Variation in the terms of options during the year 2010-11	Nil
8.	Money realised by exercise of options during the year 2010-11 (Amount in ₹)	16,038
9.	Total number of options in force	90,625
10.	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 - ₹ 11.78 per option Weighted average fair value as per the Black Scholes Model - N.A.

SUBSIDIARY COMPANIES

As on March 31, 2011, the Company had 11 subsidiaries:

Domestic subsidiaries:

1. Rev IT Systems Private Limited {wholly owned subsidiary (WOS) of the Company}
2. Anunta Tech Infrastructure Services Limited* (WOS 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. Twin Lakes Property, LLC** (Subsidiary of Firstsource Advantage LLC)
7. MedAssist Holding, Inc., USA (WOS of Firstsource Group USA, Inc.)
8. Firstsource Solutions USA, LLC, USA (WOS of MedAssist Holding Inc.)
9. Firstsource Financial Solutions, LLC, USA (WOS of Firstsource Solutions USA, LLC)

Following changes in the subsidiaries of the Company took place during the year:

I. *Anunta Tech Infrastructure Services Limited (formerly known as Firstsource Computing Solutions Limited) was incorporated as a WOS of the Company for the purpose of carrying on the business of providing and facilitating an entire range of Information Technology (IT) and IT enabled services, delivering technology-driven business solutions and all other value added services related to IT in India and in Foreign Countries.

II. Asset sale of Pipal Research Corporation USA to CRISIL and stake sale of Pipal Research Analytics and Information Services India Private Limited to Irevna Limited, a division of CRISIL took place at a consolidated sale consideration of USD 12.75 Million.

III. **Firstsource Advantage LLC, USA (FAL), a stepdown subsidiary of the Company in USA, acquired 80% stake in Twin Lakes Properties LLC (Twin Lakes). As a result, Twin Lakes became subsidiary of FAL as also of the Company.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011, has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. The financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Consolidated Financial Statements of the Company and its subsidiaries for the year ended March 31, 2011, 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 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/head 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 making significant efforts year after year towards energy optimisation across all its delivery centers. Several new initiatives taken up by the Company during the year included conversion of 1,500 desktops to low energy consuming secure Personal Computers (Thin clients), which resulted in a direct power saving of 1.5 lacs units/month. Further, the Company continues to transform Cathode Ray Tube (CRT) into Thin Film Transistor (TFT) resulting in power savings of 15,000 units/month. The Company has also initiated a server consolidation exercise which helped it in releasing 40 servers and migrating few of them to virtual environment which resulted in further savings in power and cooling requirements.

B) Absorption of Technology

The Company has been innovating consistently to absorb newer technology offerings which can benefit business to improve operational efficiency with greater quality in a cost effective manner which includes migration to 'Multi Protocol Label Switching' (MPLS) network. MPLS technology has been extremely beneficial as it allows the consolidation of multiple technologies and applications such as voice, video and data thereby simplifying the network infrastructure of the Company. The ability of MPLS to apply QoS parameters to high priority applications ensures that business critical data has guaranteed delivery over the network. It also provides enhanced security, scalability and high availability. The Company has migrated majority of the Wide Area Network (WAN) infrastructure to MPLS network and the transformed network is well equipped to support the new business requirement.

The Company has also installed the Tele presence in key locations which increased productivity creating stronger relationships through closer and more efficient communication like a face to face meet, reduced direct costs associated with travel expenses and improved the quality of communications and collaboration with Business Partners and Customers. The Company has also adopted i-Leverage, an integrated web based solution' to record and retain customer interactions.

All international delivery centers in India are ISO27001 certified. During the year, the Company's centers at Tek Meadows- Chennai and Raja Towers- Trichy have received ISO27001 certification. Further, the Company's centers at Paradigm -Mumbai and Barclaycard UK – Manila have received Payment Card Industry Data Security Standard (PCI DSS) Level 1 Certification (SISA and Security Metrics respectively).

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, 57.72% 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 ₹ Millions)

Particulars	Fiscal 2011	Fiscal 2010
Foreign Exchange earnings	4,863.8	4,410.4
Foreign Exchange outgo (including capital goods and imports)	313.8	276.4

AUDITORS

M/s. B S R & Co., Chartered Accountants, who were appointed as the Statutory Auditors of the Company by the Members at their previous AGM, shall be retiring on conclusion of the forthcoming AGM and are eligible for re-appointment. Members are requested to consider their re-appointment from the conclusion of forthcoming AGM upto the conclusion of AGM for the financial year 2011-12 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

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm that:

1. 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. The Directors have selected such accounting policies and applied them consistently and made judgments 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. 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. The annual accounts were prepared on a going-concern basis.

ACKNOWLEDGEMENTS

The Directors wish to place on record their sincere appreciation for the support and co-operation extended by all the customers, vendors, bankers and business associates. The Company also expresses its gratitude to the Ministry of Telecommunications, Collector of Customs and Excise, Director – Software Technology Parks of India and various Governmental 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

Dr. Shailesh J. Mehta
Chairman

Mumbai
April 27, 2011

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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 Management Discussion and Analysis (MD&A) pertains to Firstsource Solutions Limited and its subsidiaries (the Company) on a consolidated basis, unless otherwise stated.

INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

The underlying theme of fiscal 2011 has been the steady recovery from recession. Even as recovery remains multi-speed, growth in both advanced economies and emerging/developing economies outpaced initial expectations. However, old challenges still need to be fully addressed and new challenges are arising, especially on account of rising commodities prices, oil supply disruptions and inflation.

In many advanced economies the handoff from public to private demand is going on. But unemployment remains high and weak public balance sheets and still vulnerable financial sectors mean that the recovery is subject to downside risks. In most advanced economies, the still-modest pace of economic recovery calls for continued monetary accommodation and structural reforms to boost productivity and job creation. Much work remains to be done to restore confidence in the banking systems of many advanced economies. This holds the key to more lending for small and medium-sized enterprises, which account for a large share of employment. In the euro area, some banking sector fragilities continue to interact adversely with the sovereign risks.

In many emerging market economies demand has been fairly robust. However, the challenge for many of these emerging economies has been to ensure that present boom-like conditions do not develop into overheating over the coming year. Inflationary pressure is starting to build up and while appropriate action differs across economies, depending on their cyclical and external conditions, a tightening of macroeconomic policies is likely to be needed in many of these economies.

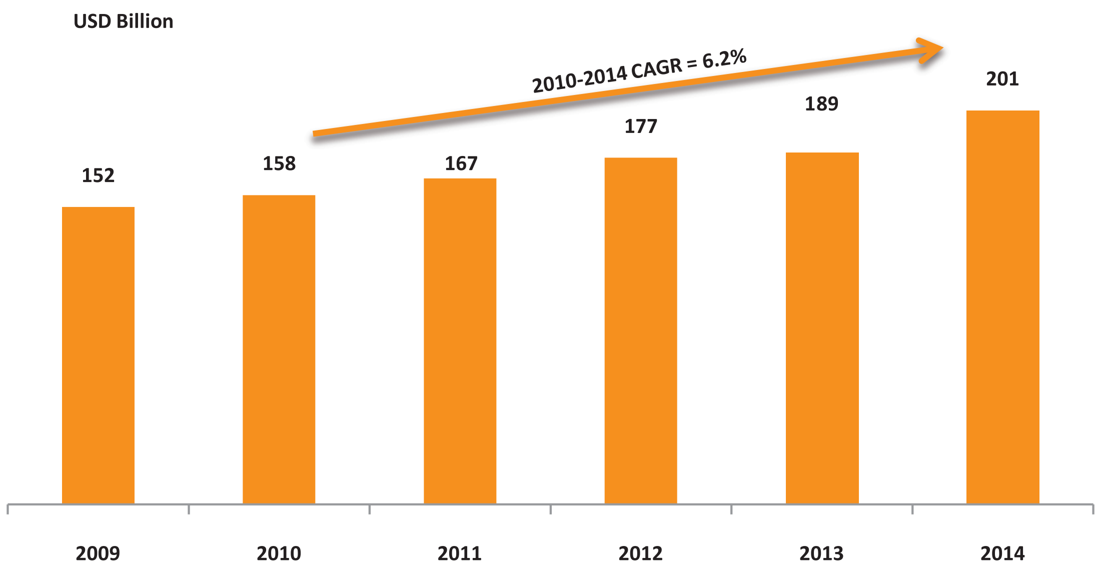
Overall, there is optimism and consensus around steady pace of global recovery. However, while the recovery is consolidating, it is expected to be still unbalanced. International Monetary Fund (IMF) expects that in the next two years, developed economies will grow at 2.5%, while economic growth in developing countries is expected to exceed 6.5% showing "two-speed" recovery.

India is among the few economies that stood tall after the global financial crisis mainly due to the country's favorable population demographics, greater domestic consumption, and inherent resilience. The Indian economy emerged with remarkable rapidity from the slowdown and is estimated to have grown by 8.6% during fiscal 2011. Growth conditions have shown slight moderation of late, however, gross domestic product (GDP) is still likely to grow close to 8% for the fiscal 2012 as per Reserve Bank of India's (RBI) May 2011 estimate. During fiscal 2011, services and exports sector has also seen acceleration and this momentum is expected to sustain.

Business Process Outsourcing (BPO) remains an extremely relevant theme in these turbulent times. Companies globally are exploring outsourcing a growing proportion of their business processes to streamline their operations, reduce costs, create flexibility, and improve their processes to create shareholder value. The BPO industry has also continued to evolve and expand by focusing on new emerging verticals, markets and customer segments, transforming its internal operations, pioneering best practices in global service delivery and driving innovation-led transformation for its clients.

The global BPO industry is large and growing. As per the NASSCOM Strategic Review published in February 2011, worldwide spending in BPO services touched USD 158 billion in 2010, reflecting an increase of 4% over the last year's figures. IDC expects that the global BPO market will grow at a four-year CAGR of 6.2%, reaching USD 201 billion in 2014. Importantly, global sourcing still forms only 27% of current addressable global BPO spends (implying USD 42-44 billion globally sourced BPO market in 2010), and there is significant head room for growth as the industry is able to expand addressable market and further penetrate existing markets.

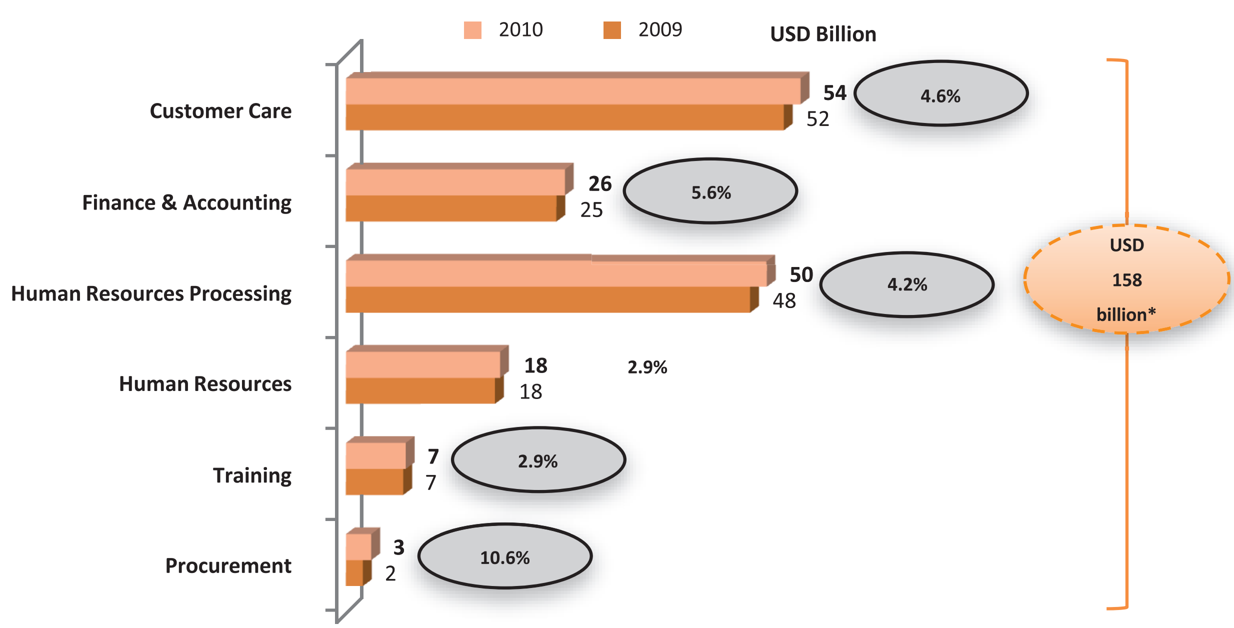
Global BPO Spending



Source: IDC, NASSCOM Strategic Review February 2011. Years pertain to calendar years (Jan – Dec)

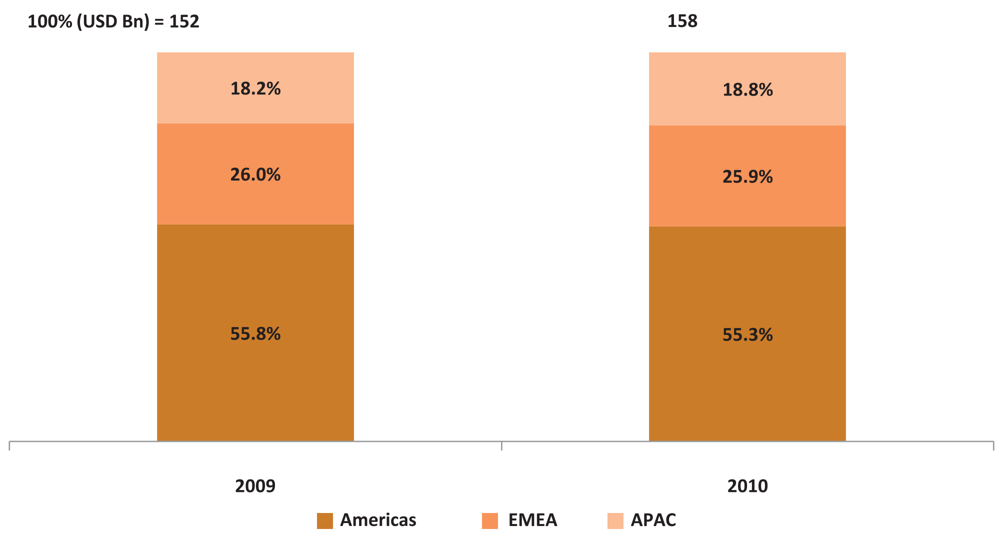
Customer care remains the largest component of global BPO market at USD 54 billion, reflecting an increase of 4.6% during the year. From region-wise share in BPO spending standpoint, the developed economies of North America and Western Europe accounted for 81% of total BPO spends in 2010. Americas remain the biggest region contributing to 55.3% of global BPO spending.

Service-wise share in global BPO Spending



* 2010 Global BPO Spending. Source: IDC, NASSCOM Strategic Review February 2011. Years pertain to calendar years (Jan – Dec)

Region-wise share in global BPO Spending

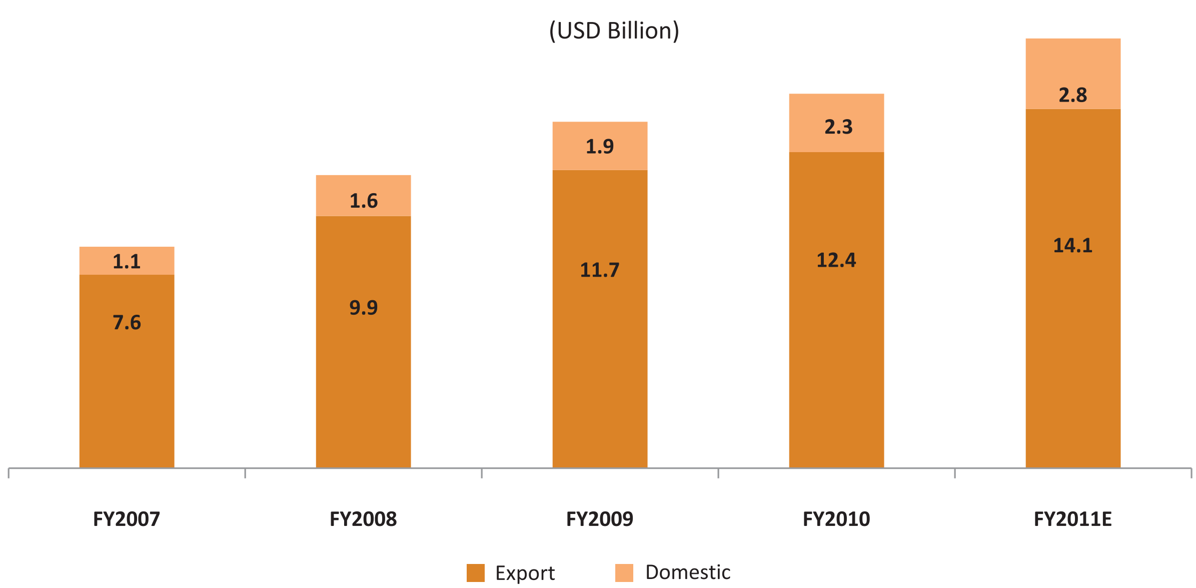


Source: IDC, NASSCOM Strategic Review February 2011. Years pertain to calendar years (Jan – Dec)

During the year, the BPO sector growth was affected by delayed decision making and absence of large deals. The economic crisis continue to impact BPO spend as customers focused on getting the highest Return on Investment out of every BPO engagement through extensive due diligence and intense negotiation of contracts. While cost and talent still remain essential considerations for global sourcing, savvy customers are constantly demanding more – growth markets, flexibility and innovation. Customers are also increasingly looking at additional value-adds from their BPO service providers through domain-specific and geographical insight into their processes and business. Various worldwide BPO service providers are looking at value-based M&As, buying small, niche and, regional players to fill gaps in their current offering and to extend market reach.

In the specific reference to Indian BPO exports, the growth of the industry in the last decade has been stupendous. The Indian BPO export revenues grew by 14% to reach USD 14.1 billion in FY2011 and industry employed close to 835,000 people. The industry (Indian exports) accounts for 34% of globally sourced BPO market in 2010, thus becoming the world's largest destination for BPO services delivery. Indian domestic BPO market is estimated to have grown about 17% in fiscal 2011, primarily driven by customer care and call center support activities.

Indian BPO Industry Revenue



Source: IDC, NASSCOM Strategic Review February 2011. Years pertain to financial years (Apr – Mar)

Bulk of India's BPO revenues are derived from English speaking developed regions of US and the UK. Combined together these two accounted for 82% of India BPO revenues in fiscal 2011. The emerging geographies of Asia Pacific (such as India) and Rest of the World (RoW) regions have seen the fastest growth for Indian BPO organisation – a CAGR of 20% for the period FY2006-11E. While these regions have been slow adopters of global sourcing, there has been increased traction over the past few years. From an industry vertical standpoint, Banking Financial Service and Insurance (BFSI) is amongst the most mature vertical and continues to be the largest vertical, with 51.3% share of total India BPO revenues in fiscal 2011. Telecom is the second largest vertical accounting for nearly 20% share of total India BPO revenues in fiscal 2011 with significant share of it coming from customer care services. Healthcare is an emerging vertical and accounted for over 4% share of total India BPO revenues. In domestic Indian BPO market, call center support accounted for 75-80% of fiscal 2011 industry wide revenues.

The key geographical markets the Company operates in are US, UK and emerging geographies such as India, Australia and Sri Lanka. The key verticals the Company focuses on and has built strong operating skills and domain expertise are BFSI; Telecommunications and Media; and Healthcare. From a service line perspective, the Company focuses on vertical specific services across customer life cycle including customer interaction management, back office support and collections. Collectively these are large and established BPO markets and presents significant growth opportunities for the Company.

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 within the US.

Passage of landmark Healthcare reform bill in the US represents a significant opportunity across both payer and provider segments. Implementation of provisions for Healthcare reform continues to progress with movement forward in many key areas including Medical Loss Ratio and Health Information Exchanges. Healthcare reforms are expected to bring about 35 million more Americans under insurance cover which would mean millions of more enrollments and transactions across the industry. However, the Healthcare Industry continues to work to understand and clarify key provisions of reform mandates.

Payers are fiscally sound and are operating with urgency to implement significant changes to their operations in order to comply with immediate reform mandates. Payer segment is acting as "first responders" to Healthcare reform mandates and is looking toward outsourcing as it comes under increased Federal scrutiny related to medical loss ratios and premium transparency to reduce administrative costs. However, at present, lower claims volumes persist across industry due to unemployment rates hovering around 9%.

On the other end, provider segment is preparing for the effects of anticipated reductions in reimbursement, as well as reacting to current, post-recession market conditions. Hospitals are focused towards improving operations in preparation for decreased payments and reform mandates that will significantly impact the US Healthcare delivery model.

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 both on the payer side as well as on the provider side.

Telecommunications and Media

Within the Telecommunications and Media vertical, the Company operates across four key sub segments including mobile / wireless, fixed / wire-line, broadband / high speed internet, and Direct-to-home (DTH) / pay-TV. The Company serves US, UK and Australian market and caters to both consumer and enterprise segments. UK and consumer segments have a dominating share in overall telecommunications and media revenues for the Company.

With US and UK slowly coming out of recession, telecom service providers are beginning to see growth in revenues and Average revenue per user (ARPU). Consolidation also continues in the telecom market with merger of T-Mobile - Orange in UK and CenturyLink - Qwest and AT&T - T-Mobile in US. Telecom and media space is evolving at a fairly rapid pace with quick adoption of new technologies and devices and expansion of reach beyond urban areas. Clients are seeking for innovation from BPO service providers that can help clients differentiate and have sustained performance. With that perspective, newer channels such as social media and web chat are seen as the emerging avenues for customer service. While clients continued to be focused on vendor consolidation, during fiscal 2011, pace of vendor consolidation and decision making slowed down affecting pace of growth in this segment. The Company believes delay in decision making is a short term phenomenon and the Company is extremely well positioned to gain form vendor consolidation and accelerated decision making in medium to long term.

Banking, Financial Services and Insurance (BFSI)

The BFSI vertical represents a mature and large BPO market opportunity. Within the BFSI vertical, the Company operates across four key sub segments including cards, mortgages, general insurance and retail banking. The Company serves US and UK geographic markets. Cards have a dominating share in overall BFSI revenues for the Company.

The global financial crisis changed the behavior of banks, financial institutions and regulators causing structural changes in the BFSI space. After a long sluggish phase, there is increased interest across financial organisations in exploring outsourcing options as economy starts to improve in US and UK and financial institutions focus to maintain margins.

Specific to some of the sub segments, the credit card industry is contracting; however the debit card market is rapidly expanding. While liquidation rates have gone up in credit card recovery segment, volumes in industry are shrinking. As credit cards industry contracts, card issuers are looking at margin expansion/ cost reduction through outsourcing. US retail banking sector continue to be impacted due to increased government regulation, sluggish GDP growth and continued impact of fiscal stimulus packages. In mortgages, demand for re-mortgaging is expected to go up as consumers move to fix interest rates. However, new mortgages are poised to fall due to rise in foreclosures and expiration of homebuyer tax credits.

Asia

The Company continues to focus on emerging markets like India and across Asia strengthening its value proposition along with building best-in class service delivery for its clients to tap the large outsourcing opportunity which this region presents. The key industry vertical the Company is present in this market is Telecommunications and Media and BFSI with former contributing dominating share of revenues.

During the year, telecommunication industry witnessed severe tariff war in mobile space with a dozen of telecom operators competing for market share and declining Average Revenue Per User (ARPU) for most telecom operators. The industry continued to be extremely turbulent and hyper competitive during the first half of the year leading to lower volumes for the Company. Towards the end of the year there was some return of stability in the telecom industry. Telecom industry in India also witnessed some landmark developments in terms of launch of Mobile Number Portability (MNP) and third generation networks (3G) which are positive developments for the industry and the Company.

BFSI segment also saw increased traction and enhanced activity during the year. Insurance Regulatory and Development Authority (IRDA) proposed draft regulations on insurance outsourcing, classifying customer care as a non core activity. During the year the Company added Axis bank in India as its customer.

While the Company witnessed volume pressure in fiscal 2011, driven by state of telecom industry, it believes most of that turbulence is behind it and business is poised to grow in coming fiscal.

COMPANY OVERVIEW

Firstsource ("The Company") is a leading global provider of BPO services and is among India's top four pure-play BPO companies. The Company works 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, Financial Services and Insurance (BFSI) industries. Firstsource's Global Delivery or "Rightshoring" methodology supports clients through over 42 service facilities spread over United States, United Kingdom, Philippines and India. With more than 26,000 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 US banks, eight of the Top 10 general-purpose credit card issuers in the US, largest bank and mortgage lender in the UK, one of the Top 3 motor insurers in the UK, five of Top 10 telecom companies in mature economies, largest pay TV operator in the UK, largest pay TV operator in Australia, three of the Top 5 mobile service providers in India, two of Top 5 private banks in India, five of the Top 10 health insurers and managed care companies in the US and over 1,000 hospitals in the US Based on the annual rankings by NASSCOM, the Company was sixth largest BPO provider in India in fiscal 2010 in terms of revenues. International Association of Outsourcing Professionals (IAOP) ranked Firstsource in Top 25 service providers globally in its 2010 rankings.

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 delivers innovative and value added business process management services through a combination of deep domain knowledge, strategic alliances and internal competence building, backed by the right technology. The Company's key service offering 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 imaged management • OCR/CR Technology • Data capture with integrated database validations • Customized output generation (ANS 837, NSF etc.)	• Entry in system • Data base maintenence • 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
Hospital Physician Groups	• Patient contact and registration • Insurance verification and certification • Patient visit management	• Medical 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 conjuction with US Bank	• Ongoing and Clean-up Projects for all Payer 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	Costomer 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 sell	• 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, Chat, Social Media

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 - 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 - Contact note generation - Settlements - Corporate actions - Billing support - Performance audit	• Mortgage - Origination - Loan vault conversion - Collateral review - Underwriting - Loan booking • Insurance - Application processing - Policy amendment / cancellation - 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, Chat, Social Media

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 delivery centers are located in fifteen cities in India, fourteen are in the United States (including seven operations hubs of MedAssist), two are in the United Kingdom, and one is located in Philippines. This gives the Company proximity to its clients 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 26,413 as of March 31, 2011. As of March 31, 2011, 19,632 of the Company's employees are based out of India, 3,313 are based out of the US, 2,505 are based out of the UK and 963 are based out of Philippines. 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, 2011, the Company had 9 clients with annual billing of over ₹ 500 million compared to ten as of March 31, 2010 and none as of March 31, 2003. The Company's client concentration has continued to diversify. For fiscal 2011, the largest client contribution was at 11.7% of total income from services as compared to 12.0% in fiscal 2010 and 41.6% in fiscal 2003. The contribution from top 5 clients was at 34.0% of total income from services in fiscal 2011 as compared to 32.5% in fiscal 2010 and 82.5% in fiscal 2003.

The Company's total income has grown at a compound annual growth rate of 51% from ₹ 771.5 million in fiscal 2003 to ₹ 20,695 million in fiscal 2011. Over the same period of time, the profits after tax have increased from a loss of ₹ 09.5 million in fiscal 2003 to a profit of ₹ 1,385.1 million in fiscal 2011. The Y-o-Y growth in total income of the Company in fiscal 2011 over fiscal 2010 is 4%. On constant currency basis, neutralising the impact of adverse foreign exchange rate movements, the Company's revenue from operations grew at 6.9% in fiscal 2011 over fiscal 2010. The growth in income is attributed to increased outsourcing by the Company's 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 (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. 93.7% of the Company's income from services during fiscal 2011 was derived from existing clients.

Fiscal 2011 has been a significant year in the Company's evolution. Key highlights of fiscal 2011 along with recognition and awards are mentioned below.

Key highlights

- Launched the new Vision and Values. Rolled out globally to employees in March 2011. Clearly defines the Company's new direction.
- New clients – Added Barclaycard UK and Axis Bank as marquee clients across BFSI Business unit and Asia Business unit respectively during fiscal 2011.
- Continued to scale global operations with employee additions across India, UK and Philippines. Added 1,553 employees globally during the year with main additions being 848 people in India, 483 in UK and 306 in Philippines, partially offset by reduction of 79 employees in US. Global employee strength of 26,413 employees as on March 31, 2011.

Significant global recognition

- Ranked #1 amongst Extended Business Office Service Providers for the Healthcare provider business by KLAS.

- Awarded the bronze standard in the Investors in People, the accreditation recognising the best practices in HR followed by Firstsource in UK.
- Listed among the 50 best workplaces in India by the Great Place To Work® (GPTW) Institute, India. The study was done in partnership with The Economic Times, a leading Indian news paper
- Ranked 6th among top 15 BPO exporters in India in revenue, as per NASSCOM. Ranked 13th among top 20 IT-BPO employers in India in employee count.
- The center in Amherst, US certified compliant with the SAS 70 II Standard; assesses the internal controls of a service organisation and the effectiveness of the controls during the period under review.
- Six centers in North America certified complaint with Payment Card Industry Data Security Standards Council (PCI DSS) v 1.2 standard.
- Firstsource Advantage LLC received PPMS (Professional Practices Management System) recertification by ACA International, an Association of Credit and Collection Professionals.
- The Londonderry center in UK received ISO 14001 certification for meeting the standards for an environmental management system.

Significant Key awards

- Firstsource and Barclaycard US Receive Prestigious Outsourcing Excellence Award from Outsourcing Center.
- Won the Agile CIO – 100 awards by IDG India's CIO magazine. The award recognises strategic excellence in information technology (IT) and, Firstsource won the award for implementing Virtualisation.
- Won three awards at the 13th International Conference on Quality 2011 organised by National Institute for Quality & Reliability (NIQR), an association that promotes excellence in quality in India.
- Secured first prize in the "Qual-Tech Prize 2010 for Best Improvement Category" at the 22nd Qimpro Convention, Mumbai, India.
- International Quality and Productivity Council (IQPC) Orlando: Winners in categories including Best Master Black Belt of the year, Process Improvement Awards for the Best BPO Program and Best Process Improvement Project in Service and Transaction Award in two categories: Small to Medium Sized Corporations and Large Corporations.
- International Quality and Productivity Center (IQPC) London: Firstsource Healthcare, US adjudged as winner for optimisation through Business Process Management and won for Best Lean Transformation for Kaizen deployment.
- Selected as 2010 TMC social customer relationship management (CRM) Award Honoree by Technology Marketing Corporation (TMC) for its customer interactions management services frame work, which is focused on creating integrated strategies for clients across multiple channels of service delivery.

Client Accolades

- Won the "Agency of the Year award" from a Fortune 50 client for the second consecutive year
- Honored as the Best performing partner by European Telecom Retailer and Service provider for meeting all key client SLA metrics
- Recognised for delivering best in class customer and technical service in India by a FTSE 100 telecom services and media Company
- Won two awards from a leading telecommunications company - "Distinguished Partner for the year" and "Value partner for operational performance".

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 2010 in terms of revenues and amongst the top four "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. The Company also has relatively lower client concentration compared to industry and most of its peers.

- Independent business units primarily based on industry verticals

  In line with its strategy of focusing on industry verticals, the Company is organised 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. This structure clearly differentiates the Company from other BPO companies in terms of areas of specialisation 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. Asia Business Unit contributed 11% to the Company's income from services in fiscal 2011. The Company had 11,841 employees in Asia Business Unit in fiscal 2011, as compared to 10,802 in fiscal 2010. The Company further strengthened its position in this market by establishing beachhead in banking segment by adding Axis Bank as its client during the fiscal 2011.

- 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, 2011, 35.7% 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 fifteen 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 global delivery platform will create competitive advantage for the Company.

- Established relationships with large global companies

  The Company works with over 1000 clients as of March 31, 2010, of which 37 are "Fortune Global 2000", 20 "Fortune 500" and 9 "FTSE 100" companies. The company's client base also includes over 1,000 hospitals in the US. Many of these relationships have strengthened over time as the Company obtains ongoing work from these clients and gains a greater share of their BPO 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 51% from fiscal 2003 to fiscal 2011 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 and develop deep industry knowledge

  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. The Company offers end-to-end service offerings to its clients and continues to enhance knowledge about the industry in which its clients operate.

- Develop strong horizontal centre of excellence (CoE) to facilitate cross-selling across industry verticals

  The Company has proven and differentiated horizontal capabilities in its current business portfolio. These capabilities include Customer Relationship Management (CRM), Collections, and Document Management. Currently CRM is predominantly residing in telecommunications and media industry while collection resides in BFSI vertical and document management is primarily done in Healthcare vertical. The Company has created dedicated COEs for these three horizontals and intend to expand these horizontal capabilities across its all three target industry verticals through these COEs.

- Strong focus on expanding existing client relationships

  Existing client relationships are extremely crucial as existing clients contribute majority of the revenues. In fiscal 2011, 93.7% 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. 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 believe that this will lead to increased business opportunities for the Company from its existing client base.

- Develop new client relationship

  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.

- Expansion in new geographies

  The Company has been investing in new geographies by expanding business through new client wins and it has recently entered in Australian geography. The Company continues to remain committed to investing in the fast developing markets since it believes these new growth markets have the potential to be significant revenue drivers over the long-term.

- 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 Lean, 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 organisation together. The Company intends to continue to invest in developing and grooming its middle management talent.

- Continue to invest in People practices and organisation culture

  The Company continues to invest in people practices as it believes employees are vital and most valuable assets. Company creates a favorable work environment that encourages innovation and enables to retain skilled and high-professional talent pool. During fiscal 2011, the Company was ranked amongst the Top 50 'India's Best Companies to Work For' - 2010 list by Great Place to Work® Institute, India

- 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 deliver 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

The Human Resources function at Firstsource is focused towards building a strong performance oriented culture across the organisation. This year with the launch of the new Vision and Values for the Company, the Human Resources team is set to live and embed these values into its existing and new processes thus speaking of a unified Firstsource culture yet maintaining the flavour of the different businesses.

During fiscal 2011, one of the most important goals that the organisation had set out for was achieved. Firstsource was ranked among the Top 50 'India's Best Companies to Work For' - 2010 list produced by Great Place to Work® Institute, India. This achievement is a testimony of the Company's commitment to making Firstsource one of the most sought after organisations for top talent. Some of the practices that have contributed to the organisation achieving this are the path breaking developmental programmes, friendly yet challenging work culture and several initiatives aimed at enhancing employee performance.

The Firstsource Spirit, the Company's Behavioral Competency Framework continues to be institutionalised through the 360 degree feedback process every year. The Company has also established Assessment Development Centres to help gauge the competency level of its people managers. These outcomes are tightly integrated with learning and developmental initiatives.

The Company launched the core leadership programme this year, the 'Business Leader's Program' (BLP) for General Managers (GMs) and above in the Company. This programme is offered in collaboration with IIM Bangalore and aims at building financial and strategic capability through interventions. The Company continues to build and nurture its managerial pool through several developmental initiatives. To grow young talent, the Company initiated the Internal Management Trainee (IMT) & Internal Operations trainee (IOT) programme for Management & Operations Trainee (one year course in collaboration with IIM Lucknow) this year. The participants will be awarded a 'Certificate in General Management' upon the completion of this programme. The year also saw the successful completion of 'Cerebral' (an initiative to develop technical & functional competencies for support functions) programme with around 50 employees graduating from it.

The organisation continues to operate across 4 geographies and has scaled from 24,860 employees to 26,413 employees during fiscal 2011.

Firstsource continues to challenge every people practice in the Company to leverage on its strength and to explore the opportunity to provide more to its employees. The Company's commitment to live by its values and create a culture for employees to perform in a healthy, safe and congenial work environment will always be safeguarded through every initiative it takes on.

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 low level of penetration.

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 organisations globally are outsourcing business processes in an effort to simplify their organisation, create flexibility and increase efficiencies
- Increasing customer focus on servicing customers, 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 9 "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.
- Banking, Financial Services and Insurance (BFSI), Telecommunications and Healthcare industries are expected to be a significant part the total addressable global BPO market opportunity. From a service standpoint, Customer care remains the largest component of global BPO spending. Additionally, emerging markets like India presents a large and growing domestic BPO opportunity, All these are the primary segments the Company operate in and has proven capability and strong market position. The Company's strategic positioning and scale in its target industry sectors of BFSI, telecommunications and media, Healthcare and specific focus on customer care and India Domestic market puts it in a strong position for capitalising 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, IBM;
- Healthcare focused revenue cycle management companies located in the United States such as The Outsource Group, Cymetrix, Emdeon;
- 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, Conduit, Transcom and Accenture;
- Telecom & Media focused onshore BPO providers, particularly in UK such as Serco, Hero TSC, Ventura; and
- BPO divisions of IT companies located in India including HCL, Tech Mahindra, Infosys, Wipro and IBM Daksh.

In BFSI business unit the Company primarily competes with:

- large UK based BPO companies such as Capita and Serco;
- 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, Teleperformance,
- mortgage focused companies, largely in UK such as HML

- BFSI focused offshore BPO providers, particularly in India such as Genpact, WNS, EXL; and
- BPO divisions of IT companies located in India including TCS, Infosys, Wipro, 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 BPO firms such as Serco, Aegis, Hinduja Global, Spanco, Aditya Birla Minacs;
- National or regional / local BPOs in various states supporting regional Indian languages, including firms such as Kochar Infotech;
- Host of relatively new entrants in the Indian domestic BPO market such as Genpact, WNS, Infosys, 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 newer countries such as China, Eastern Europe and Latin America. While the Company has a diversified offshore delivery with presence in India and Philippines, it doesn't have delivery capabilities in China, Eastern Europe and Latin America. 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 and Philippines.

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 authorised share capital of the Company is ₹ 8,500 million with 850 million Equity shares of ₹ 10 each. The paid up share capital at March 31, 2011 stands at ₹ 4,306.4 million compared to ₹ 4,292.1 million at March 31, 2010.

The details of increase in equity share capital by ₹ 14.3 million from ₹ 4,292.1 million as at March 31, 2010 to ₹ 4,306.4 million as at March 31, 2011, is as below:

	Number of Shares (million)	Amount (₹ million)
Shares issued by way of conversion of Options to Employees under ESOP scheme	**1.43**	14.3
	1.43	14.3

Reserves and Surplus. The Reserves and surplus of the Company decreased from ₹ 9,948.2 million to ₹ 9,920.8 million. The details of decrease in Reserves and surplus by ₹ 27.4 million, are as below:

	Amount (₹ million)
Increase on account of :	
Profit for the year less appropriation	1,385.1
Premium received on shares issued during the year	7.6
Decrease on account of :	
Hedging Reserve Account as per AS 30	320.6
Foreign currency translation reserve	70.4
Amortisation of premium payable on redemption of FCCB	1,029.1
Net Decrease in Reserves and surplus	27.4

Minority Interest

Minority interest is created on account of 80% consolidation of Twin Lake Property LLC, a subsidiary of Firstsource Advantage LLC, effective April 1, 2010.

Minority interest as at March 31, 2011 decreased to ₹ 1.1 million from ₹ 49.8 million as at March 31, 2010. During the year the Company has sold shareholding in its subsidiary Pipal Research Corporation and Pipal Research Analytics and Information Services India Private Limited (formerly known as Satvik Research and Analytics India Private Limited), a subsidiary of Pipal Research Corporation.

Loan funds

Secured loans represent balance amount payable under External commercial borrowings (ECB), finance lease obligation, post shipment credit facility and term loan. Unsecured loans represent Foreign currency convertible bonds (FCCB) and loan from others. Secured loans outstanding as at March 31, 2011 was ₹ 3,346.6 million as compared to ₹ 2,786.9 million as at March 31, 2010. The increase in secured loans was on account of post shipment credit facility availed for ₹ 431.8 million and exchange translation on ECB and term loan of ₹66.8 million and ₹ 59.8 million respectively and finance lease of ₹ 1.3 million.

Unsecured loans outstanding as at March 31, 2011 was ₹ 11,586.1 million as compared to ₹ 10,791.6 million as at March 31, 2010. The increase in unsecured loans was due to amortised cost on fair value of FCCB including premium payable on redemption totaling to ₹ 872.1 partially offset by exchange translation gain on FCCB of ₹ 60.6 million and repayment of loan from others of ₹ 17.0 million.

Goodwill

Goodwill as at March 31, 2011 was ₹ 20,454.0 million as compared to ₹ 20,725.9 million as at March 31, 2010.

The decrease in goodwill during the year was ₹ 271.9 million. This decrease was due to the sale of a subsidiary, Pipal Reserch Corporation in and 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 ₹ 2,285.3 million as at March 31, 2011 as compared to ₹ 1,838.0 million as at March 31, 2010, representing an increase of ₹ 447.3 million. The Company added fixed assets and capital work-in-progress of ₹ 1,381.6 million (including increase in leased assets of ₹ 59.9 million) during the year which was offset by net assets deleted amounting to ₹ 43.5 million and depreciation for the year ₹ 890.8 million. Capital expenditure during fiscal 2011 was primarily on account of asset purchase agreement entered in UK and acquisition of 80% stake in Twin Lake Property LLC.

Investments

The Company had investments amounting to ₹ 1,329.3 million as at March 31, 2011 as compared to ₹ 1,005.3 million as at March 31, 2010. The increase is due to deployment of the Company's surplus cash in investments. All the Company's investments as at March 31, 2011 are non-trade investments which are short term in nature and constitute investments in liquid debt market mutual funds.

Deferred Tax liability

Deferred tax liability as at March 31, 2011 was ₹ 58.0.million as compared to deferred tax asset of ₹ 55.0 million as at March 31, 2010. This decrease in deferred tax asset is primarily due to increase in deferred tax liability on account of Amortisation.

Current assets, loans and advances

Sundry Debtors and unbilled receivables. Sundry debtors amount to ₹ 2,388.7 million (net of provision for doubtful debts amounting to ₹ 69.7 million) as at March 31, 2011 as compared to ₹ 2,610.6 million (net of provision for doubtful debts amounting to ₹ 86.8 million) as at March 31, 2010. 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, 2011 (calculated based on per-day sales in the last quarter) were 40 days, compared to 47 days as at March 31, 2010.

Unbilled receivables represent costs incurred and revenues recognised on contracts not billed as of year end and to be billed in subsequent periods as per the terms of the contract. The unbilled receivables as at March 31, 2011 and 2010 amounted to ₹ 1,036.7 million and ₹ 673 million respectively. Including the unbilled receivables, debtors represented an outstanding of 57 days as at March 31, 2011 as compared to 59 days as at March 31, 2010.

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

Cash and bank balances. Cash balance represents cash in hand with the Company to meet its petty cash expenditures. The bank balances in India include Rupee accounts, foreign currency accounts and deposit 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, 2011 was ₹ 3,246.2 million as compared to ₹ 1,217.5 million as at March 31, 2010.

Loans and advances. Loans and advances as at March 31, 2011 were ₹ 1,685.4 million as compared to ₹ 1,774.9 million as at March 31, 2010. Significant items of loans and advances include payment towards security deposits for various rental premises, salary advances, prepaid expenses, advances paid for value and services to be received in future, lease rentals, advance income tax paid, minimum alternate tax credit, unamortised cost and accrued interest on loans and deposits. The decrease in loans and advances of ₹ 89.5 million was mainly on account of decrease in exchange gain on derivative contracts of ₹ 352.5 million, advances recoverable by ₹ 32.7 million, unamortised cost ₹ 26.6 million offset by increase in advance Income tax and tax deducted at source of ₹ 102.4 million, deposits ₹ 101.6 million and minimum alternate tax credit carried forward ₹ 95.6 million.

Current liabilities and provisions

Current liabilities. Current liabilities as at March 31, 2011 was ₹ 2,742.4 million as compared to ₹ 1,691.0 million as at March 31, 2010, representing a increase of ₹ 1,051.4 million. This increase was primarily contributed by increase in sundry creditors for expenses by ₹ 249.6 million and for capital goods by ₹ 833.5 million.

Provisions. Provisions include provisions for taxation, gratuity and leave encashment and withholding taxes on premium payable on redemption of foreign currency convertible bond (FCCB).

Provision for taxation represents estimated income tax liabilities both in India and abroad, net of advance taxes paid. Provision for taxation as at March 31, 2011 was ₹ 24.2 million as compared to ₹ 110.3 million as at March 31, 2010. This decrease was mainly on account of payment of advance tax and tax deducted at source.

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, 2011 was ₹ 15.6 million as compared to ₹ 42.1 million as at March 31, 2010. Provision for leave encashment valued on an actuarial basis as at March 31, 2011 was ₹ 176.9 million as compared to ₹ 185.0 million as at March 31, 2010. The decrease in the gratuity provision was due to additional funding during fiscal 2011.

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 2011**		Fiscal 2010	
INCOME	**₹ million**	**% of Income**	₹ million	% of Income
Income from services	**20,110.2**	**97.8%**	19,539.1	99.1%
Other operating income	**442.6**	**2.2%**	168.8	0.9%
Revenue from Operations	**20,552.8**	**100%**	19,707.9	100.0%
EXPENDITURE				
Personnel costs	**12,729.9**	**61.9%**	12,029.7	61.0%
Operating costs	**4,990.9**	**24.3%**	4,957.0	25.2%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	**2,832.0**	**13.8%**	2,721.2	13.8%
Depreciation and Amortisation	**890.8**	**4.3%**	872.6	4.4%
Operating EBIT (Earnings before Interest and Tax)	**1,941.2**	**9.4%**	1,848.6	9.4%
Finance charges, net	**330.1**	**1.6%**	455.8	2.3%
Other income	**141.9**	**0.7%**	210.1	1.1%
Profit before tax	**1,753.0**	**8.5%**	1,602.8	8.1%
Provision for taxation				
- Current tax expense (including foreign taxes)	**325.2**	**1.6%**	260.9	1.3%
- Deferred tax charge / (release)	**119.7**	**0.6%**	108.5	0.6%
- Minimum alternate tax credit entitlement	**(95.6)**	**(0.5)%**	(131.7)	(0.7)%
Profit after tax before minority interest	**1,403.7**	**6.8%**	1,365.2	6.9%
Minority interest	**18.6**	**0.1%**	4.5	0.0%
Profit after tax	**1385.1**	**6.7%**	1,360.7	6.9%

Income

Income from services. Income from services increased 2.9% to ₹ 20,110.2 million in fiscal 2011 from ₹ 19,539.1 million in fiscal 2010. The Company attributes this growth in its income from services to increased work from its existing clients and addition of new clients. These growth drivers were partially offset by unfavorable currency during the fiscal year 2011 as compared to previous fiscal year. The average exchange rate for USD and GBP in fiscal 2011 was ₹ 45.90 per USD and ₹ 71.41 per GBP as compared to ₹ 47.74 per USD and ₹ 76.20 per GBP in fiscal 2010.

Revenue from Operations. The Company's revenue from operations increased 4.3% to ₹ 20,552.8 million in fiscal 2011 from ₹ 19,707.9 million in fiscal 2010. On constant currency basis, neutralising the impact of adverse foreign exchange rate movements during the year, the Company's revenue from operations grew at 6.9% in fiscal 2011 over fiscal 2010.

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 57.3% (fiscal 2010 – 60.4%) and clients from United Kingdom accounted for 30.6% (fiscal 2010 – 27.0%) of the income from services in fiscal 2011. Clients in India accounted for 11.1% (fiscal 2010 – 11.9%) of the income from services in fiscal 2011.

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

(₹ In Millions)

	Fiscal Year	
	2011	2010
North America (USA and Canada)	**11,529.2**	11,808.8
UK	**6,145.3**	5,276.3
India	**2,225.4**	2,317.1
Rest of the world	**210.3**	136.9
Total	**20,110.2**	19,539.1

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 and lower INR/USD exchange rate compared to previous fiscal year. UK revenues in rupee terms however witnessed a strong growth Y-o-Y of 16.5% aided by increase in revenues from existing customers and new contract win with Barclaycard in UK, partially offset by lower INR/GBP exchange rate compared to previous fiscal year. Relatively faster pace of growth in UK compared to North America has resulted in UK revenue contribution increasing in percentage terms. Revenues from India decreased by 4.0% in this fiscal, primarily due lower volumes from existing customers.

Consolidated Revenues by Industry. Healthcare, Telecommunications and Media and BFSI accounted for 35.7%, 36.6% and 26.3% of income from services, respectively, in fiscal 2011 and 37.5%, 37.7% and 23.0% of income from services, respectively, in fiscal 2010.

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

(₹ in Millions)

	Fiscal Year	
	2011	2010
Healthcare	**7,183.6**	7,321.8
Telecommunications and Media	**7,351.6**	7,367.5
BFSI	**5,293.8**	4,485.9
Others	**281.1**	363.9
Total	**20,110.2**	19,539.1

On the Healthcare side, the Company works for both payers (insurance companies) and providers (hospitals and physical groups). While there was moderate growth in the Healthcare provider side of the business in fiscal 2011, the payer business volumes continued to be under pressure due to higher unemployment levels in the US. Unfavorable currency (lower USD/INR exchange rate as compared to previous fiscal year) also adversely impacted Healthcare income from services in rupee terms. Passage of Healthcare reforms in the US is a landmark event and the Company believes it is well positioned to benefit from these reform implications as these start to translate in to business opportunities.

On the Telecommunications and Media front, for the purpose of income from services reporting by industry, above numbers include both international telecom business (telecommunications and media business unit) as well as domestic telecom business (part of Asia Business Unit). The Company works across all service lines from Mobile, wireless and fixed lines to Broadband, Hi speed internet, DTH and Pay TV in telecommunications and media industry supporting customer lifecycle management across multiple channels. International telecommunications business (telecommunications and media business unit) witnessed moderate growth during fiscal 2011 on the back of companies within this industry outsourcing more processes generally, consolidating vendors as well as expanding suite of service offerings. These factors were partially offset by unfavorable currency. In fiscal 2011, pace of vendor consolidation slowed down and that has delayed deal closures and impacted overall growth rates. Delay in vendor consolidation is a temporary phenomenon and the Company expects decision making process to normalise in coming year. The Company has a robust pipeline in international telecommunications and media business unit across both new and existing customers for wide ranging service lines. India domestic telecom business (part of Asia Business Unit) in fiscal 2011 has been adversely impacted due to volatility and hyper competitiveness in the Indian telecom industry. Towards the end of fiscal 2011, there was return of stability in the market and the Company expects India domestic telecom business to start showing growth again. Combination of these factors across both international telecom business (telecommunications and media business unit) as well as domestic telecom business (part of Asia Business Unit) has resulted in overall telecommunications and media industry income from services being largely flat in fiscal 2011.

Within the BFSI vertical, for the purpose of income from services reporting by industry, above numbers largely include international BFSI business (BFSI business unit) as well as relatively a very small part from India domestic BFSI business (part of Asia Business Unit). In BFSI Company operates across cards, mortgages, general insurance and retail banking segments. In international BFSI business (BFSI Business unit), the credit card collections business of the Company witnessed good growth from existing clients. While the volume of delinquent debt continues to drop, the Company has been able to grow its revenues on the back of stable operational performance and market share gains with existing customers. On the non-collections BFSI side, there has been acceleration in growth during fiscal 2011. The Company won a large and complex outsourcing deal with Barclaycard UK during the year. Some existing customer relationships have also grown during the year. Some of these were partially offset by unfavorable currency impacting BFSI income from service in rupee terms. Also, there has been lower origination and servicing volumes in our UK mortgage BPO business along with subdued new deal activity in overall BFSI industry. Clients' are now starting to re-engage with BPO service providers and the Company expects pace of new deal activity to pick up in coming fiscal. The India domestic business on the BFSI side (part of Asia Business Unit) remains attractive and continues to grow too. During the year, the Company added Axis Bank as its customer in India. These factors have contributed to strong growth in income from services from BFSI industry.

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:

(₹ in Million)

	Fiscal Year			
	2011	%	2010	%
Top client	**2,360.3**	11.7	2,350.7	12.0
5 largest clients	**6,831.0**	34.0	6,342.6	32.5
All clients	**20,110.2**	100.0	19,539.1	100.0

In fiscal 2011, the Company had one client contributing over 10% of its income from services. This client accounted for 11.7% of the income from services in fiscal 2011. In fiscal 2010, the Company had one client contributing over 10.0% of its income from services. This client accounted for 12.0% of the income from services in fiscal 2010.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2011, the Company had 9 clients contributing over ₹ 500 million in annual revenues as compared to 10 clients in fiscal 2010. In fiscal 2011 and 2010, income from the Company's five largest clients amounted to ₹ 6,831.0 million and ₹ 6,342.6 million, respectively, accounting for 34% and 32.5% 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 ₹ 206.9 million or 1.0% of its income from services, in fiscal 2011. 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 2011 as well and was successful in growing 5 of the top 10 clients during the year.

Other operating income. Other operating income of ₹ 442.6 million in fiscal 2011 pertains to operating income in the nature of grants received in relation to the Company's business in Northern Ireland of ₹ 56.8 million and exchange gain on debtors of ₹ 385.8 million. In fiscal 2010, other operating Income of ₹ 168.8 million consisted of grants received in relation to the Company's business in Northern Ireland of ₹ 96.2 million and exchange gain on debtors of ₹ 72.6 million.

Expenditure

Personnel costs. Personnel costs for fiscal 2011 amounted to 61.9% of the Income for that period, as compared to 61.0% of income in fiscal 2010. Personnel costs increased by 5.8% to ₹ 12,729.9 million in fiscal 2011 from ₹ 12,029.7 million in fiscal 2010. Personnel costs in fiscal 2011 as a percentage of income were higher primarily due to large ramps in the Banking and financial business in Manila and also increase in business delivery onshore in UK and US. The Company's number of employees increased to 26,413 as of March 31, 2011 from 24,860 as of March 31, 2010, 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, 2011, 6,781 employees were employed outside India as compared to 6,076 employees as at end of fiscal 2010.

Operating costs. Operating costs for fiscal 2011 amounted to 24.3% of the income for that period, as compared to 25.2% of income in fiscal 2010. Operating costs increased to ₹ 4,990.9 million in fiscal 2011 from ₹ 4,957.0 million in fiscal 2010. Most expense items of operating costs increased at rates lower than, or generally in line with increase in revenues, with the exception of Recruitment & training expenses, traveling & conveyance, computer expenses and car & other hire charges which increased by 18.3% from ₹ 897.1million to ₹ 1,061.5 million, primarily due to additions of headcounts in India and other offshore business to cater to the growth in the business including ramps. Further there was a charge of ₹ 10.7 million related to write off of fixed assets of one of the centers in India.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

Operating EBITDA. As a result of the foregoing, operating EBITDA increased by ₹ 110.8 million to ₹ 2,832.0 million in fiscal 2011 from ₹ 2,721.2 million in fiscal 2010. Operating EBITDA in fiscal 2011 and fiscal 2010 was 13.8% of income.

Both fiscal 2011 and 2010 had expenses on account of extraordinary expense which were not in nature of recurring charges. Excluding the impact of these expenses, the operating EBITDA would be ₹ 2,895.7 million or 14.1% of income in fiscal 2011, as compared to ₹ 2,805.2 million or 14.2% of income in fiscal 2010.

Depreciation. Depreciation costs for fiscal 2011 amounted to 4.3% of the income for that period, as compared to 4.4% of income for fiscal 2010. Depreciation increased by 2.1% to ₹ 890.8 million in fiscal 2011 from ₹ 872.6 million in fiscal 2010.

Operating EBIT (Earnings before Interest and Tax)

Operating EBIT. Operating Earnings before Interest and Tax (EBIT) increased by ₹ 92.6 million to ₹ 1,941.2 million in fiscal 2011 from ₹ 1,848.6 million in fiscal 2010. Operating EBIT in fiscal 2011 and fiscal 2010 was 9.4% of income..

Excluding the impact of expenses incurred for extraordinary expenses in both fiscal 2011 and fiscal 2010, the operating EBIT would be ₹ 2,005.0 million or 9.8% of income in fiscal 2011, as compared to ₹ 1,932.6 million or 9.8% of income in fiscal 2010.

Finance charges, net. Finance charges, net of Interest income for fiscal 2011 amounted to 1.6% of income for that period, as compared to 2.3% of income in fiscal 2010. Net finance charges decreased by 28% to ₹ 330.1 fiscal 2011 from ₹ 455.8 million in fiscal 2010. Amortised cost on fair value of FCCB for fiscal 2011 was ₹ 129.0 million as compared to ₹ 115.3 million in fiscal 2010. Excluding the impact of the above component, finance charges for fiscal 2011 amounted to ₹ 201.0 million as compared to ₹ 340.6 million in fiscal 2010, an decrease of ₹ 139.6 million, primarily due to an increase of ₹ 32.3 million on account of Interest income and a movement of ₹ 118.4 million on account of exchange difference on foreign currency loans (Gain of ₹ 7.2 million in fiscal 2011 as compared to a loss of ₹ 111.2 million in fiscal 2010).

Other income. Other income decreased to ₹ 141.9 million in fiscal 2011 from ₹ 210.1 million in fiscal 2010. The components of other income in fiscal 2011 were profit from the sale and redemption of non-trade investments of ₹ 96.9 million, dividend income of ₹ 2.2 million, other miscellaneous income of ₹ 6.4 million, gain on sale of subsidiary of ₹ 79.4 million offset by foreign exchange loss of ₹ 43.0 million. Net foreign exchange loss included exchange loss of ₹ 34.9 million recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of consolidated financial statements. The components of other income in fiscal 2010 were net gain on FCCB buyback of ₹ 73.9 million, income from the sale and redemption of non-trade investments of ₹ 18.0 million, dividend income of ₹ 8.0 million, gain on sale of fixed assets of ₹ 4.7 million and other miscellaneous income of ₹ 7.5 million and foreign exchange gain of ₹ 98.0 million. Net foreign exchange gain included exchange gain of ₹ 7.6 million recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of consolidated financial statements and a mark to market exchange gain of ₹ 171.6 million on account of cancellation of derivative instruments.

Profit before tax

Profit before tax. Profit before tax increased by 9.4% to ₹ 1,753.0 million in fiscal 2011 from a profit before tax of ₹ 1,602.8 million in fiscal 2010. Profit before tax in fiscal 2011 was 8.5% of the income, as compared to 8.1% of the income in fiscal 2010.

Provision for taxation. Provision for taxation increased by 47.0% to ₹ 349.3 million in fiscal 2011 from ₹ 237.6 million in fiscal 2010. Income tax expense comprises of current tax, net change in the deferred tax assets and liabilities in the applicable fiscal period and minimum alternate tax credit entitlement.

Current tax expense comprises tax on income from operations in India and foreign tax jurisdictions. During the year, certain centers of the Company had the benefit of tax-holiday under Section 10A / 10B under the Software Technology Parks (STP) / Export Oriented Units (EOU) scheme. Current tax expense amounted to ₹ 325.2 million in fiscal 2011 as compared to ₹ 260.9 million in fiscal 2010.

There was a deferred tax charge of ₹ 119.7 million in fiscal 2011 compared to a deferred tax release of ₹ 108.5 million in fiscal 2010. Deferred tax liability increased primarily due to increase in Amortisation.

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 minimum alternate tax credit entitlement of ₹ 95.6 million in fiscal 2011 as compared to ₹ 131.7 million in fiscal 2010.

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 ₹ 1,403.7 million for fiscal 2011 from profit after tax before minority interest of ₹ 1,365.2 million in fiscal 2010.

Minority interest. Minority interest was ₹ 18.6 million in fiscal 2011 as compared to ₹ 4.5 million in fiscal 2010. This was due to increase in operating profits in Pipal and consolidation of Twin Lake Property LLC.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax increased by 1.8% to ₹ 1,385.1 million in fiscal 2011 from profit after tax of ₹ 1,360.7 million in fiscal 2010. Profit after tax in fiscal 2011 was 6.7% of the income, as compared to 6.9% of the income in fiscal 2010.

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 variety of sources, including cash from operations, short and long-term lines of credit and issuances of share capital. As of March 31, 2011, the Company had cash and cash equivalents of ₹ 3,246.2 million. This primarily represents cash and balances with banks in India and abroad.

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

(₹ In Million)

	Fiscal year	
	2011	2010
Net Cash flow from Operating activities	**2,457.0**	1,715.7
Net Cash flow used in Investing activities	**(598.4)**	(1,472.2)
Net Cash flow from Financing activities	**168.7**	7.1
Cash and bank balances at the beginning of the year	**1,217.5**	966.9
Cash and cash equivalent acquired from business aquisition	**1.4**	-
Cash and bank balances at the end of the year	**3,246.2**	1,217.5

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2011 amounted to ₹ 2,457.0 million. This consisted of net profit after tax of ₹ 1,385.1 million and a net upward adjustment of ₹ 1,587.9 million relating to various non-cash items and non-operating items including depreciation of ₹ 890.8 million; net decrease in working capital of ₹ 2.3 million; and income taxes paid of ₹ 513.7 million. The working capital decrease was due to decrease in trade and other receivables of ₹ 232.0 million, increase in loans and advances by ₹ 417.4 million and an increase in trade and other payables by ₹ 183.1 million.

Net cash generated from the Company's operating activities in fiscal 2010 amounted to ₹ 1,715.7 million. This consisted of net profit after tax of ₹ 1,360.7 million and a net upward adjustment of ₹ 1,377.7 million relating to various non-cash items and non-operating items including depreciation of ₹ 872.6 million; net increase in working capital of ₹ 651.8 million; and income taxes paid of ₹ 370.9 million. The working capital increase was due to increase in trade and other receivables of ₹ 428.5 million and a decrease in trade and other payables by ₹ 31.1 million.

Investing Activities

In fiscal 2011, the Company used ₹ 598.4 million of cash in investing activities. These investing activities primarily included capital expenditure payments of ₹ 430.6 million, including fixed assets purchased in connection with the establishment of the Company's delivery centers in UK, Mumbai, Chennai and additional capacity in Bangalore and Philippines; and net purchase of money and debt market mutual funds amounting to ₹ 227.1 million. During the year, the Company received an interest and dividend amounting to ₹ 31.7 million and sold few fixed assets for ₹ 27.5 million.

In fiscal 2010, the Company used ₹ 1,472.2 million of cash in investing activities. These investing activities primarily included capital expenditure payments of ₹ 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 ₹ 969.0 million. During the year, the Company received an interest and dividend amounting to ₹ 16.5 million and sold few fixed assets for ₹ 45.0 million.

Financing Activities

In fiscal 2011 net cash generated from financing activities amounted to ₹ 168.6 million. This primarily comprised of proceeds from secured loans of ₹ 433.4 million and proceeds from issuance of equity shares of ₹ 18.5 million. The Company repaid unsecured loans of ₹ 17.0 million on account of loan from others and paid interest of ₹ 266.3 million.

In fiscal 2010 net cash from financing activities amounted to ₹ 7.1 million. This primarily comprised of proceeds from secured loans of ₹ 1,347.0 million, unsecured loan of ₹ 23.6 million and proceeds from issuance of equity shares of ₹ 23.8 million. The Company bought back Foreign currency convertible bonds (FCCB), including expenses worth ₹ 455.4 million, repaid unsecured loans of ₹ 176.3 million and secured loans of ₹ 507.2 million, and paid interest of ₹ 248.4 million

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, 2011, the Company had cash and bank balances of ₹ 3,246.2 million as compared to ₹ 1,217.5 million as at March 31, 2010.

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 here 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 differ 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 emphasise 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 Chief Executive Officer (CEO) and Chief financial Officer (CFO), carries out continuous assessment of the risks to the business and reviews the risk management practice to ensure compliance with the policies.
Risk Management function	• Executes risk management related activities across the organisation as per the direction given by the risk committee.
Business Heads	• Ownership for managing the risks specific to their business and responsibility to ensure compliance with the policy.
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.
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 categorised as extreme, high, moderate and low risks in order to prioritise 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 organisation 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 2011, 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 CEO and CFO 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. **Fragile global economic recovery**

   The global economic conditions have been and continue to be somewhat challenging with tighter credit conditions and slower growth since financial crisis. While, the recovery is strengthening, it still is uneven and downside risks remain. In the United States, unemployment has started to fall, but quite slowly, and long-term unemployment remains alarmingly high. In the Europe, sovereign debt problems continue to be a concern and may derail the recovery. Political turmoil in Middle East continues to threaten oil supply and there have been natural calamities in Japan, whose effects on growth are not yet fully known. Global economic conditions and confidence in recovery 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.

   Anticipating, planning and responding to changes in such an economic landscape continue to be a major challenge. The Company has no exposure to Middle East or Japan. In Europe, the Company's only exposure is to UK which contributed 31% of its income from services in fiscal 2011. The Company is also present in relatively defensive industries such as Healthcare and Telecom & Media which tends to be less prone to recessionary cycles. To some extent, the Company's increasing focus on servicing emerging economies such as India which contributed 11% of income from services in fiscal 2011 also reduces its dependence on developed western economies. 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 focus on rigorous cost control and productivity improvement initiatives to protect operating margins in these challenging times. During fiscal 2011, the Company's operating EBIT margin was sustained at 9.8%, same as fiscal 2010.

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 organisations 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 anti offshoring legislations aimed at making offshore outsourcing prohibitive or 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 labor unions against the use of foreign labor.

   Protectionism is against the spirit of free trade and will also be counterproductive to the US and UK industry in the long term. The Company also strongly believes that the economic benefits of outsourcing and offshoring far outstrip any curbs imposed including through taxation and legislation.

   The Company recognised that early 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 provides 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 2007	Fiscal 2009	Fiscal 2011	Trend
Offshore	65.0%	30.5%	26.9%	↓
Onshore	31.2%	58.8%	62.0%	↑

   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 2,500 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.

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 client accounted for 11.7% of its income from services and Top 5 clients accounted for 34.0% of its income from services in fiscal 2011. 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. Further, the Company's revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in the North America and UK. Economic slowdowns or factors that affect these industries or the economic environment in these countries could adversely impact the Company's business.

   The Company recognises this aspect and constantly strives to rebalance its business portfolio in terms of clients as well as overall industry and geography 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. During fiscal 2011, the Company derived 36.6% income from services from telecommunications and media industry, 35.7% income from services from Healthcare and 26.3% income from services from BFSI industry. North America contributed 57.3% of income form services, followed by UK which contributed 30.6%

and India contributing 11.1% income from services in fiscal 2011. 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 strengthening domain capabilities, process excellence, standardisation 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 in 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' decisions 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. Expiry of certain tax benefits available in India

Until fiscal 2011, the Company's delivery centers in India has benefitted 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 has expired on March 31, 2011. As a result of this, the Company's Indian tax expense will increase impacting its after-tax profitability, 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. The SEZ legislation has been criticised on economic grounds by the International Monetary Fund (IMF) and the SEZ legislation may be challenged by certain non-governmental organisations. It is possible that, as a result of such political pressures, the procedure for obtaining the benefits under the SEZ legislation may become more difficult and time consuming, the types of land eligible for SEZ status may be further restricted or the SEZ legislation may be amended or repealed. Moreover, because this is a relatively new legislation, there is continuing uncertainty as to the governmental and regulatory approvals required to establish operations in the SEZs or to qualify for the tax benefit.

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.

7. Currency volatility

The average Indian rupee/US dollar exchange rate was approximately ₹ 45.90 per $1.00 in fiscal 2011, which represented an appreciation of the Indian rupee of 4.0% as compared with the average exchange rate of approximately ₹ 47.74 per $1.00 in fiscal 2010. The average Indian rupee/pound sterling exchange rate was approximately ₹ 71.41 per £1.00 in fiscal 2011, which represented a 6.7% appreciation of the Indian rupee as compared with the average exchange rate of approximately ₹ 76.20 per £1.00 in fiscal 2010. There has been volatility 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 sizable portion of its expenses will continue to be denominated in Indian rupees or Philippine Peso. 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 such as Philippine Peso, Canadian Dollar, Australian Dollar and Sri Lankan Rupee.

The Company has significant operations onshore (within North America and UK) and over the years the Company has also expanded operations in India for service offerings to domestic clients, which essentially results in such related income & expenses being denominated in similar currencies and hence no exposure to the currency exchange risk. The Company's cross currency exposure (revenues and cost being in different currencies) is limited to its offshore delivery spanning across India and Philippines catering to international customers which contributed 26.9% of the Company's income from services in fiscal 2011. The Company has a dedicated treasury function which actively tracks the movements in foreign currencies and has an internal risk management policy of proactively hedging exposures for a year ahead. As per the internal guidelines, the Company has been judiciously hedging its net exposures on regular basis through forward cover contracts and Options.

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 ₹ 92.2933 and if not, the same will be redeemed to the bondholders on the maturity date at a yield-to-maturity (YTM) of 6.75% per annum. However, the stock price of the Company is currently trading at levels significantly lower than the conversion price of these bonds. In this backdrop, bondholders are unlikely to opt for the conversion and are likely to choose the repayment option which in turn will result into 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 103 million cash and cash equivalents as on March 31, 2011. 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.

9. 'Change in control' related risk

The company's ownership is somewhat concentrated with the large three shareholders owning 55% of its shares. Our shareholders may seek to sell all or part of its shareholding in the Company and if some of our large shareholders collectively do so, it may result in a 'change in control' in our Company. A potential change in control transaction may consume management time and bandwidth and cause uncertainty among our employees, our clients, our creditors and other stakeholders.

A potential change of control event is beyond the Company's control and is a shareholder specific matter. However, the Company believes that such an event should have very little impact on the Company's business. The Company does not have any dependence on its shareholders for deriving business / revenues. The Company is also run by a professional management team and is governed by an independent Board of directors. The Board consists of ten directors of which five are independent directors.

10. Risks related to attrition

BPO industry is a labour 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 2011 quarter, the Company's attrition rate for all employees who were employed for more than 180 days was 65.9% for offshore delivery and 33.6% for onshore delivery. Attrition rate for domestic delivery in Asia business unit was significantly higher at 91.2%. 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 driving better employee engagement, ongoing focus on first time supervisory training, using targeted compensation measures etc. Overall, there is a lot of focus across the organisation to reduce attrition with linked reward mechanisms.

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

With signs of stabilisation and slower but gradual recovery in global economy, demand and competition for qualified employees continues to increase 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 2011 amounted to 61.9% of the Company's Revenue from operations. 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 setting up an in-house Recruitment Contact Center to contact and communicate Firstsource career opportunities and value proposition to prospective employees, launching innovative programs like Firstsource Training Academy, Stride to train and create a pool of employable resources. 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 North America, United Kingdom, Australia and Asia. The Company's corporate structure also spans across 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 centralised 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.
- Organisational awareness
  - The Company clearly states and updates the requirements according to compliance obligations at each level of the Organisation. Detailed understanding and ongoing training is provided to all employees during their lifecycle in the Organisation.
  - 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.

Mumbai
April 27, 2011

REPORT ON CORPORATE GOVERNANCE

Corporate Governance has gained considerable momentum in India and it is not just on account of regulatory compliance. The market regulator, Securities and Exchange Board of India (SEBI) has been proactive and effective in keeping India's corporate governance rules and regulations in line with best practices across the world. In December 2009, the Ministry of Corporate Affairs took the initiative of promoting better governance practices by issuing voluntary guidelines on corporate governance. Voluntary adoption of better standards is the way forward as corporate governance is more about abiding by the spirit than mere compliance.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Firstsource Solutions Limited ('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. 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.

Through its Corporate Governance measures, the Company keeps all its stakeholders informed about its policies, performance and development. The Company keeps its governance practices under continuous review and benchmarks itself to the best governed companies in the Country. The Board of Directors fully supports and endorses Corporate Governance practices in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges (Listing Agreement) & Voluntary Corporate Governance Guidelines issued by Ministry of Corporate Affairs in December 2009, to the extent possible and ensures good Corporate Governance practices across the Company in letter and in spirit. The Company has complied with all the mandatory requirements of the said clause and listed below is the status with regard to the same.

2. BOARD OF DIRECTORS

The Board of Directors of the Company ('the Board') provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. The Board plays a critical role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders. The Board consists of eminent persons with considerable skills and professional expertise and experience in business and industry, finance, management, law, marketing, technology, general management and strategic planning.

The Company has an optimum combination of Directors on the Board. The Board consists of 10 Directors of which 9 are Non-Executive Directors and 5 out of 10 Directors are Independent Directors.

Dates of the Board and Committee Meetings to be held in a financial year are decided in advance and intimated to all the Directors. Agenda papers of the Board and its Committee meetings are circulated to the Directors well in advance of the meeting, supported with significant information including that as enumerated in Annexure IA to Clause 49 of the Listing Agreement for discussion and consideration at the meetings.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. The Company uses teleconferencing facilities to ensure maximum participation of the Board Members. Six Board Meetings were held during the year 2010-11, i.e. on April 8, April 29, July 27, September 16 & October 27 in 2010 and February 9 in 2011. Time gap between any two meetings was not more than four months.

Details of composition, qualification, category of Directors, their attendance at the Board Meetings held during the year, Directorships & 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 31.03.2011	Directorships in other Public Companies as on 31.03.2011 #	Committee Memberships/ Chairmanships in other Public Companies as on 31.03.2011 ##	
						Memberships	Chairmanships
Dr. Shailesh J. Mehta* Chairman B.Tech. (Mech. Engg), IIT-M, M.S. & Ph.D.- Ops. Res. & Comp. Sc., USA	I-NED	5	-	170,000	1) Safari Industries (India) Ltd. 2) Manappuram Finance and Leasing Ltd. 3) Arch Pharmalabs Ltd.	Manappuram Finance and Leasing Ltd.- Audit Committee	-

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 31.03.2011	Directorships in other Public Companies as on 31.03.2011 #	Committee Memberships/ Chairmanships in other Public Companies as on 31.03.2011 ##	
						Memberships	**Chairmanships**
Dr. Ashok Ganguly* Chairman (upto 27.07.2010) Ph.D. and M.Sc., Illinois and Hons. Graduate, Mum. Univ.	I-NED	3	-	N.A.	N.A.	N.A.	N.A.
Mr. Ananda Mukerji** Vice - Chairman B.Tech.-IIT, Kharagpur, P.G.D.M.-IIM, Cal.	NI-NED	6	-	414,300	-	-	-
Mr. Alexander Matthew Vallance** Managing Director & CEO Dip. in Marketing, B.A.(Hons.), UK	ED	6	-	381,250	-	-	-
Mr. Y. H. Malegam B.Com., F.C.A., England & Wales, F.C.A., ICAI, India	I-NED	6	-	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. 8) The Western India Plywoods 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. K. P. Balaraj MBA-Harvard Business School, B. S. - Bus. Mngt., Hawaii	I-NED	2	3	-	1) Amalgamated Bean Coffee Trading Co. Ltd.	-	-
Mr. Charles Miller Smith M.A Hons., Scotland	I-NED	2	3	-	-	-	
Mr. Donald W. Layden Jr. B.A.-Eco. & Pol. Sc., Juris Doctorate with Hons., Marquette Univ. Law School	I-NED	4	2	-	-	-	-

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 31.03.2011	Directorships in other Public Companies as on 31.03.2011 #	Committee Memberships/ Chairmanships in other Public Companies as on 31.03.2011 ##	
						Memberships	**Chairmanships**
Mr. Pravir Vohra@ Post Graduate– Eco., Certified Associate of Indian Institute of Bankers	NI-NED	3	-	-	1) ICICI Securities Ltd.	ICICI Securities Ltd. - Audit Committee	
Ms. Lalita D. Gupte@ (upto 27.07.2010) B.A.-Eco., Masters – Mgt. Studies	NI-NED	2	-	N.A.	N.A.	N.A.	N.A.
Mr. Mohit Bhandari $ B.E. (Comp Engg.) & P.G.D.M., IIM-C	NI-NED	3	3	-	-	-	-
Mr. Ram V. Chary $$ M.S.-Fin. & Ops. Mgt., Purdue Univ.	NI-NED	1	1	-	-	-	-

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.

* Dr. Shailesh J. Mehta, Non-Executive Independent Director since 2005, was appointed as Chairman w.e.f. July 27, 2010 in place of Dr. Ashok Ganguly, who resigned as Chairman and Director on the same day.

** Mr. Alexander Matthew Vallance, Joint Managing Director then, was appointed as the Managing Director & CEO (MD & CEO) of the Company w.e.f. July 28, 2010 in place of Mr. Ananda Mukerji, who resigned as MD & CEO w.e.f July 27, 2010. Mr. Ananda Mukerji has been appointed as Non- Executive Vice- Chairman of the Board of Directors w.e.f. July 28, 2010.

@ Mr. Pravir Vohra was appointed as a Director representing ICICI Bank Ltd., Promoter, w.e.f. July 27, 2010, pursuant to the resignation of Ms. Lalita D. Gupte from the same day.

$ Mr. Mohit Bhandari is representing Equity Investor, Aranda Investments (Mauritius) Pte. Ltd., on the Board.

$$ Mr. Ram V. Chary is representing Equity Investor, Metavante Investment (Mauritius) Ltd., on the Board.

Dr. Shailesh J. Mehta, Mr. Alexander Matthew Vallance, Mr. Ananda Mukerji, Mr. Donald W. Layden Jr. and Mr. Y. H. Malegam were present at the last Annual General Meeting (AGM) of the Company held on September 16, 2010.

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. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all companies in which they are Directors.

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

3. AUDIT COMMITTEE

The Audit Committee, reconstituted on July 27, 2010, comprises of Mr. Y. H. Malegam - Chairman, Dr. Shailesh J. Mehta, Mr. Ananda Mukerji and Mr. Charles Miller Smith.

Four meetings of the Committee were held during the year 2010-11 i.e. on April 28, July 27 & October 26 in 2010 and February 9 in 2011. The time gap between any two 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	-
Dr. Shailesh J. Mehta*	I-NED	2	-
Mr. Ananda Mukerji#	NI-NED	2	-
Mr. Charles Miller Smith	I-NED	2	1
Ms. Lalita D. Gupte@	NI-NED	1	-
Mr. K.P. Balaraj$	NI-NED	-	1

* Dr. Shailesh J. Mehta was appointed as member w.e.f. July 27, 2010

\# Mr. Ananda Mukerji was appointed as member w.e.f. July 27, 2010

@ Ms. Lalita D. Gupte ceased to be member w.e.f. July 27, 2010

$ Mr. K. P. Balaraj ceased to be member w.e.f. July 27, 2010

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, recommending and approving the remuneration to be paid to Statutory Auditors, reviewing with the Management, quarterly and annual financial statements, internal audit reports and controls of the Company.

The Audit Committee's functions include reviewing the adequacy of the internal audit functions, its structure, reporting process, audit coverage and frequency of internal audits. The responsibility of the Committee is to also review the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the Board.

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

MD & CEO, Statutory Auditors, Global Chief Financial Officer (CFO) and all the Directors of the Company are invited to the meetings of the Audit Committee. Mr. Sanjay Gupta, Vice President - Corporate Affairs & 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. This Committee approves the grant of Stock Options to employees/Directors, reviews the overall compensation structure and policies of the Company and approves remuneration payable to the Executive Directors. Presently, the Committee comprises of Dr. Shailesh J. Mehta, Chairman, Mr. K. P. Balaraj, Mr. Ananda Mukerji and Mr. Charles Miller Smith.

Four meetings of the Committee were held during the year 2010-11 i.e. on April 29, July 27 & October 26 in 2010 and February 9 in 2011.

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. Shailesh J. Mehta, Chairman*	I-NED	4	-
Mr. Ananda Mukerji#	NI-NED	2	-
Mr. Charles Miller Smith	I-NED	2	1
Mr. K. P. Balaraj	I-NED	1	-
Dr. Ashok Ganguly**	I-NED	2	-

* Dr. Shailesh J. Mehta was appointed as Chairman w.e.f. July 27, 2010

\# Mr. Ananda Mukerji was appointed as Member w.e.f. July 27, 2010

** Dr. Ashok Ganguly ceased to be Member and Chairman w.e.f. July 27, 2010

Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the Company and the individual, industry benchmarks and is decided by the Committee. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance workforce. The Company follows a mix of fixed/ variable pay, benefits and performance related pay. The Company also grants Stock Options to Executive and Non-Executive Directors.

1. **Executive Directors:**

The Remuneration Committee of the Company is authorised to decide the remuneration of the Executive Directors, subject to the approval of Members and Central Government, if required.

The details of remuneration of the Executive Directors for the year ended March 31, 2011 are as under:

(Amount in ₹)

Name	Salary & Allowances	Performance Bonus	Perquisites	Retirals	Total
Mr. Ananda Mukerji, erstwhile MD & CEO*	5,353,324	-	247,397	2,909,593#	8,510,314
Mr. Alexander Matthew Vallance** as Joint MD (upto July 27, 2010)	3,315,921	4,641,854@	-	165,797	8,123,572
Mr. Alexander Matthew Vallance** as MD & CEO (w.e.f. July 28, 2010)	9,483,811	9,640,774@	-	549,898	19,674,483

* Mr. Ananda Mukerji ceased to be Managing Director & CEO w.e.f July 27, 2010 and was appointed as Non-Executive Vice-Chairman w.e.f July 28, 2010.

** The remuneration of ₹ 8,123, 572 was paid to Mr. Alexander Matthew Vallance from April 1 to July 27, 2010 by Firstsource Solutions UK Ltd. (FS UK), wholly owned subsidiary of the Company. He was appointed as MD & CEO w.e.f. July 28, 2010 and is drawing remuneration partly from the Company and partly from FS UK from the said date. The remuneration of ₹ 19,674,483 paid to him in the capacity as MD & CEO includes an amount of ₹ 11,945,012 paid by the Company and ₹ 7,729,471 paid by FS UK.

@ Exchange rate as on March 31, 2011 of 1 GBP = ₹ 71.41314 has been considered for the purpose of Performance Bonus. Actual amount may vary depending on the exchange rate on the date of payment.

Retirals include contribution to Provident Fund, Leave Encashment and Gratuity.

Mr. Ananda Mukerji was also paid a non compete fees in consideration of his agreeing not to compete with the business of the Company during the period he continues as a Director on Board of the Company and for a period of one year thereafter, equivalent to one year's total compensation including fixed compensation and performance bonus at target levels, aggregating to ₹ 27,780,000. This amount, being a contractual payment, does not form part of remuneration, paid in the capacity as MD & CEO of the Company till July 27, 2010, as mentioned above.

During the financial year 2010-11, Mr. Alexander Matthew Vallance was granted 3,000,000 Stock Options under the Company's 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 four years with 25% options vesting after 12 months and thereafter 12.5% options vesting after every six months from the date of the grant. The exercise period is 10 years from the date of the allotment of options. The employment of Mr. Alexander Matthew Vallance may be terminated at any time with or without cause and upon three months notice being served either by the Company or by Mr. Alexander Matthew Vallance on the other side.

2. Non-Executive Directors:

The Company, at the last AGM held on September 16, 2010, had approved grant of Stock Options under Firstsource Solutions Employee Stock Option Scheme, 2003 ("ESOS 2003") to all the Non-Executive Directors of the Company. Subsequently, the Board of Directors of the Company, at their meeting held on October 27, 2010, granted Stock Options to the Non-Executive Directors (excluding Directors representing Equity Investors). The numbers of stock options granted to Non-Executive Directors during the financial year 2010-11 are as under:

Sr. No.	Name of the Non-Executive Director	No. of stock options granted during FY 2010-11
1	Dr. Shailesh J. Mehta, Chairman	400,000
2	Mr. Ananda Mukerji, Vice Chairman*	300,000
3	Mr. Y. H. Malegam	300,000
4	Mr. Charles Miller Smith	250,000
5	Mr. Donald W. Layden Jr.	250,000
6	Mr. K. P. Balaraj	250,000
	TOTAL	**1,750,000**

* Mr. Ananda Mukerji, erstwhile MD & CEO, was appointed as Non-Executive Vice-Chairman w.e.f July 28, 2010.

All the Non-Executive Directors are also being paid sitting fee of ₹ 20,000/- for attending each meeting of the Board of Directors and Committee thereof. The details of sitting fees paid during the financial year 2010-11 are as under

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings	Total
Dr. Shailesh J. Mehta	100,000	180,000	280,000
Dr. Ashok Ganguly*	60,000	80,000	140,000
Mr. Ananda Mukerji#	60,000	120,000	180,000
Mr. Y. H. Malegam	120,000	80,000	200,000
Mr. Charles Miller Smith	40,000	80,000	120,000
Ms. Lalita D. Gupte*	40,000	20,000	60,000
Mr. K.P. Balaraj	40,000	20,000	60,000
Mr. Donald W. Layden Jr.	80,000	40,000	120,000
Mr. Mohit Bhandari	60,000	20,000	80,000
Mr. Pravir Vohra	60,000	-	60,000
Mr. Ram V. Chary	20,000	-	20,000
TOTAL	**680,000**	**640,000**	**1,320,000**

* Dr. Ashok Ganguly and Ms. Lalita D. Gupte ceased to be Directors w.e.f July 27, 2010.

\# Mr. Ananda Mukerji attended three Board Meetings in the capacity as Non-Executive Director.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee comprises of Dr. Shailesh J. Mehta, Chairman, Mr. Alexander Matthew Vallance 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, physical transfer / transmission / transposition, split / consolidation of share certificates, issue of duplicate share certificates etc. Mr. Sanjay Gupta, Vice President – Corporate Affairs & Company Secretary is the Compliance Officer.

Three meetings of the Committee were held during the year 2010-11 i.e. on April 29, July 27 and October 26 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. Shailesh J. Mehta, Chairman*	I-NED	1
Mr. Alexander Matthew Vallance#	NI-ED	1
Mr. Mohit Bhandari	NI-NED	1
Dr. Ashok Ganguly*	I-NED	2
Mr. Ananda Mukerji#	ED	2

* Dr. Shailesh J. Mehta was appointed as Chairman w.e.f. July 27, 2010 in place of Dr. Ashok Ganguly who resigned on the same day.

\# Mr. Alexander Matthew Vallance was appointed as member w.e.f July 27, 2010 in place of Mr. Ananda Mukerji.

The total numbers of complaints received during the year were five which were resolved. There were no pending complaints as on March 31, 2011. The Company did not receive any transfer requests and hence no request was pending for approval as on March 31, 2011.

OTHER COMMITTEES OF THE BOARD

Financial Results Committee: The Committee, as reconstituted on July 27, 2010, comprises of Mr. Y. H. Malegam-Chairman, Mr. Alexander Matthew Vallance and Mr. Mohit Bhandari. It reviews and approves the quarterly financial statements. No meeting of the Committee was held during the year.

Investment Committee: The Committee as reconstituted on July 27, 2010, comprises of Mr. Y. H. Malegam-Chairman, Mr. Alexander Matthew Vallance, Mr. Ananda Mukerji and Mr. Carl Saldanha. 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. No meeting of the Committee was held during the year.

Strategy Committee: The Committee as reconstituted on July 27, 2010, comprises of Mr. Ananda Mukerji- Chairman, Dr. Shailesh J. Mehta, Mr. Alexander Matthew Vallance and Mr. Donald W. Layden Jr. It deliberates on various strategic options from time to time. Three meetings of the Committee were held during the year 2010-11 i.e. on September 16 & October 27 in 2010 and February 11 in 2011.

Executive Committee: The Committee was constituted on July 27, 2010 to review the operational and financial performance of the Company and to approve any other matter as may be required. The Committee comprises of Mr. Y. H. Malegam- Chairman, Mr. Alexander Matthew Vallance, Mr. Ananda Mukerji, Mr. Pravir Vohra and Mr. Mohit Bhandari. No meeting of the Committee was held during the year.

6. GENERAL BODY MEETINGS

Venue, day, date and time of last three AGMs:

Year	Venue	Day & Date	Time
2009-10	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Thursday, September 16, 2010	3.00 p.m.
2008-09	Same as above	Wednesday, July 29, 2009	3.00 p.m.
2007-08	Same as above	Thursday, July 31, 2008	3.00 p.m.

Special Resolutions passed at last 3 AGMs:

a) 2009-10

i. Approval for payment of commission to the Chairman, Vice-Chairman and Non-Executive Directors of the Company within 1% of Net Profits of the Company.

b) 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, erstwhile Managing Director & CEO for the year ended March 31, 2009 and considering the same as minimum remuneration.

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

iv. Approval of modification in terms of remuneration of Mr. Ananda Mukerji, erstwhile Managing Director & CEO w.e.f. April 1, 2009.

c) 2007-08

i. Alteration of the Articles of Association of the Company.

Poll:

Demand for poll was made by a member at the last AGM of the Company held on September 16, 2010 with respect to Item Nos. 1,2,3,4,6,7,8 and 9 of the Notice. Poll was conducted by the Company on Friday, September 17, 2010 at the Registered office of the Company situated at 6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013. Mr. Bharat Upadhyay, Member of the Company and Mr. Nilesh Trivedi, Practising Company Secretary were appointed as the Scrutineers to scrutinise the votes given on the Poll. Based on the Scrutineers' report received after the Poll, the Chairman declared that resolutions in respect of Item nos.1,2,3,4,6,7,8 and 9 of the Notice were passed by the requisite majority of the Members through poll.

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 three 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 also acts as a Remuneration Committee of the Company, details of which have been given earlier in this Report.

Shareholders' Rights:

The Company follows a practice of e-mailing the quarterly & annual financial statements to all shareholders, who have provided their e-mail addresses to the Depositories through their respective Depository Participants. The financial results of the Company are normally published in Business Standard, Mint and Sakal which have wide circulation.

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, 2011.

Training of Board Members:

At every Board Meeting, detailed presentations are made to the Board members, 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 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 unauthorised or ulterior purpose, unfair discrimination in course of organisation's employment etc. The policy ensures protection of employees wishing to raise a concern. All complaints received under the said policy are reviewed by the Audit Committee at its meeting held every quarter.

vi. CEO/CFO Certification

Certification on financial statements pursuant to Clause 49V 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 Codes of Conduct for Executive Directors and for Non-Executive Directors & Senior Management of the Company. The Codes of Conduct have been circulated to the Board and Senior Management and the compliance of the same have been affirmed by them. A declaration signed by the MD & 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, opening and closure of Trading Window and Pre-Clearance procedure. In compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company sends intimations to Stock Exchanges from time to time

ix. Subsidiary Companies

The Company has two domestic subsidiaries and nine foreign subsidiaries. Both the domestic subsidiaries and seven out of nine foreign subsidiaries are wholly owned by the Company or its subsidiary companies. However, the Company has no material non-listed Indian Subsidiary Company as defined in Clause 49III of the Listing Agreement. The minutes of the meetings 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. MD & CEO submits a 'Compliance Certificate' to the Board every quarter based on the compliance certificates received from the functional heads and heads of subsidiaries of the Company.

xii. Anti-Sexual Harassment Policy

The Company has an anti-sexual harassment policy to induce protective work environment. The complaints received by the Sexual Harassment Committee with details of action taken thereon are 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. Half of the members of the Board of Directors of the Company comprises of Independent Directors.

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 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) had 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 in compliance with majority 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 a clear demarcation of the roles and responsibilities of Dr. Shailesh J. Mehta, Chairman and Mr. Alexander Matthew Vallance, MD & CEO of the Company.

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

  Mr. Alexander Matthew Vallance, MD & CEO does not hold any directorships in other public limited companies or private limited companies that are either holding or subsidiaries of public limited companies except subsidairies of the Company. 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 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 to perform their role effectively.

C. Remuneration of Directors

- **Guiding Principles-Linking Corporate and Individual Performance**

  The Company has a well defined Remuneration Policy for all its employees. The payment of Performance Bonus is based on Company / vertical performance & individual performance providing a balance between fixed and variable pay. In addition, part of 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 Stock Options to Executive Directors, Non-Executive Directors (other than Directors representing equity investor) and some key executives, based on their contribution and performance. A part of annual salary increase of key executives of the Company was given in the form of Stock Options.

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

  All NEDs are paid remuneration by way of sitting fees of ₹ 20,000 for attending each Board / Committee Meeting, which is the maximum amount that can be paid under the Companies Act, 1956. The members at the AGM held on September 16, 2010, had approved payment of commission to the Non-Executive Directors ('NEDs') of the Company (other than the Directors representing Equity Investors) for each financial year over a period of 5 (five) years commencing from April 1, 2010 upto March 31, 2015, upto 1% of the Net Profits of the Company. However, in order to conserve cash reserves and to meet the current business obligations of the Company, the Board at its meeting held on April 27, 2011 decided not to pay commission to NEDs for FY 2010-11. Besides, NEDs (other than Directors representing equity investors) were also granted Stock Options of the Company, details of which are given hereinabove.

- **Remuneration Committee**

  The Company has Compensation cum Board Governance Committee, which also acts as the Remuneration Committee of the Company. This Committee approves the grant of Stock Options to employees/Directors, reviews the overall compensation structure and policies of the Company and approves remuneration payable to the Executive 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 timely 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, presentations on strategy, budget and other relevant information are 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 financial performance of the Company and each of its Business Verticals, 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 four members, out of which three are Independent Directors. The Chairman is an Independent Director. All the members of Audit Committee have knowledge of financial management, audit & 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 having separate discussions with Internal and Statutory Auditors as well as the Management of the Company.

- **Roles and Responsibilities**

  Roles and responsibilities of the Audit Committee include review of related party transactions, internal audit function and risk management framework, recommending appointment, re-appointment or removal of Statutory Auditors and remuneration payable to them.

(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 remuneration payable to them.

- **Need for clarity on information to be sought by Auditors**

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

(V) Secretarial Audit

The Company gets Secretarial Audit done as a part of Internal Audit.

(VI) Institution of Mechanism for Whistle Blowing

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

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 reports filed with the Stock Exchanges on a quarterly basis.

9. GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Day, Date, Time and Venue:

Wednesday, August 3, 2011 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) – Financial Year 2011-12

First quarter results - first week of August
Second quarter results - second week of November
Third quarter results - last week of January
Fourth quarter and Annual results - first week of May
Annual General Meeting (Financial year 2011-12) - July/August/September

III. Dates of Book Closure (both days inclusive)

Wednesday, July 27, 2011 to Wednesday, August 3, 2011.

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 2010-11.

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) and Bombay Stock Exchange Ltd. (BSE).

The Foreign Currency Convertible Bonds (FCCBs) are listed on Singapore Exchange Securities Trading Ltd. (SESTL).

Annual Listing fees for the year 2010-11 has been paid by the Company to NSE and BSE. The Company has also been regularly paying annual listing fee to SESTL.

VI. (a) Stock Code

NSE – FSL

BSE – 532809

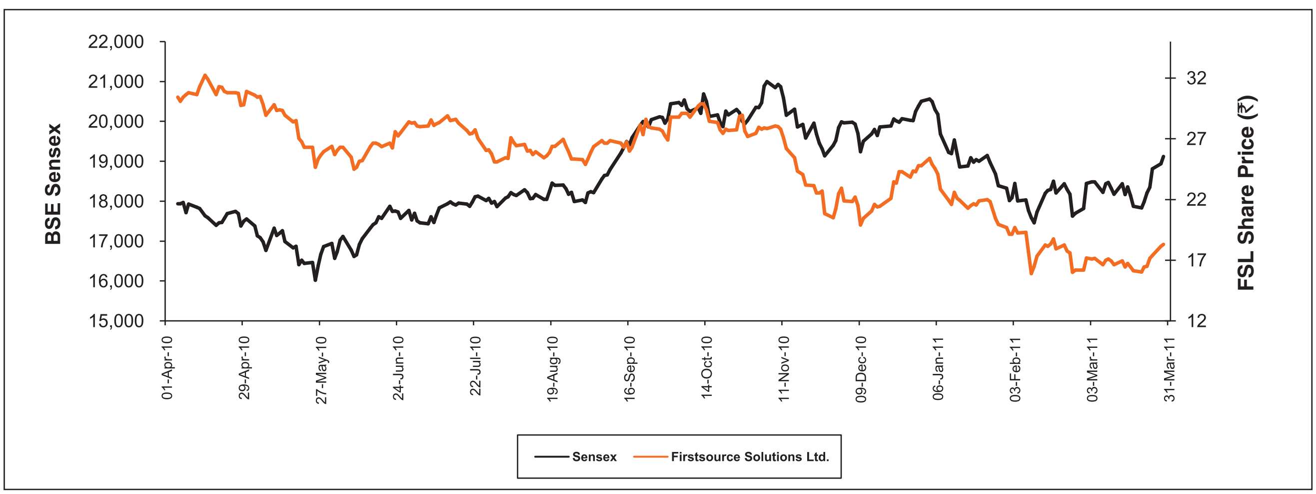
(b) ISIN in National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL)

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 (₹)		No. of shares traded	Share Price (₹)		No. of shares traded
	High	Low		High	Low	
Apr-10	33.30	28.45	79,211,827	36.70	28.50	26,741,139
May-10	31.65	24.10	32,848,954	31.65	24.45	10,271,461
Jun-10	29.00	24.10	37,762,922	29.00	24.15	11,466,977
Jul-10	29.35	24.95	41,917,283	29.35	24.95	13,195,366
Aug-10	27.40	24.80	41,808,495	27.45	24.75	11,731,665
Sep-10	29.40	25.00	48,253,316	29.25	25.00	17,750,225
Oct-10	30.50	26.80	57,104,897	30.50	26.80	21,258,728
Nov-10	28.85	19.20	49,022,574	28.85	19.50	15,716,424
Dec-10	25.70	19.55	60,118,705	25.40	19.40	20,660,591
Jan-11	25.95	19.00	48,786,630	25.95	19.15	13,501,387
Feb-11	20.30	15.40	36,117,861	20.10	15.50	10,767,540
Mar-11	18.80	16.00	27,430,296	18.80	15.95	8,721,042

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



IX. Registrar & Transfer Agents

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

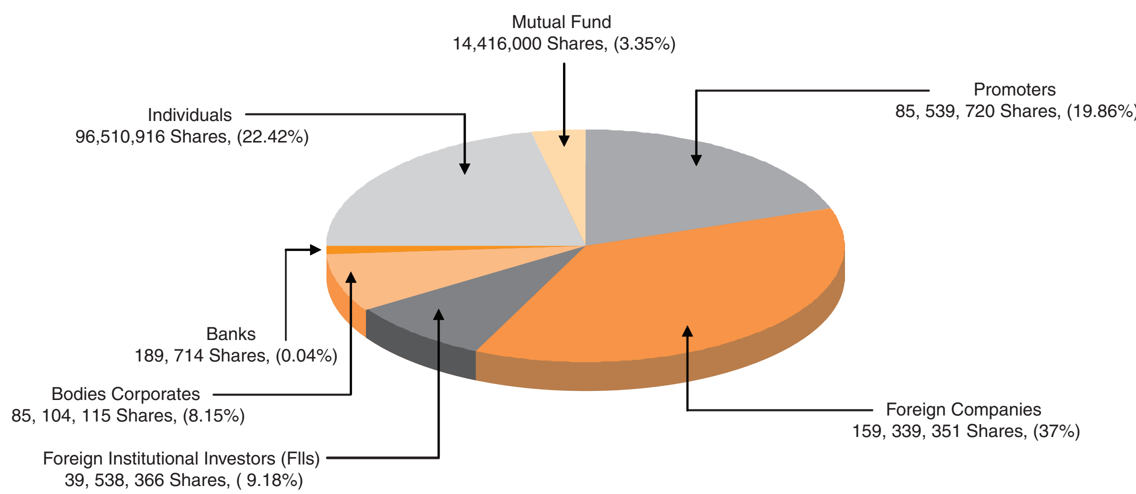
X. Share Transfer System

The transfer of shares in physical form is generally processed by 3i Infotech Ltd. within a period of seven 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 Practicing Company Secretary on a half-yearly basis 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, 2011

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	Nos.	%	₹	%
Upto 5,000	143,359	81.98	247,914,930	5.76
5,001 - 10,000	16,656	9.52	140,670,380	3.27
10,001 - 20,000	7,782	4.45	122,147,260	2.84
20,001 - 30,000	2,503	1.43	65,539,980	1.51
30,001 - 40,000	1,133	0.65	41,427,410	0.96
40,001 - 50,000	1,019	0.58	48,917,180	1.14
50,001 - 100,000	1,392	0.80	104,492,220	2.43
100,001 - above	1,031	0.59	3,535,272,460	82.09
Total	**174,875**	**100.00**	**4,306,381,820**	**100.00**

The Shareholding pattern as on March 31, 2011 is given as under:



Top 10 Shareholders as on March 31, 2011

Sr. No.	Name of the Shareholder	Category of Shareholder	No. of Shares	%
1.	Aranda Investments (Mauritius) Pte Ltd.	Foreign Company	81,073,488	18.83
2.	Metavante Investments (Mauritius) Ltd.	Foreign Company	78,265,863	18.17
3.	ICICI Bank Ltd.	Promoter	77,963,491	18.10
4.	Birla Sun Life Insurance Company Ltd.	Body Corporate	10,245,876	2.38
5.	ICICI Prudential Life Insurance Company Ltd.	Promoter	7,575,829	1.76
6.	Morgan Stanley Mauritius Company Ltd.	Foreign Institutional Investor	6,199,903	1.44
7.	Tata Trustee Co. Pvt. Ltd. A/C Tata Mutual Fund-Tata Equity P/E Fund	Mutual Fund	6,000,000	1.39
8.	Macquarie Bank Ltd.	Foreign Institutional Investor	5,200,000	1.21
9.	Credit Suisee (Singapore) Ltd.	Foreign Institutional Investor	4,216,000	0.98
10.	CLSA (Mauritius) Ltd.	Foreign Institutional Investor	3,896,097	0.90
	TOTAL		**280,636,547**	**65.16**

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 Secretary every quarter, which confirms that total issued capital of the Company is in agreement with total number of listed shares with Stock Exchanges and 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, 2011

	Shareholders		Share Capital	
	No. of Shareholders	**% to Total Shareholders**	**No. of Shares**	**% to Total Share Capital**
Dematerialised Form				
NSDL	118,753	67.91	394,721,859	91.96
CDSL	56,108	32.08	35,352,044	8.21
Total in dematerialised Form	**174,861**	**99.99**	**430,073,903**	**99.87**
Physical Form	14	0.01	564,279	0.13
Total	**174,875**	**100.00**	**430,638,182**	**100.00**

Details of Unclaimed Shares

The Company made an Initial Public Offering (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 three reminders to the investors requesting them to furnish their correct demat account details so that the shares lying in the said Escrow Account can be transferred to their demat account.

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, 2010	59	6,629
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2010-11	9	1,008
Investors to whom shares were transferred from Escrow Account during the year	9	1,008
Outstanding shares in the Escrow Account as on March 31, 2011	50	5,621

Details of Unclaimed Refunds (IPO) :

Post Initial Public Offer (IPO) of the Company in 2007, an amount of ₹ 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 had sent three reminders to the shareholders requesting them to furnish 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, 2011 was ₹ 11.67 lacs pertaining to 59 investors.

XIII. Outstanding Global Depository Receipts (GDRs)/ American Depository Receipts (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 in December 2007. The FCCBs have a maturity period of five years and one day, maturing in December 2012. The FCCBs are listed on Singapore Exchange Securities Trading Ltd. The nominal amount of Bonds outstanding as on March 31, 2011 was USD 212.4 Million.

XIV. Delivery Centers

The Company along with its 11 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: Chennai (4), Mumbai (3), Navi Mumbai (3), Bangalore (2), Trichy (2) & 1 each in Kolkata, Pondicherry, Vijayawada, Cochin, 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 Vice President - Corporate Affairs & Company Secretary 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
April 27, 2011

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, 2011, 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
April 26, 2011

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, 2011 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 an employee having significant role in the Company's internal control system over financial reporting.

For **Firstsource Solutions Limited**

Alexander Matthew Vallance
Managing Director & CEO
Mumbai
April 27, 2011

For **Firstsource Solutions Limited**

Carl Saldanha
Global CFO

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.

Alexander Matthew Vallance
Managing Director & CEO

Mumbai
April 27, 2011

AUDITORS' REPORT

To the Board of Directors of
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 2011, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto. 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. The Group 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. Consequent to adoption of AS 30, the profit after taxation is lower and reserves and surplus as at the balance sheet date is higher by ₹ ('000) 390,507 and ₹ ('000) 236,818 respectively.

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 2011;

   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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	Schedule	2011	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,306,382**	4,292,097
Share application money		**-**	3,450
Reserves and surplus	4	**9,920,817**	9,948,159
		14,227,199	14,243,706
Minority interest		**1,080**	49,753
Loan funds			
Secured loans	5	**3,346,620**	2,786,880
Unsecured loans	6	**11,586,053**	10,791,583
Deferred tax liability, net	10	**57,954**	-
		29,218,906	27,871,922
APPLICATION OF FUNDS			
Goodwill on consolidation	7	**20,454,026**	20,725,908
Fixed assets	8		
Gross block		**7,594,454**	6,432,542
Less: Accumulated depreciation and amortisation		**5,420,489**	4,674,629
Net block		**2,173,965**	1,757,913
Add: Capital work in progress (including capital advances)		**111,359**	80,115
		2,285,324	1,838,028
Investments	9	**1,329,339**	1,005,308
Deferred tax asset, net	10	**-**	55,048
Current assets, loans and advances			
Sundry debtors	11	**2,388,728**	2,610,578
Unbilled receivables		**1,036,656**	673,041
Cash and bank balances	12	**3,246,174**	1,217,512
Loans and advances	13	**1,685,411**	1,774,897
		8,356,969	6,276,028
Less: Current liabilities and provisions			
Current liabilities	14	**2,742,358**	1,690,999
Provisions	15	**464,394**	337,399
		3,206,752	2,028,398
Net current assets		**5,150,217**	4,247,630
		29,218,906	27,871,922
Significant accounting policies	2		
Notes to accounts	20 - 32		

The schedules referred to above 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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

For and on behalf of the Board of Directors

Dr. Shailesh Mehta *Chairman*	**Ananda Mukerji** *Vice Chairman*	**Alexander Matthew Vallance** *Managing Director & CEO*
Ram Chary *Director*	**Pravir Vohra** *Director*	**Mohit Bhandari** *Director*
Y.H.Malegam *Director*	**K.P.Balaraj** *Director*	**Charles Miller Smith** *Director*
Donald Layden Jr. *Director*	**Carl Saldanha** *Global CFO*	**Sanjay Gupta** *Company Secretary*

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	Schedule	2011	2010
INCOME			
Income from services		**20,110,183**	19,539,104
Other operating income	26	**442,595**	168,774
Other income	16	**141,897**	210,111
		20,694,675	19,917,989
EXPENDITURE			
Personnel costs	17	**12,729,942**	12,029,744
Operating costs	18	**4,990,899**	4,956,950
Depreciation and amortisation	8	**890,764**	872,632
		18,611,605	17,859,326
Profit before finance charges, taxation and minority interest		**2,083,070**	2,058,663
Finance charges, net	19	**330,054**	455,842
Profit before taxation, minority interest		**1,753,016**	1,602,821
Provision for taxation			
- Current tax expense		**325,178**	260,854
- Deferred tax charge		**119,729**	108,504
- Minimum alternate tax credit entitlement		**(95,561)**	(131,747)
Profit after taxation before minority interest		**1,403,670**	1,365,210
Minority interest		**18,577**	4,500
Profit after taxation and minority interest		**1,385,093**	1,360,710
Add: Accumulated balance brought forward from previous year		**4,279,724**	2,919,014
Accumulated balance carried forward to the balance sheet		**5,664,817**	4,279,724
Earnings per share	27		
Weighted average number of equity shares outstanding during the year			
- Basic		**429,898**	428,742
- Diluted		**520,272**	520,300
Earnings per share (₹)			
- Basic		**3.22**	3.17
- Diluted		**2.91**	2.84
Nominal value per share (₹)		**10**	10
Significant accounting policies	2		
Notes to accounts	20 - 32		

The schedules referred to above 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

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Bhavesh Dhupelia
Partner
Membership No: 042070

Ram Chary
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Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

Mumbai
27 April 2011

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	2011	2010
Cash flow from operating activities		
Profit after tax	**1,385,093**	1,360,710
Adjustments for		
Depreciation and amortisation	**890,764**	872,632
Deferred tax charge	**119,729**	108,504
Provision for current tax and MAT credit entitlement	**229,617**	129,107
Provision for doubtful debts / bad debts written off, net	**5,515**	24,252
Foreign exchange loss / (gain), net	**130,379**	(18,011)
Interest and finance charges	**394,449**	369,518
Interest and dividend income	**(59,421)**	(32,877)
Profit on sale of investments (including subsidiary)	**(176,347)**	(17,962)
Gain on FCCB buyback, net	-	(73,909)
Minority interest	**18,577**	4,500
Rent expenses on account of adoption of AS 30	**23,989**	16,661
Loss / (Gain) on sale of fixed asset	**10,702**	(4,738)
Operating cash flow before changes in working capital	**2,973,046**	2,738,387
Changes in working capital		
Decrease / (Increase) in debtors	**232,024**	(428,531)
Increase in loans and advances and unbilled receivables	**(417,435)**	(192,184)
Increase / (Decrease) in current liabilities and provisions	**183,073**	(31,097)
Net changes in working capital	**(2,338)**	(651,812)
Income taxes paid	**(513,674)**	(370,870)
Net cash generated from operating activities (A)	**2,457,034**	1,715,705
Cash flow from investing activities		
Purchase of investment in mutual funds / Government securities	**(18,290,564)**	(12,762,736)
Sale of investment in mutual funds / Government securities	**18,063,467**	11,793,687
Interest and dividend income received	**31,732**	16,458
Capital expenditure	**(430,605)**	(564,652)
Proceeds from sale of fixed assets	**27,527**	45,047
Net cash used in investing activities (B)	**(598,443)**	(1,472,196)
Cash flow from financing activities		
Proceeds from secured loans	**433,443**	1,347,000
Repayment of secured loans	**-**	(507,200)
Proceeds from unsecured loans – others	**-**	23,624
Repayment of unsecured loans – others	**(17,023)**	(176,302)
Repayment of unsecured loan – FCCB, including expenses	**-**	(455,425)
Proceeds from issuance of equity shares and share application money	**18,525**	23,789
Interest paid	**(266,308)**	(248,422)
Net cash generated from financing activities (C)	**168,637**	7,064

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	2011	2010
Net increase in cash and cash equivalents (A+B+C)	**2,027,228**	250,573
Cash and cash equivalents at the beginning of the year	**1,217,512**	966,939
Cash and cash equivalents acquired from business acquisition	**1,434**	-
Cash and cash equivalents at the end of the year	**3,246,174**	1,217,512

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

	2011	2010
Cash on hand	**352**	444
Balances with scheduled banks		
- in current accounts	**331,179**	116,340
- in deposit accounts *	**842,107**	2,100
- in foreign currency accounts	**134,708**	331
Balances with non scheduled banks		
- in current accounts	**1,790,889**	1,146,266
- in deposit accounts**	**46,442**	46,760
Remittances in transit	**369,836**	-
	3,515,513	1,312,241
Less: Current account balance held in trust for customers in non scheduled banks	**269,339**	94,729
	3,246,174	1,217,512

* Includes ₹ 2,000 (31 March 2010: ₹ 2,000) under lien for bank guarantees to the customs authorities.

** Includes ₹ 33,446 (31 March 2010: ₹ 33,675) 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

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Bhavesh Dhupelia
Partner
Membership No: 042070

Ram Chary
Director

Pravir Vohra
Director

Mohit Bhandari
Director

Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

Mumbai
27 April 2011

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(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.

Effective 1 April 2010, the Company has changed the classification of its subsidiaries FAL, FBPS and FSL-UK as non-integral foreign operations per criteria laid down in AS 11(Revised) "Effects of changes in foreign exchange rates". However, the impact of this change in classification is not considered material.

Effective 1 April 2010, the Company has made an acquisition of 80% holding in "Twin Lakes Property LLC-I" (refer Schedule 7: Acquisition of Firstsource Advantage LLC (FAL)).

The list of subsidiaries considered in these consolidated financial statements as at 31 March 2011 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 UK Limited ("FSL-UK")	A subsidiary of Firstsource Solutions Limited, organised 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 UK Limited 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 (upto 30 November 2010)	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 (upto 30 November 2010)	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	A subsidiary of FG US (post merger of FSL-USA) incorporated in the State of Delaware, USA. Effective 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, organised 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, organised under the laws of State of Delaware, USA. Effective 31 March 2010 FSL-USA is merged into FG US	100%	2002-2003
Twin Lake Property LLC-I ("Twinlakes-I")	A subsidiary of FAL incorporated under the laws of the State of New York, USA	80%	2010-2011
MedAssist Holding Inc. ("MedAssist")	A Subsidiary of FG US (post merger of FSL USA), organised under the laws of State of Delaware, USA	100%	2007-2008

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(Currency: In thousands of Indian rupees)

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
Firstsource Solutions USA LLC (earlier known as 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 Firstsource Solutions USA 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 Firstsource Solutions USA LLC (post merger of MedAssist Incorporated), organised 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., organised 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., organised 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, organised under the laws of Nevada Corporation, USA. Effective 31 March 2010 Twin is merged into MI	100%	2007-2008
Anunta Tech Infrastructure Services Limited ("Anunta")	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India	100%	2010-2011

* During the year the Company has sold its shareholding in its subsidiary Pipal (refer Schedule 7 and 16).

2. Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements of Firstsource Solutions Limited and its subsidiaries (collectively the 'Company' or 'the Group' (as listed in schedule 1 above)), have been prepared and presented under the historical cost convention (except for certain financial instruments which are measured on fair value basis) on accural basis of accounting and accounting principles generally accepted in India and comply with the Accounting Standards prescribed by Institute of Chartered Accountants of India ('ICAI') and in accordance with the relevant provisions of the Companies Act, 1956, to the extent applicable. The Company has adopted Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31- 'Financial Instruments: Presentation' ('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.

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

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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 revisions to accounting estimates are recognised 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 recognised 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 recognised on achievement of performance milestones specified in the customer contracts. Revenue from debt collection services is recognised when debts are realised. Revenue from contingency based contracts, in which the client is invoiced for rendering eligibility services based on percentage of the hospital's third party reimbursement, is recognised on approval of such services by relevant authorities.

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

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

Interest income is recognised 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 recognised 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 summarised 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
Tangible	
Building	27
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 - 4
Networking equipments	3 - 5
Furniture, 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 ₹ 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.

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(Currency: In thousands of Indian rupees)

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 amortisation 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 amortisation period and the amortisation method is reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortisation 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 recognised 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 recognises 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 recognised 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 the 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 States 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.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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 recognised 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 recognised for the future tax consequences attributable to timing differences that result from differences between the profits offered for income tax 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 recognised 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 realised 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 realisation 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 Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A / 10B of the 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 five years and 50% deduction for another five 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 recognised in respect of the same.

2.12 Leases

Finance lease

Assets acquired on finance lease, including assets acquired under sale and lease back transactions, have been recognised 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 payments 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 recognised as income, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the profit and loss account as incurred on a straight line basis (refer Schedule 20).

2.13 Foreign currency transactions, 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 recognised in Hedging Reserve Account or Translation Reserve Account respectively. Such exchange differences are subsequently recognised in the profit and loss account on occurrence of the underlying hedged transaction or on disposal of the investment, as the case may be.

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(Currency: In thousands of Indian rupees)

b. *Derivative instruments and hedge accounting*

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

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions. The Company designates these as cash flow hedges.

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

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

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised 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 recognised in shareholders' 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 recognised 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 receivables, 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 recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised 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 the 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 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.

2.14 Foreign currency translation

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

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 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.

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(Currency: In thousands of Indian rupees)

2.15 Earnings per share

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

2.16 Provisions and contingencies

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

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

Contingent assets are not recognised in the financial statements.

2.17 Onerous contracts

Provisions for onerous contracts are recognised 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. Accordingly, any gain / loss arising on account of exchange fluctuation is accounted in Exchange difference on FCCB translation (refer Schedules 30 and 31).

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).

		2011	2010
3.	**Share capital**		
	Authorised		
	850,000,000 (31 March 2010: 850,000,000) equity shares of ₹ 10 each	**8,500,000**	8,500,000
		8,500,000	8,500,000
	Issued, subscribed and paid-up		
	430,638,182 (31 March 2010: 429,209,682) equity shares of ₹ 10 each, fully paid-up	**4,306,382**	4,292,097
		4,306,382	4,292,097
	During the year 1,428,500 (31 March 2010: 1,020,000) options were allotted (refer Schedule 21).		
4	**Reserves and surplus**		
	Securities premium		
	Securities premium at the beginning of the year *	**3,329,094**	4,027,517
	Add : Premium on shares issued during the year	**7,689**	10,139
	Write back of amortised premium on buyback of FCCB (refer Schedule 30)	**-**	51,487
	Less: Amortisation of premium payable on redemption of FCCB for the year (refer Schedules 2.18 b and 31) **	**1,029,116**	760,049
	Securities premium at the end of the year	**2,307,667**	3,329,094
	General reserve	**667,944**	667,944
	(Transition adjustment on adoption of AS 30 (refer Schedule 31))		

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(Currency: In thousands of Indian rupees)

	2011	2010
Hedging reserve account (refer Schedule 29)		
Balance at the beginning of the year	**416,692**	(56,726)
Movement during the year	**(320,616)**	473,418
Balance at the end of the year	**96,076**	416,692
Foreign curency translation reserve		
Balance at the beginning of the year	**1,254,705**	1,954,676
Exchange difference on FCCB translation (refer Schedules 2.18 a and 31)	**(98,942)**	1,440,194
Exchange difference on consolidation of non-integral subsidiaries	**28,550**	(2,140,165)
Balance at the end of the year	**1,184,313**	1,254,705
Profit and loss account	**5,664,817**	4,279,724
	9,920,817	9,948,159

* Net securities premium of ₹ 39,270 (31 March 2010: ₹ 39,270) of Customer Assets India Limited has been eliminated on consolidation and considered as part of goodwill.

** Includes withholding tax on premium payable on FCCB of ₹ 247,712 (31 March 2010: Nil).

5. Secured loans

	2011	2010
External commercial borrowings (ECB)	**1,249,913**	1,183,060
(Secured against pari passu charge on all assets of FG US)		
Finance lease obligation	**86,750**	85,515
(Secured against assets taken on lease) (refer Schedule 20)		
Post shipment credit facility (Secured against accounts receivables)	**431,820**	-
Term loan	**1,578,137**	1,518,305
(Secured against current and fixed assets of FG US)		
	3,346,620	2,786,880

6. Unsecured loans

	2011	2010
Foreign currency convertible bonds (FCCB)		
(refer Schedules 30 and 31) *	**11,562,682**	10,751,189
Loan from others – long term **	**23,371**	40,394
	11,586,053	10,791,583

* Includes pro-rata premium payable on redemption of FCCB amounting ₹ 2,346,317 (31 March 2010: ₹ 1,598,007).

** Repayable within a year ₹ 19,465 (31 March 2010: ₹ 19,435).

7. Business acquisitions

Goodwill on consolidation

Entity Name	Date of acquisition	2011	2010
MedAssist *	20 September 2007	**16,471,839**	16,584,494
FAL	22 September 2004	**1,569,833**	1,617,633
RevIT	31 March 2005	**970,768**	970,768
Pipal (refer note below)	26 July 2004	**-**	90,510
FR US	3 September 2003	**707,979**	728,896
Customer Asset India Ltd.	22 April 2002	**733,607**	733,607
		20,454,026	20,725,908

* Pursuant to restructuring, goodwill on acquisition of Business Process Management of ₹ 1,527,588 (31 March 2010 : ₹ 1,538,035) has been merged with MedAssist.

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(Currency: In thousands of Indian rupees)

Acquisition of MedAssist Holding, Inc (MedAssist)

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 ₹ 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 ₹ 557,507 which have been included in the cost of investment in MedAssist.

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

During the year ended 31 March 2009, the Company has made an additional payment of ₹ 6,243 (equivalent to USD 0.12 million) to erstwhile shareholders of MedAssist and made an adjustment to deferred taxes amounting to ₹ 127,937 (equivalent to USD 2.5 million). Accordingly the goodwill is increased by ₹ 134,140.

Total Goodwill on MedAssist acquisition restated at exchange rates at balance sheet date amounts to ₹ 14,944,251 (31 March 2010 : ₹ 15,046,459).

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 ₹ 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 ₹ 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 ₹ 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 amortisation (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 ₹ 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 ₹ 1,527,588 (31 March 2010 : ₹ 1,538,035).

Acquisition of Firstsource Advantage LLC (FAL)

On 22 September 2004, the Company through its subsidiary, FR-US acquired 100% voting right in FAL, a limited liability company in New York, USA. The Company paid ₹ 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 ₹ 1,260,590 including direct expenses relating to the acquisition aggregating to ₹ 68,114.

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

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

As per the terms of the share purchase agreement, the Company has elected an option to acquire Twin-Lakes I effective 1 April 2010.

Total goodwill of FAL restated at exchange rate on balance sheet date is ₹ 1,569,833 (31 March 2010 : ₹ 1,617,633)

Acquisition of RevIT Systems Private Limited (RevIT)

Pursuant to Share Purchase and Sale agreement 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 ₹ 936,524 (equivalent of USD 22.32 million) and preference shares at par for ₹ 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 ₹ 5,082 which have been considered as part of the cost of investment in RevIT.

₹ 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.

Sale of Pipal Research Corporation, USA (Pipal)

During the year, the Company has disinvested its entire shareholding in Pipal for a total consideration of ₹ 208,411 (equivalent to USD 4.6 million). Resultant profit on sale of the same amounting to ₹ 79,063 has been accounted in Other Income (refer Schedule 16). Remittances in transit includes ₹ 172,587 (equivalent to USD 3.8 million) on this account.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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 ₹ 596,862. Firstsource acquired 99.80% voting interest in FR-US on a fully diluted basis. The Company incurred direct expenses related to the acquisition aggregating to ₹ 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 ₹ 111,617. Firstsource's cost of investment in FR-US in excess of FR-US's equity on the date of investment aggregating ₹ 707,979 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 ₹ 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 ₹ 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 ₹ 225,916. Firstsource's cost of investment in CAST India in excess of CAST India's equity on the date of investment aggregating ₹ 733,607 has been recorded as goodwill in the consolidated financial statements.

Total goodwill on consolidation resulting due to the above acquisitions aggregates to ₹ 20,454,026 (31 March 2010: ₹ 20,725,908).

8. Fixed assets

	Gross block (at cost)					Accumulated depreciation/amortisation					Net block	
	As at 1 April 2010	Additions/ adjustments during the year	Additions on account of business acquisitions	Deletions during the year	**As at 31 March 2011**	As at 1 April 2010	Charge for the year	Additions on account of business acquisitions	On deletions/ adjustments during the year	**As at 31 March 2011**	**As at 31 March 2011**	As at 31 March 2010
Intangible assets												
Goodwill	127,124	759,969	-	-	**887,093**	58,927	91,347	-	-	**150,274**	**736,819**	68,197
Domain name	6,720	-	-	-	**6,720**	6,720	-	-	-	**6,720**	**-**	-
Software*	837,721	90,419	-	(40,080)	**888,060**	671,209	105,881	-	(40,080)	**737,010**	**151,050**	166,512
Tangible assets												
Land	-	-	22,096	-	**22,096**	-	-	-	-	**-**	**22,096**	-
Building	-	-	120,142	-	**120,142**	-	3,396	31,905	-	**35,301**	**84,841**	-
Leasehold improvements*	1,608,410	118,425	-	(39,708)	**1,687,127**	1,042,230	238,350	-	(16,874)	**1,263,706**	**423,421**	566,180
Furniture, fixtures and office equipments*	1,505,214	163,825	258	(59,760)	**1,609,537**	1,042,674	194,454	-	(41,724)	**1,195,404**	**414,133**	462,540
Computers*	1,343,105	50,262	-	(74,623)	**1,318,744**	1,059,238	154,778	-	(72,512)	**1,141,504**	**177,240**	283,867
Networking/ Service equipments*	985,038	53,259	359	(4,622)	**1,034,034**	788,086	100,157	-	(4,523)	**883,720**	**150,314**	196,952
Vehicles	19,210	3,224	-	(1,533)	**20,901**	5,545	2,401	-	(1,096)	**6,850**	**14,051**	13,665
Total	**6,432,542**	**1,239,383**	**142,855**	**(220,326)**	**7,594,454**	**4,674,629**	**890,764**	**31,905**	**(176,809)**	**5,420,489**	**2,173,965**	**1,757,913**
31 March 2010	6,348,219	480,132	-	(395,809)	6,432,542	4,157,497	872,632	-	(355,500)	4,674,629	1,757,913	

Note

* The above assets include assets taken on lease having gross block of ₹ 234,475 (31 March 2010: ₹ 174,551) and net block of ₹ 88,685 (31 March 2010: ₹ 88,546).

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	2011	2010
9. Investments		
Short term		
Non-trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills)*	**8,613**	4,356
Super Ahorro Pesos (Mutual Fund in Argentina)	**4,928**	-
10,199,398 (31 March 2010: Nil) units of Birla Sun Life Cash Plus - Institutional Premium Plan - Growth Option	**160,000**	-
2,368,950 (31 March 2010: Nil) units of ICICI Prudential Interval Fund V - Monthly Interval Plan A Institutional Growth Option	**25,000**	-
4,842,850 (31 March 2010: Nil) units of ICICI Prudential Interval Fund I - Monthly Interval Plan A Institutional Growth Option	**50,987**	-
7,837,319 (31 March 2010: Nil) units of Reliance Liquid Fund- Treasury Plan- Institutional Option- Growth Option	**187,000**	-
10,005,007 (31 March 2010: Nil) units of Kotak Floater Short Term Plan Growth Option	**160,361**	-
12,208,271 (31 March 2010: Nil) units of HDFC Cash Management Fund Savings Plan Growth Option	**250,000**	-
13,180,421 (31 March 2010: Nil) units of SBI Premier Liquid Fund - Super Institutional Plan - Growth Option	**203,000**	-
5,515,568 (31 March 2010 :14,173,090) units of Religare Credit Opportunities Fund - IP Plan - Growth Option	**60,000**	145,117
15,365,597 (31 March 2010: Nil) units of UTI Fixed Income Interval Fund - MIP - II - Institutional Growth Plan	**159,036**	-
2,295,209 (31 March 2010: Nil) units of Reliance Monthly Fund Series I Institutional Growth Plan	**30,414**	-
2,517,961 (31 March 2010: Nil) units of IDFC Cash Fund - Super Institutional Plan C- Growth Option	**30,000**	-
Nil (31 March 2010: 13,490,439) units of IDFC Money Manger Fund - Treasury Plan C- Growth Option	**-**	145,025
Nil (31 March 2010: 25,961,423) units of ICICI Prudential Ultra Short Term Plan Super Premium Growth Option	**-**	266,299
Nil (31 March 2010: 14,420,464) units of Kotak Flexi Debt Scheme	**-**	162,199
Nil (31 March 2010: 202,789) units of ICICI Prudential Flexible Income Plan Premium Growth	**-**	34,242
Nil (31 March 2010: 268) units of ICICI Prudential Institutional Liquid Plan - Super Institutional Growth	**-**	36
Nil (31 March 2010: 11,159,939) units of Birla Sun Life Saving Fund Institutional Plan Growth Option	**-**	193,991
Nil (31 March 2010: 43,100) units of Reliance - Money Manager Fund - Institutional Plan - Growth Option	**-**	54,043
(Net asset value of non trade investments ₹ 1,334,184 (31 March 2010: ₹ 1,006,897))		
* Securities worth ₹ 8,613 (31 March 2010: ₹ 4,356) have been earmarked in favor of SEC, Philippines in compliance with corporation code of Philippines.	**1,329,339**	1,005,308
10. Deferred tax asset / liability, net		
Deferred tax asset on account of :		
Business losses carried forward	**349,323**	351,713
Difference between tax and book value of fixed assets	**386,766**	299,364
Gratuity and leave encashment	**55,901**	42,375
Accrued expenses / Allowance for doubtful debts	**37,024**	57,703
	829,014	751,155
Deferred tax liability on account of :		
Amortisation	**886,968**	696,107
	886,968	696,107
Deferred tax (liability) / asset, net	**(57,954)**	55,048

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
11.	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	- considered good	**-**	6,041
	- considered doubtful	**69,694**	86,776
		69,694	92,817
	Other debts		
	- considered good	**2,388,728**	2,604,537
	- considered doubtful	**-**	-
		2,388,728	2,604,537
	Less: Provision for doubtful debts	**69,694**	86,776
		2,388,728	2,610,578
12.	**Cash and bank balances**		
	Cash on hand	**352**	444
	Balances with scheduled banks		
	- in current accounts	**331,179**	116,340
	- in deposit accounts *	**842,107**	2,100
	- in foreign currency accounts	**134,708**	331
	Balances with non scheduled banks		
	- in current accounts	**1,790,889**	1,146,266
	- in deposit accounts **	**46,442**	46,760
	Remittances in transit	**369,836**	-
		3,515,513	1,312,241
	Less: Current account balance held in trust for customers in non-scheduled banks	**269,339**	94,729
		3,246,174	1,217,512
	* Includes ₹ 2,000 (31 March 2010: ₹ 2,000) under lien for bank guarantees to the customs authorities.		
	** Includes ₹ 33,446 (31 March 2010: ₹ 33,675) towards line of credit for FAL.		
13.	**Loans and advances**		
	(Unsecured, considered good)		
	Deposits	**440,630**	339,043
	Prepaid expenses	**153,937**	138,828
	Advances recoverable in cash or in kind or for value to be received	**248,887**	281,635
	Lease rentals receivable, net (refer Schedule 20)	**55,900**	52,589
	Advance tax and tax deducted at source ((net of provision for tax ₹ 345,077 (31 March 2010: ₹ 191,398))	**351,572**	249,173
	Accrued interest on loans and deposits	**7,623**	3,189
	Unamortised cost (refer Schedule 31)	**60,966**	87,574
	Exchange gain on derivative contracts	**113,677**	466,207
	Minimum alternate tax credit carried forward	**252,219**	156,659
		1,685,411	1,774,897

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
14.	**Current liabilities**		
	Sundry creditors		
	- for expenses	**1,497,751**	1,248,204
	- for capital goods*	**894,596**	61,047
	Book credit in bank accounts	**81,428**	76,544
	Other liabilities	**103,196**	105,502
	Value added tax payable	**82,025**	109,732
	Tax deducted at source payable	**46,920**	52,635
	Interest accrued but not due	**36,442**	37,335
		2,742,358	1,690,999
	* Includes ₹ 849,873 (31 March 2010: Nil) payable for assets purchased over four years.		
15.	**Provisions**		
	Provision for income tax ((net of taxes paid in advance ₹ 304,031 (31 March 2010: ₹ 70,149))	**24,186**	110,284
	Gratuity	**15,600**	42,104
	Leave encashment	**176,896**	185,011
	Withholding taxes on premium on redemption of FCCB	**247,712**	-
		464,394	337,399
16.	**Other income**		
	Foreign exchange (loss) / gain, net *	**(43,040)**	98,044
	Profit on sale/redemption of non trade investments, net – current	**96,933**	17,962
	Dividend on non trade investments	**2,226**	7,965
	Gain on sale of fixed assets, net	**-**	4,738
	Gain on FCCB buyback, net (refer Schedule 30)	**-**	73,909
	Gain on sale of investment in subsidiary – long term	**79,414**	-
	Miscellaneous income	**6,364**	7,493
		141,897	210,111
	* Net Foreign exchange gain / (loss) includes exchange loss of ₹ 34,908 (31 March 2010: gain of ₹ 7,573) recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of these consolidated financial statements. Also includes mark to market gain of Nil (31 March 2010: ₹ 171,571) on account of cancellation of derivative instruments (refer Schedule 29).		
17.	**Personnel costs**		
	Salaries, bonus and other allowances	**11,760,414**	11,191,411
	Contribution to provident and other funds	**419,799**	335,922
	Staff welfare	**549,729**	502,411
		12,729,942	12,029,744

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
18.	**Operating costs**		
	Rent, rates and taxes	**1,111,733**	1,102,380
	Services rendered by business associates and others	**91,077**	179,934
	Legal and professional fees	**442,431**	469,244
	Connectivity charges	**371,875**	388,812
	Information and communication expenses	**662,120**	680,682
	Repairs and maintenance – others	**486,557**	471,326
	Car and other hire charges	**314,882**	290,301
	Travelling and conveyance	**412,238**	340,539
	Recruitment and training expenses	**175,857**	123,663
	Electricity, water and power consumption	**285,742**	282,594
	Computer expenses	**158,502**	142,576
	Marketing and support services	**85,335**	88,184
	Insurance	**92,038**	98,176
	Advertisement and publicity	**3,666**	2,709
	Printing and stationery	**103,394**	100,961
	Research expenses	**53,208**	59,928
	Meeting and seminar expenses	**10,949**	8,475
	Auditors' remuneration		
	- Audit fees	**12,000**	12,000
	- Tax audit fees	**300**	300
	- Other services	**805**	1,310
	Membership fees	**6,901**	5,139
	Directors fees	**1,320**	1,300
	Provision for doubtful debts / bad debts written off, net	**5,515**	24,252
	Bank administration charges	**63,557**	56,751
	Loss on sale / write off of fixed assets, net	**10,702**	-
	Miscellaneous expenses	**28,195**	25,414
		4,990,899	4,956,950
19.	**Finance charges, net**		
	Interest expense		
	- on External commercial borrowings and term loan	**236,960**	235,763
	- on Working capital demand loan and others	**17,270**	7,705
	- Amortised cost on fair value of FCCB (refer Schedule 31)	**129,031**	115,255
	Bank guarantee commission	**11,188**	10,795
		394,449	369,518
	Less: Interest income		
	- on deposits with bank	**28,049**	5,206
	- on others	**29,146**	19,706
		337,254	344,606
	Add: Exchange (gain) / loss on other foreign currency loans (other than FCCB)	**(7,200)**	111,236
		(7,200)	111,236
		330,054	455,842

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

20. Leases

Operating Lease

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 lessor and lessee. Rental expenses under non-cancelable operating leases for the year ended 31 March 2011 aggregated to ₹ 667,488 (31 March 2010: ₹ 610,999). Of these expenses, ₹ 13,941 (31 March 2010: ₹ 3,518) and Nil (31 March 2010: ₹ 13,394) 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:

	2011	2010
Amount due within one year from the balance sheet date	**622,658**	564,355
Amount due in the period between one year and five years	**828,812**	988,602
Amount due in the period beyond five years	**68,843**	-
	1,520,313	1,552,957

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 2011 aggregated to ₹ 425,424 (31 March 2010 : ₹ 447,300).

Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2011 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2011			
Amount payable within one year from the balance sheet date	**43,074**	**5,689**	**37,385**
Amount payable in the period between one year and five years	**56,312**	**6,947**	**49,365**
	99,386	**12,636**	**86,750**
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

The Group also has given vehicles on finance lease to its employees as per policy. As at 31 March 2011, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2011			
Amount receivable within one year from the balance sheet date	**25,997**	**4,972**	**21,025**
Amount receivable in the period between one year and five years	**39,460**	**4,585**	**34,875**
	65,457	**9,557**	**55,900**
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

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(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 four years as follows:

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

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

Employee stock option activity under Scheme 2002 is as follows:

Description **Exercise Range : 00.00 - 30.00**	**2011**		2010	
	Shares arising out of options	**Weighted Average period in months**	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	**91,875**	**34**	99,375	46
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**1,250**	-	7,500	-
Outstanding at the end of the year	**90,625**	**22**	91,875	34
Exercisable at the end of the year	**90,625**	**-**	91,875	-

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).

Employee stock option activity under Scheme 2003 is as follows:

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Description		2011		2010	
	Exercise Range	**Shares arising out of options**	**Weighted average period in months**	Shares arising out of options	Weighted average period in months
Outstanding at the beginning of the year	00.00 - 30.00	**11,229,024**	**100**	7,542,774	49
	30.01 - 60.00	**30,827,701**	**88**	33,557,075	124
	60.01 - 90.00	**13,568,814**	**91**	14,562,564	133
Granted during the year	00.00 - 30.00	**17,150,000**	**-**	6,000,000	-
	30.01 - 60.00	**200,000**	**-**	100,000	-
	60.01 - 90.00	**-**	**-**	-	-
Forfeited during the year	00.00 - 30.00	**1,776,250**	**-**	1,361,250	-
	30.01 - 60.00	**7,487,767**	**-**	2,619,374	-
	60.01 - 90.00	**9,435,802**	**-**	993,750	-
Exercised during the year	00.00 - 30.00	**1,277,250**	**-**	952,500	-
	30.01 - 60.00	**-**	**-**	210,000	-
	60.01 - 90.00	**-**	**-**	-	-
Outstanding at the end of the year	00.00 - 30.00	**25,325,524**	**102**	11,229,024	100
	30.01 - 60.00	**23,539,934**	**74**	30,827,701	88
	60.01 - 90.00	**4,133,012**	**80**	13,568,814	91
Exercisable at the end of the year	00.00 - 30.00	**5,703,649**	**-**	4,291,524	-
	30.01 - 60.00	**19,646,184**	**-**	17,956,451	-
	60.01 - 90.00	**3,693,012**	**-**	4,131,762	-

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	50.0
End of 36 months from the date of grant of options	50.0

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

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

The vesting schedule for Performance Linked Options is as follows:

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

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	**2011**	2010
Net income as reported	**1,385,093**	1,360,710
Less: Stock based employee compensation expense (fair value method)	**95,825**	(132,345)
Proforma net income	**1,289,268**	1,493,055
Basic earnings per share as reported (₹)	**3.22**	3.17
Proforma basic earnings per share (₹)	**3.00**	3.48
Diluted earnings per share as reported (₹)	**2.91**	2.84
Proforma diluted earnings per share (₹)	**2.48**	2.87

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%

22. Managerial remuneration

Particulars	**2011**	2010
Salaries and allowances	**46,592**	29,362
Contribution towards retirement benefits	**411**	1,314
Perquisites	**247**	343
Total	**47,250**	31,019

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 by the Firstsource Group during the year ended 31 March 2011 are summarised below:

Parties with substantial interests	• 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.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Key Managerial Personnel including relatives	• Ananda Mukerji# • Alexander Matthew Vallance • Carl Saldanha
Non Executive Directors	• Dr. Ashok Ganguly* • Dr. Shailesh Mehta • Ananda Mukerji# • Charles Miller Smith • K.P.Balaraj • Mohit Bhandari • Y.H.Malegam • Donald Layden, Jr. • Lalita D. Gupte* • Pravir Vohra*** • Ram Chary

* Resigned during the year

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

*** Additions during the year

Stepped down as non-executive director during the year

Particulars of related party - Transactions

Name of the related party	Description	Transaction value during the year ended		Receivable / Payable	
		31 March 2011	31 March 2010	**31 March 2011**	31 March 2010
ICICI Bank Limited	Income from services	-	48,542	-	-
	Interest expenditure	-	6,996	-	-
	Term loan	-	507,200	-	-
	Guarantee commission	-	22,980	-	-
ICICI- Prudential Life Insurance Company Limited	Income from services	-	22,982	-	-
	Insurance Premium Paid	-	1,006	-	-
	Rent paid	-	2,193	-	-
Metavante Investments (Mauritius) Limited	Income from services	-	40,451	-	5,826
Key management personnel and relatives	Remuneration paid	**72,031**	41,885	-	-
Non executive directors	Sitting fees paid	**1,320**	1,300	-	-

Note: Excludes forward contracts and ESOP's.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(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	2011	2010
Remuneration paid		
Ananda Mukerji	**34,318**	24,902
Alexander Matthew Vallance	**26,475**	6,117
Carl Saldanha	**11,238**	10,866

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	2011	2010	2009	2008	2007
Change in present value of obligations					
Obligations at beginning of the year	**87,963**	74,662	53,737	36,218	24,873
Service cost	**27,551**	55,698	24,010	22,531	15,405
Interest cost	**6,549**	5,760	4,570	2,733	1,633
Actuarial (gain)/loss	**(7,284)**	(41,471)	(3,191)	(4,159)	(1,566)
Benefits paid	**(15,638)**	(6,686)	(4,464)	(3,586)	(2,051)
Obligations at the end of the year	**99,141**	87,963	74,662	53,737	38,294
Change in plan assets					
Fair value of plan assets at beginning of the year	**44,436**	46,105	2,076	2,076	2,076
Expected return on plan assets	**5,017**	3,871	1,358	164	(21)
Actuarial gain/(loss)	**(1,216)**	657	1,570	(164)	(1,958)
Contributions	**36,980**	-	45,565	3,586	-
Benefits paid	**(14,338)**	(6,197)	(4,464)	(3,586)	1,979
Fair value of plan assets at end of the year	**70,879**	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	**99,141**	87,963	74,662	53,737	38,294
Fair value of plan assets at the end of year	**(70,879)**	(44,436)	(46,105)	(2,076)	(2,076)
Funded status being amount of liability recognised in the balance sheet	**28,262**	43,527	28,557	51,661	36,218
Gratuity cost for the year					
Service cost	**27,551**	55,698	24,010	22,531	15,405
Interest cost	**6,549**	5,760	4,570	2,733	1,633
Actuarial (gain)/loss	**(6,068)**	(42,128)	(1,619)	(1,045)	(21)
Expected return on plan assets	**(5,017)**	(3,871)	(1,358)	(3,115)	(3,523)
Net gratuity cost	**23,015**	15,459	25,603	21,104	13,494
Actual return on plan assets	**3,801**	4,527	2,928	-	-
Assumptions					
Interest rate	**8.30%**	8.00%	7.86%	8.75%	7.50%
Estimated rate of return on plan assets	**9.00%**	8.00%	8.00%	8.70%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%
Withdrawal rate	**25% reducing to 2% for over 20 years of service**	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Experience Adjustments	2011	2010	2009	2008
On plan liabilities (Gain) / Loss	**(13,234)**	(12,513)	(12,195)	(15,887)
On plan assets (Gain) / Loss	**1,216**	(657)	(1,570)	164

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 ₹ 20,000 to the gratuity trust during fiscal year 2012.

b) Contribution to Provident Funds

The provident fund charge during the year amounts to ₹ 110,667 (31 March 2010: ₹ 106,855)

c) Compensated absences

Actuarial Assumptions	2011	2010	2009	2008	2007
Interest rate	**8.30%**	8.00%	7.86%	8.75%	7.50%
Rate of growth in salary levels	**10.00%**	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 organised 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 categorised 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 and 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 and hence, has been included under unallocated.

	2011	2010
Primary Segment		
Segment Revenue		
UK	**6,145,322**	5,276,273
USA and Canada	**11,529,196**	11,808,839
India	**2,225,402**	2,317,144
Rest of the world	**210,263**	136,848
	20,110,183	19,539,104

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	2011	2010
Segment Result		
UK	**1,806,553**	1,694,044
USA and Canada	**1,669,628**	1,238,157
India	**166,269**	257,520
Rest of the world	**84,665**	48,995
	3,727,115	3,238,716
Finance charges, net	**(330,054)**	(455,842)
Other un-allocable expenditure, net of un-allocable income	**(1,644,045)**	(1,180,053)
Profit before taxation and minority interest	**1,753,016**	1,602,821
Taxation	**(349,346)**	(237,611)
Minority interest	**(18,577)**	(4,500)
Profit after taxation and minority interest	**1,385,093**	1,360,710
Capital Employed		
UK	**1,126,849**	1,231,898
USA and Canada	**1,812,272**	1,618,572
India	**463,787**	404,094
Rest of the world	**22,476**	29,055
Unallocated	**25,793,522**	24,588,303
	29,218,906	27,871,922

	Revenue		Capital employed	
	2011	2010	**2011**	2010
Secondary Segment				
Banking, Financial Services and Insurance	**5,293,834**	4,485,936	**681,656**	437,916
Non-Banking, Financial Services and Insurance	**14,816,349**	15,053,168	**2,743,728**	2,845,703
Unallocated	**-**	-	**25,793,522**	24,588,303
	20,110,183	19,539,104	**29,218,906**	27,871,922

26. Other operating income represents net gain of ₹ 385,796 (31 March 2010: ₹ 72,611) on restatement and settlement of debtor balances and related gain / loss on forward / option contracts and income of ₹ 56,799 (31 March 2010: ₹ 96,163) 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)

	2011	2010
Number of shares considered as basic weighted average shares outstanding	**429,898**	428,742
Add: effect of potential issue of shares/ stock options *	**-**	-
Add: Adjustment for options relating to FCCB *	**90,374**	91,558
Number of shares considered as weighted average shares and potential shares outstanding	**520,272**	520,300
Net profit after tax attributable to shareholders	**1,385,093**	1,360,710
Add: Amortised cost on fair value of FCCB *	**129,031**	115,255
Net profit after tax for diluted earnings per share	**1,514,124**	1,475,965

* Not considered when anti dilutive

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

28. Capital and other commitments and contingent liabilities

	2011	2010
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**53,421**	73,944
Claims against the Company not acknowledged as debts	**46,590**	45,546
Guarantees and letters of credit given	**1,323,698**	1,826,369

Direct tax matters

Income tax demand amounting to ₹ 130,828 (31 March 2010: ₹ 106,659) for the various assessment years are disputed in appeal by the Company. In respect of certain disallowances, the Company has favorable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid ₹ 10,381 tax under protest against the demand raised for the assessment year 04-05.

Indirect tax matters

The service tax demand amounting to ₹ 23,574 (31 March 2010: ₹ 23,574) in respect of FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard and hence the same is not provided.

Grant

The Company's subsidiary has accrued / received revenue grants amounting to ₹ 809,143 (GBP 11.27 million) (31 March 2010: ₹ 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. This has been included in Guarantees and letters of credit given mentioned above.

29 Derivatives

As at 31 March 2011, the Company has derivative financial instruments to sell USD 18,358,483 (31 March 2010: USD 25,702,798) having fair value gain of ₹ 30,838 (31 March 2010: ₹ 55,246) and GBP 35,500,000 (31 March 2010: GBP 35,176,114) having fair value gain of ₹ 44,806 (31 March 2010: ₹ 336,936) relating to highly probable forecasted transactions. The Company has derivative financial instruments to buy CAD 34,337,000 and GBP 10,000,000 (31 March 2010: CAD 34,337,000 and GBP 5,000,000) which has been taken to hedge the foreign currency loans. These derivative financial instruments have fair value gain of ₹ 28,861 (31 March 2010: ₹ 78,917) and ₹ 9,993 (31 March 2010: loss of ₹ 192) respectively.

The Company has recognised mark to market gain of ₹ 59,652 (31 March 2010: ₹ 416,691) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedging Reserve account under Shareholders' funds (refer Schedule 4) and gain of ₹ 15,993 (31 March 2010: ₹ 78,917) has been taken to the profit and loss account.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 158,217 equivalent to USD 3.5 million, AUD 0.03 million, CAD 0.01 million and ZAR 0.01 million (31 March 2010: ₹ 349,671 equivalent to USD 12.2 million, GBP 10 million, AUD 0.2 million, CAD 0.1 million and EUR 0.09 million).

During the year ended 31 March 2011, the Company has recognised gain of Nil (31 March 2010: ₹ 124,426) on cancellation of undesignated derivative financial instruments in the Profit and loss account (refer Schedule 16).

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

30. Issue of Foreign Currency Convertible Bonds (FCCB)

On 3 December 2007, the Company issued USD 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 2011	USD 212,400,000
Face Value	USD 100,000
Conversion price per share and fixed exchange rate	₹ 92.2933
	₹ 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 2011	2,124

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

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 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 more appropriately reflect the nature of these transactions.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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 “Unamortised 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 recognised under “Interest income”.

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

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 2011 would have been higher by ₹ 737 (31 March 2010: ₹ 1,420)

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 ₹ 98,942 for the year ended 31 March 2011 (31 March 2010: translation loss of ₹ 1,440,194) 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 ₹ 115,255 for the year ended 31 March 2011 (31 March 2010: ₹ 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.

Further the Company has taken hedges against ECB and translation loss of ₹ 66,853 (31 March 2010: gain of ₹ 78,952) has been taken to Hedging Reserve account.

32. Prior period comparatives

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

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

For and on behalf of the Board of Directors

Dr. Shailesh Mehta *Chairman*	**Ananda Mukerji** *Vice Chairman*	**Alexander Matthew Vallance** *Managing Director & CEO*
Ram Chary *Director*	**Pravir Vohra** *Director*	**Mohit Bhandari** *Director*
Y.H.Malegam *Director*	**K.P.Balaraj** *Director*	**Charles Miller Smith** *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 31 MARCH 2011

(Currency: In thousands of Indian Rupees)

S No	Sub Sno.	Particulars	Rev IT Systems Private Limited	Anunta Tech Infrastructure Services Limited	Firstsource Group USA, Inc $	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Twin Lakes Property LLC-I $	Firstsource Solutions S.A. #	Firstsource Solutions UK Limited £	MedAssist Holding, Inc. $	Firstsource Solutions USA LLC $	Firstsource Financial Solutions, LLC $
1		The Financial Year of the Subsidiary Companies ended on	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011	31.3.2011
2		Date from which they became subsidiary	31.3.2005	01.11.2010	25.11.2009	25.11.2009	22.9.2004	01.4.2010	25.9.2006	27.5.2002	20.9.2007	31.0.2010	31.3.2010
3		Country of Incorporation	India	India	USA	USA	USA	USA	Argentina	UK	USA	USA	USA
4	a	Number of shares held by Firstsource Solutions Ltd and/ or its nominees in the subsidiaries as on 31.3.2011	7,107,422 equity shares of ₹ 10 each	50,000 equity shares of ₹ 10 each	218,483 common stock with par value of USD 1 each	NA	@ 10,000 Units of USD 1 each	NA	€ 6,024,599 shares of ARS 1 each	2,834,672 equity shares of GBP 1 each	◊ 991.90773 Common Stock with par value of USD 0.01 each	NA	NA
	b	Extent of Interest of Firstsource Solutions Ltd (holding Company) in the Subsidiaries as on 31.3.2011	100%	100%	100%	◊100%	@ 100%	^ 80%	€ 99.98%	100%	◊100%	+ 100%	∆100%
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 31 March 2011	-	-	-	-	-	1,905	-	-			
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	-	-	-	-	-	-	-	-	-		-
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 31 March 2011(PAT)	161,666	(7,343)	663,265	365,108	252,117	7,620	(7,363)	137,288	-	769,800	119,007
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	531,282	-	-	(38,150)	131,320	-	(29,805)	429,292	-	-	-

Notes:

$ Converted to Indian Rupees at the Exchange Rate,1 USD = ₹ 44.595
# Converted to Indian Rupees at the Exchange Rate,1 ARS = ₹ 11.2368
£ Converted to Indian Rupees at the Exchange Rate,1 GBP = ₹ 71.7950
@ Held by Firstsource Business Process Service LLC
^ Held by Firstsource Advantage LLC
€ Held by Firstsource Solutions UK Limited
◊ Held by Firstsource Group USA, Inc.
+ Held by MedAssist Holding, Inc.
∆ Held by Firstsource Solutions USA LLC

FINANCIAL INFORMATION OF SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian Rupees)

Particulars	Rev IT Systems Private Limited	Anunta Tech Infrastructure Services Limited	Firstsource Group USA, Inc.$	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Twin Lakes Property LLC-I $	Firstsource Solutions S.A. #	Firstsource Solutions UK Limited £	MedAssist Holding, Inc. $	Firstsource Solutions USA LLC $	Firstsource Financial Solutions, LLC $
Paid-up Share Capital	71,074	500	9,743	-	446	-	67,708	203,515	1	-	-
Reserves & Surplus	470,049	(7,343)	9,630,912	990,061	40,979	5,403	(35,819)	583,452	3,412,587	7,402,074	837,348
Total Assets	373,865	1,393	18,467,998	1,795,951	630,980	116,736	32,158	2,101,217	4,380,179	7,793,843	874,021
Total Liabilities (excluding Capital and Reserves)	161,713	8,236	8,827,343	805,890	589,555	111,333	5,197	1,314,250	1,237,591	391,769	36,673
Investments (excluding Investments in Subsidiaries)	328,971	-	-	-	-	-	4,928	-	-	-	-
Total Income	510,635	-	3,000,021	383,088	2,386,791	25,316	3,148	5,405,306	-	6,320,403	595,881
Profit / (Loss) Before Tax	167,417	(7,343)	907,236	362,558	252,117	9,525	(8,009)	200,185	-	769,800	119,007
Provision for Tax	5,751	-	243,971	(2,550)	-	-	(646)	62,897	-	-	-
Profit / (Loss) After Tax	161,666	(7,343)	663,265	365,108	252,117	9,525	(7,363)	137,288	-	769,800	119,007
Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	-

Notes:

$ Converted to Indian Rupees at the Exchange Rate,1 USD = ₹ 44.595

Converted to Indian Rupees at the Exchange Rate,1 ARS = ₹ 11.2368

£ Converted to Indian Rupees at the Exchange Rate,1 GBP = ₹ 71.7950

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 2011 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 early 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. Consequent to adoption of AS 30, the profit after taxation is lower and reserves and surplus as at the balance sheet date is higher by ₹ ('000) 237,064 and ₹ ('000) 629,249 respectively.

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

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 the cash flow statement dealt with by this report are in agreement with the books of account;

   d) in our opinion, the balance sheet, the profit and loss account and the 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 2011;

   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's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2011

(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 ₹ ('000)	Year end balance ₹ ('000)	Maximum balance outstanding ₹ ('000)
Firstsource Business Process Services, LLC	Subsidiary	-	-	416,622
Firstsource Group USA Inc.	Subsidiary	-	6,689,250	7,059,750
Pipal Research Corporation	Subsidiary	-	-	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 case of the loan granted to the companies listed in the register maintained under Section 301 of the Act, the borrower has been regular in repayment of interest. The terms of arrangement do not stipulate any repayment schedule and the loan is 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 amounts of more than one lakh in respect 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)(e) to 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) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangement referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (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 ₹ 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 accounts in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales tax, Excise duty and Investor Education and Protection Fund.

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, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2011 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 ₹ ('000)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Transfer pricing demand	40,929	2002-03	Commissioner of Income Tax -Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	39,728	2003-04	Commissioner of Income Tax- Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	15,621	2004-05	Deputy Commissioner of Income Tax
Income-tax Act, 1961	Assessment under Section 143 (3)	34,550	2005-06	Commissioner of Income Tax
Service Tax Rules, 1994	Demand notice	23,574	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 material 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's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

BALANCE SHEET AS AT 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	Schedule	2011	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,306,382**	4,292,097
Share application money		**-**	3,450
Reserves and surplus	4	**6,054,068**	6,738,331
		10,360,450	11,033,878
Loan funds			
Secured loans	5	**1,766,755**	1,265,093
Unsecured loans	6	**11,585,243**	10,791,583
		23,712,448	23,090,554
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		**4,896,418**	3,950,677
Less: Accumulated depreciation and amortisation		**3,322,084**	2,840,500
Net block		**1,574,334**	1,110,177
Add: Capital work in progress (including capital advances)		**2,018**	62,567
		1,576,352	1,172,744
Investments	8	**11,050,594**	11,106,872
Deferred tax assets	9	**357,766**	303,686
Current assets, loans and advances			
Sundry debtors	10	**1,529,884**	994,305
Unbilled receivables		**499,520**	326,977
Cash and bank balances	11	**1,477,632**	118,403
Loans and advances	12	**8,024,170**	8,677,669
		11,531,206	10,117,354
Less: Current liabilities and provisions			
Current liabilities	13	**1,625,956**	641,910
Provisions	14	**314,235**	104,913
		1,940,191	746,823
Net current assets		**9,591,015**	9,370,531
Amalgamation deficit adjustment account		**1,136,721**	1,136,721
		23,712,448	23,090,554
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

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Bhavesh Dhupelia
Partner
Membership No: 042070

Ram Chary
Director

Pravir Vohra
Director

Mohit Bhandari
Director

Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

Mumbai
27 April 2011

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	Schedule	2011	2010
INCOME			
Income from services		**6,657,892**	6,521,492
Other operating income	24	**371,794**	95,741
Other income	15	**168,329**	214,789
		7,198,015	6,832,022
EXPENDITURE			
Personnel costs	16	**3,666,652**	3,302,090
Operating costs	17	**2,385,050**	2,106,092
Depreciation and amortisation	7	**573,795**	524,380
		6,625,497	5,932,562
Profit before finance charges and taxation		**572,518**	899,460
Finance charges, net	18	**(123,082)**	277,781
Profit before taxation		**695,600**	621,679
Provision for taxation			
– Current tax expense, including foreign taxes		**155,154**	111,340
– Deferred tax credit		**(54,080)**	(57,515)
– Minimum alternate tax credit entitlement		**(68,343)**	(105,474)
Profit after taxation		**662,869**	673,328
Accumulated balance brought forward from previous year		**2,285,064**	1,611,736
Accumulated balance carried forward to the balance sheet		**2,947,933**	2,285,064
Earnings per share	25		
Weighted average number of equity shares outstanding during the year			
– Basic		**429,898**	428,742
– Diluted		**520,272**	520,300
Earnings per share (₹)			
– Basic		**1.54**	1.57
– Diluted		**1.52**	1.52
Nominal value per share (₹)		**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

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Bhavesh Dhupelia
Partner
Membership No: 042070

Ram Chary
Director

Pravir Vohra
Director

Mohit Bhandari
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Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

Mumbai
27 April 2011

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

	2011	2010
Cash flow from operating activities		
Net profit after tax	**662,869**	673,328
Adjustments for		
Depreciation and amortisation	**573,795**	524,380
Provision for current tax and MAT credit entitlement	**86,811**	5,866
Provision for doubtful debts / bad debts written off, net	**1,541**	(6,409)
Loss / (Profit) on sale of fixed assets, net	**14,979**	(5,112)
Foreign exchange gain, net	**(45,767)**	(85,909)
Interest and finance charges	**268,134**	266,521
Interest and dividend income	**(391,216)**	(66,604)
Deferred tax credit	**(54,080)**	(57,515)
Profit on sale of investments (including subsidiary)	**(156,230)**	(10,014)
Rent expenses on account of adoption of AS 30	**23,908**	19,001
Gain on FCCB buyback, net	**-**	(73,909)
Operating cash flow before changes in working capital	**984,744**	1,183,624
Changes in working capital		
(Increase) / Decrease in debtors	**(521,429)**	262,884
Decrease in Loans and advances and unbilled receivables	**362,345**	470,515
Increase / (Decrease) in current liabilities and provisions	**212,912**	(193,568)
Net changes in working capital	**53,828**	539,831
Income taxes paid	**(253,685)**	(149,412)
Net cash generated from operating activities (A)	**784,887**	1,574,043
Cash flow from investing activities		
Purchase of investment in mutual funds / government securities	**(17,701,368)**	(11,254,707)
Sale of investment in mutual funds / government securities	**17,532,426**	10,522,845
Interest and dividend income received	**364,573**	102,257
Capital expenditure	**(252,870)**	(388,234)
Proceeds from sale of fixed assets	**8,351**	35,170
Investment in subsidiary	**(500)**	(48)
Proceeds from sale of investment in subsidiary, net of expenses	**328,757**	106,978
Net cash generated from / (used in) investing activities (B)	**279,369**	(875,739)
Cash flow from financing activities		
Repayment of unsecured loan – FCCB, including expenses	**-**	(455,424)
Repayment of unsecured loan – others	**(17,834)**	(171,324)
Proceeds from unsecured loan – others	**-**	23,624
Proceeds from secured loan	**433,443**	-
Proceeds from issuance of equity shares and share application money	**18,524**	23,789
Interest paid	**(139,160)**	(153,690)
Net cash generated from / (used in) financing activities (C)	**294,973**	(733,025)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**1,359,229**	(34,721)
Cash and cash equivalents at the beginning of the year	**118,403**	153,124
Cash and cash equivalents at the end of the year	**1,477,632**	118,403

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 2011

(Currency: In thousands of Indian rupees)

	2011	2010
Cash on hand	**91**	102
Remittances in transit	**172,815**	-
Balances with scheduled banks		
– in current accounts	**459,579**	113,627
– in deposit accounts *	**842,105**	2,100
Balances with non scheduled banks		
– in current accounts	**3,042**	2,574
	1,477,632	118,403

* Includes ₹ 2,000 (31 March 2010: ₹ 2,000) under lien for bank guarantees to the Customs authorities.

As per our report attached.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

For and on behalf of the Board of Directors

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Ram Chary
Director

Pravir Vohra
Director

Mohit Bhandari
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Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(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.

The list of subsidiaries as at 31 March 2011 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 UK Limited ("FSL-UK")	A subsidiary of Firstsource Solutions Limited, organised 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 UK Limited 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 (upto 30 November 2010)	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 (upto 30 November 2010)	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, organised 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, organised 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), organised under the laws of State of Delaware, USA	100%	2007-2008
Firstsource Solutions USA LLC (earlier known as 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 Firstsource Solutions USA 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 Firstsource Solutions USA LLC (post merger of MedAssist Incorporated), organised 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

(Currency: In thousands of Indian rupees)

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
MedAssist Intermediate Holding, Inc. ("MIH")	A subsidiary of MedAssist Holding, Inc., organised 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., organised 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, organised under the laws of Nevada Corporation, USA. Effective 31 March 2010 Twin is merged into MI	100%	2007-2008
Twin Lakes Property LLC – I ("Twinlakes – I")	A subsidiary of FAL incorporated under the laws of the State of New York, USA	80%	2010-2011
Anunta Tech Infrastructure Services Limited ("Anunta")	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India	100%	2010-2011

* During the year, the Company has disinvested its entire shareholding in Pipal for a total consideration of ₹ 208,411 (equivalent to USD 4.6 million). Resultant profit on sale of the same amounting to ₹ 52,016 has been accounted in Other Income (refer Schedule 15). Remittances in transit includes ₹ 172,587 (equivalent to USD 3.8 million) on this account.

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 revisions to accounting estimates are recognised prospectively in current and future periods.

2.3 Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognised 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 recognised on achievement of performance milestones specified in the customer contracts.

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

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

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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 summarised below:

Asset category	Useful life (in years)
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, 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.

Goodwill on acquisition is amortised over five years.

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

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 recognised 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.

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 recognises 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 recognised 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 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

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 taxes

Deferred tax assets and liabilities are recognised 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 recognised 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 realised 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 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 five years and 50% deduction for another five years, subject to fulfilling certain conditions. In this regard, the Company 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 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 recognised 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/

(Currency: In thousands of Indian rupees)

(income) is recognised 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 recognised 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 recognised 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 recognised in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised 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 recognised 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 recognised 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 receivables, 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 recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised 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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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 recognised 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 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 30).

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
3	**Share capital**		
	Authorised		
	850,000,000 (31 March 2010: 850,000,000) equity shares of ₹ 10 each	**8,500,000**	8,500,000
		8,500,000	8,500,000
	Issued, subscribed and paid-up		
	430,638,182 (31 March 2010: 429,209,682) equity shares of ₹ 10 each, fully paid up	**4,306,382**	4,292,097
		4,306,382	4,292,097
	During the year 1,428,500 (31 March 2010: 1,020,000) options were allotted (refer Schedule 20).		
4	**Reserves and surplus**		
	Securities premium		
	Securities premium at the beginning of the year *	**3,368,364**	4,066,787
	Add : Premium on shares issued during the year	**7,689**	10,139
	Write back of amortised premium on buyback of FCCB (refer Schedule 28.2 and 30)	**-**	51,487
	Less: Amortisation of premium payable on redemption of FCCB (refer Schedules 2.13b and 30) **	**1,029,116**	760,049
	Securities premium at the end of the year	**2,346,937**	3,368,364
	* Includes ₹ 39,270 (31 March 2010: ₹ 39,270) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.		
	** Includes withholding tax on premium payable on FCCB of ₹ 247,712 (31 March 2010: Nil).		
	General reserve		
	Transition adjustment on adoption of AS 30 (refer Schedule 30)	**668,211**	668,211
	Hedging reserve account (refer Schedule 2.13 (a) and 31)		
	Balance at the beginning of the year	**416,692**	(56,726)
	Movement during the year	**(325,705)**	473,418
	Hedging reserve account at the end of the year	**90,987**	416,692
	Profit and loss account	**2,947,933**	2,285,064
		6,054,068	6,738,331
5	**Secured loans**		
	External commercial borrowings (ECB) *	**1,249,913**	1,183,060
	(Secured against pari passu charge on all assets of FG US)		
	Post shipment finance (Secured against accounts receivables)	**431,820**	-
	Finance lease obligation (Secured against assets taken on lease) (refer Schedule 19)	**85,022**	82,033
		1,766,755	1,265,093
	* Repayable within a year ₹ 188,103 (31 March 2010: Nil)		
6	**Unsecured loans**		
	Foreign currency convertible bonds (refer Schedules 28 and 30) *	**11,562,682**	10,751,189
	Loan from others - long term**	**22,561**	40,394
		11,585,243	10,791,583
	* Includes pro-rata premium payable on redemption of FCCB amounting to ₹ 2,346,317 (31 March 2010: ₹ 1,598,007).		
	** Repayable within a year ₹ 19,084 (31 March 2010: ₹ 19,435).		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

7 Fixed assets

	Gross block (at cost)				Accumulated depreciation/amortisation				Net block	
	As at 1 April 2010	Additions during the year	Deletions during the year	**As at 31 March 2011**	As at 1 April 2010	Charge for the year	On deletions during the year	**As at 31 March 2011**	**As at 31 March 2011**	As at 31 March 2010
Intangible assets										
Domain name	6,720	-	-	**6,720**	6,720	-	-	**6,720**	**-**	-
Software *	283,967	47,647	-	**331,614**	192,829	54,734	-	**247,563**	**84,051**	91,138
Goodwill	-	759,969	-	**759,969**	-	61,189	-	**61,189**	**698,780**	-
Tangible assets										
Computers *	801,405	26,429	(59,151)	**768,683**	663,610	78,334	(56,659)	**685,285**	**83,398**	137,795
Networking / service equipments *	481,068	29,750	-	**510,818**	374,516	59,226	-	**433,742**	**77,076**	106,552
Furniture and fixtures and office equipments*	1,125,451	108,090	(32,996)	**1,200,545**	771,604	148,389	(23,031)	**896,962**	**303,583**	353,847
Leasehold improvements	1,252,066	87,383	(23,393)	**1,316,056**	831,221	171,653	(12,521)	**990,353**	**325,703**	420,845
Vehicles	-	2,013	-	**2,013**	-	270	-	**270**	**1,743**	-
Total	**3,950,677**	**1,061,281**	**(115,540)**	**4,896,418**	**2,840,500**	**573,795**	**(92,211)**	**3,322,084**	**1,574,334**	**1,110,177**
31 March 2010	3,754,470	296,433	(100,226)	3,950,677	2,386,288	524,380	(70,168)	2,840,500	1,110,177	

Note:

* The above assets include assets taken on lease having gross block of ₹ 200,780 (31 March 2010: ₹ 140,855) and net block of ₹ 86,859 (31 March 2010: ₹ 82,219).

	2011	2010
8 Investments		
Long term (at cost)		
Trade (Unquoted)		
Investments in subsidiaries (Unquoted)		
2,834,672 (31 March 2010: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions UK Limited	**18,349**	18,349
Nil (31 March 2010: 136,093) fully paid up equity shares of Pipal Research Corporation of ₹ 10 each	**-**	157,260
7,107,422 (31 March 2010: 8,012,583) fully paid up equity shares of Rev IT Systems Private Limited of ₹ 10 each	**736,281**	830,049
218,483 (31 March 2010: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc.	**9,300,025**	9,353,217
50,000 (31 March 2010: Nil) fully paid-up equity shares of ₹ 10 each of Anunta Tech Infrastructure Services Limited	**500**	-
	10,055,155	10,358,875
Short term (at lower of cost and fair value)		
Trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills) *	**8,613**	4,356
*Non-trade (Unquoted)***		
Investments in market mutual funds		
6,374,624 (31 March 2010: Nil) units of Birla Sun Life Cash Plus - Institutional Premium Plan - Growth Option	**100,000**	-
2,368,950 (31 March 2010: Nil) units of ICICI Prudential Interval Fund V - Monthly Interval Plan A Institutional Growth Option	**25,000**	-
7,543,943 (31 March 2010: Nil) units of Reliance Liquid Fund- Treasury Plan- Institutional Option- Growth Option	**180,000**	-
6,590,786 (31 March 2010: Nil) units of Kotak Floater Short Term Plan Growth Option	**105,649**	-

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
	10,390,188 (31 March 2010: Nil) units of SBI Premier Liquid Fund - Super Institutional Plan - Growth Option	**160,000**	-
	10,353,618 (31 March 2010: Nil) units of UTI Fixed Income Interval Fund - MIP - II - Institutional Growth Plan	**106,177**	-
	5,515,568 (31 March 2010: 14,173,090) units of Religare Credit Opportunities Fund - IP Plan - Growth Option	**60,000**	145,117
	12,208,271 (31 March 2010: Nil) units of HDFC Cash Management Fund Savings Plan Growth Option	**250,000**	-
	Nil (31 March 2010: 25,961,423) units of ICICI Prudential Ultra Short Term Bond Super Premium Growth plan	**-**	266,299
	Nil (31 March 2010: 6,821,606) units of Kotak Flexi Debt Scheme	**-**	77,191
	Nil (31 March 2010: 8,709,314) units of IDFC Money Manger Fund - Treasury Plan C	**-**	95,016
	Nil (31 March 2010: 6,293,120) units of Birla Sun Life Saving Fund	**-**	110,008
	Nil (31 March 2010: 39,852) units of Reliance Money Manager Fund Growth Plan	**-**	50,010
	(Net assets value of unquoted investments ₹ 1,000,283 (31 March 2010: ₹ 751,321))		
		995,439	747,997
		11,050,594	11,106,872
	* Securities worth ₹ 8,613 (31 March 2010: ₹ 4,356) have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.		
	** Refer Schedule 32 for summary of investments purchased and sold during the year.		
9	**Deferred tax assets**		
	Difference between tax and book value of fixed assets	**310,002**	268,551
	Gratuity and leave encashment	**47,764**	35,135
		357,766	303,686
10	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	- considered good	**-**	-
	- considered doubtful	**13,469**	15,757
		13,469	15,757
	Other debts		
	- considered good *	**1,529,884**	994,305
	- considered doubtful	-	-
		1,543,353	1,010,062
	Less: Provision for doubtful debts	**13,469**	15,757
		1,529,884	994,305
	* Includes receivable from subsidiaries		
	FG US	**165,690**	39,312
	FSL-UK	**823,513**	636,273
	FAL	**96,364**	38,393
	RevIT	**854**	1,076
	MedAssist	**24,648**	22,308

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
11	**Cash and bank balances**		
	Cash on hand	**91**	102
	Remittances in transit	**172,815**	-
	Balances with scheduled banks		
	- in current accounts	**459,579**	113,627
	- in deposit accounts *	**842,105**	2,100
	Balances with non scheduled banks**		
	- in current accounts	**3,042**	2,574
	- in deposit accounts	**-**	-
		1,477,632	118,403
	* Includes ₹ 2,000 (31 March 2010: ₹ 2,000) under lien for bank guarantees to the Customs authorities.		
	** Maximum outstanding balance during the year		
	Current Account		
	The Royal Bank of Scotland, India	**242**	242
	ICICI Bank Singapore	**2,438**	2,370
	Commonwealth Bank	**500**	-
	Deposit Account		
	KBC Bank, NV, UK	**-**	183,304
12	**Loans and advances**		
	(Unsecured, considered good)		
	Loans to subsidiaries **		
	- FBPS	**-**	416,122
	- FG US	**6,689,250**	6,735,000
	- Pipal	**-**	20,000
	Recoverable from subsidiaries *	**98,244**	185,952
	Deposits (refer Schedule 30)	**407,549**	292,519
	Prepaid expenses	**74,487**	68,447
	Advances recoverable in cash or in kind or for value to be received	**81,478**	123,413
	Lease rentals receivable, net (refer Schedule 19)	**55,900**	52,589
	Advance tax and tax deducted at source (net of provision for tax ₹ 334,694 (31 March 2010: ₹ 181,015))	**290,456**	191,926
	Accrued interest on loans *	**7,623**	3,974
	Unamortised cost (refer Schedule 30)	**50,530**	74,260
	Minimum alternate tax credit carried forward	**189,818**	121,475
	Exchange gain on derivatives	**78,835**	391,992
		8,024,170	8,677,669
	* Includes amount outstanding from subsidiaries		
	FG US	**10,069**	37,976
	Anunta	**7,687**	-
	Rev IT	**7,780**	18,493
	FAL	**35,838**	31,129
	FSL-UK	**-**	69,454
	MedAssist	**36,870**	19,439
	Pipal (including interest accrued)	**-**	13,362
	Maximum balance outstanding during the year		
	Anunta	**7,687**	-

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
	FG US	**38,005**	37,976
	FAL	**35,838**	99,222
	FSL-UK	**-**	123,025
	FSL-Arg	**-**	31,346
	MedAssist	**36,870**	80,426
	Pipal	**10,805**	33,362
	RevIT	**56,574**	19,569
	** Maximum balance outstanding during the year		
	FG US	**7,059,750**	6,735,000
	FBPS	**436,187**	836,642
	Pipal	**20,000**	20,000
13	**Current liabilities**		
	Amount payable to subsidiaries *	**880,807**	-
	Sundry creditors		
	Due to micro and small enterprises (refer Schedule 33)	**-**	-
	Due to others		
	- for expenses	**558,500**	444,269
	- for capital goods	**39,001**	56,313
	Book credit in bank account	**80,651**	76,377
	Other liabilities	**35,659**	34,166
	Tax deducted at source payable	**19,763**	19,153
	Interest accrued but not due	**11,575**	11,632
		1,625,956	641,910
	* includes amount outstanding to subsidiaries		
	FSL-UK	**880,807**	-
	Maximum outstanding balance during the year		
	FSL-UK	**912,571**	-
14	**Provisions**		
	Gratuity	**3,295**	32,365
	Leave encashment	**63,228**	72,548
	TDS on premium payable on redemption of FCCB	**247,712**	-
		314,235	104,913
15	**Other income**		
	Foreign exchange (loss) / gain, net*	**(8,131)**	94,663
	Profit on sale / redemption of non trade investments, net – current	**78,501**	10,014
	Profit on sale of investment in subsidiary - long term	**77,729**	-
	Provision for doubtful debts written back	**-**	6,409
	Gain on sale of fixed assets	**-**	5,112
	Dividend on investments	**-**	32
	Gain on FCCB buyback, net (refer Schedule 28.2)	**-**	73,909
	Miscellaneous income	**20,230**	24,650
		168,329	214,789
	* Foreign exchange gain / (loss) includes realised gain of Nil (31 March 2010: ₹ 124,426) on cancellation of undesignated derivative contracts (refer Schedule 31).		
16	**Personnel costs**		
	Salaries, bonus and other allowances	**3,374,172**	3,064,248
	Contribution to provident and other funds	**214,856**	170,892
	Staff welfare	**77,624**	66,950
		3,666,652	3,302,090

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

		2011	2010
17	**Operating costs**		
	Rent, rates and taxes	**607,955**	543,142
	Legal and professional fees	**148,128**	111,259
	Car and other hire charges	**278,446**	246,037
	Connectivity charges	**267,292**	261,506
	Repairs and maintenance - others	**330,131**	293,053
	Recruitment and training	**99,036**	73,851
	Electricity, water and power consumption	**211,754**	212,686
	Travel and conveyance	**174,195**	138,857
	Computer expenses	**80,317**	72,486
	Communication	**58,801**	50,077
	Insurance	**35,659**	32,674
	Printing and stationery	**26,317**	22,291
	Marketing and support fees	**5,907**	4,577
	Auditors' remuneration		
	- Statutory audit	**11,500**	11,500
	- Tax audit	**300**	300
	- Other services	**643**	793
	Meeting and seminar	**9,993**	7,412
	Advertisement and publicity	**3,661**	2,404
	Loss on sale of fixed assets, net	**14,979**	-
	Registration fees	**112**	192
	Membership fees	**3,032**	1,008
	Directors' sitting fees	**1,320**	1,300
	Provision for doubtful debts / bad debts written off, net	**1,541**	-
	Bank administration charges	**3,490**	1,027
	Miscellaneous expenses	**10,541**	17,660
		2,385,050	2,106,092
18	**Finance charges, net**		
	Interest expense		
	- on External commercial borrowings and term loan	**113,424**	127,310
	- on Working capital demand loan and others	**7,728**	6,031
	Finance charges on leased assets	**6,763**	7,130
	Bank guarantee commission	**11,188**	10,795
	Amortised cost on fair value of FCCB (refer Schedule 30)	**129,031**	115,255
		268,134	266,521
	Less: Interest income		
	- on deposit with banks (tax deducted at source ₹ 2,270 (31 March 2010: ₹ 13))	**22,704**	139
	- on loan to subsidiaries (withholding taxes ₹ 50,944 (31 March 2010: Nil))	**339,627**	43,150
	- on others	**28,885**	23,283
		(123,082)	199,949
	Add:		
	- exchange loss on foreign currency loans other than FCCB, net (refer Schedule 30)	**-**	77,832
	- translation gain on FCCB	**(98,942)**	(1,440,194)
	- exchange loss on translation of net investments in non-integral operations (refer Schedule 30)	**98,942**	1,440,194
		(123,082)	277,781

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

19 Leases

Operating lease

The Company is obligated under non-cancelable 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-cancelable operating leases for the year ended 31 March 2011 aggregated to ₹ 281,782 (31 March 2010: ₹ 220,452). ₹ 13,941 (31 March 2010: ₹ 3,519) and Nil (31 March 2010: ₹ 13,394) 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:

	2011	2010
Amount due within one year from the balance sheet date	**305,738**	225,402
Amount due in the period between one year and five years	**351,063**	467,558
	656,801	692,960

The Company also leases office facilities and residential facilities under cancelable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancelable operating leases for the year ended 31 March 2011 aggregated ₹ 318,820 (31 March 2010: ₹ 319,987).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2011 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2011			
Amount due within one year from the balance sheet date	**41,560**	**5,230**	**36,330**
Amount due between one year and five years	**55,628**	**6,936**	**48,692**
	97,188	**12,166**	**85,022**
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

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2011, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2011			
Amount receivable within one year from the balance sheet date	**25,997**	**4,972**	**21,025**
Amount receivable in the period between one year and five years	**39,460**	**4,585**	**34,875**
	65,457	**9,557**	**55,900**
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

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(Currency: In thousands of Indian rupees)

20 Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ("the Scheme"), which covers the employees and directors of the Company including its holding Company and subsidiaries. The Scheme 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 four years as follows:

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

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

Employee stock option activity under Scheme 2002 is as follows:

Description	**2011**		2010	
	Shares arising out of options	**Weighted average period in months**	Shares arising out of options	Weighted average period in months
Exercise Range : 00.00 - 30.00				
Outstanding at the beginning of the year	**91,875**	**34**	99,375	46
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**1,250**	**-**	7,500	-
Outstanding at the end of the year	**90,625**	**22**	91,875	34
Exercisable at the end of the year	**90,625**	**-**	91,875	-

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:

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Description		2011		2010	
	Exercise Range	**Shares arising out of options**	**Weighted Average period in months**	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	00.00 - 30.00	**11,229,024**	**100**	7,542,774	49
	30.01 - 60.00	**30,827,701**	**88**	33,557,075	124
	60.01 - 90.00	**13,568,814**	**91**	14,562,564	133
Granted during the year	00.00 - 30.00	**17,150,000**	**-**	6,000,000	-
	30.01 - 60.00	**200,000**	**-**	100,000	-
	60.01 - 90.00	**-**	**-**	-	-
Forfeited during the year	00.00 - 30.00	**1,776,250**	**-**	1,361,250	-
	30.01 - 60.00	**7,487,767**	**-**	2,619,374	-
	60.01 - 90.00	**9,435,802**	**-**	993,750	-
Exercised during the year	00.00 - 30.00	**1,277,250**	**-**	952,500	-
	30.01 - 60.00	**-**	**-**	210,000	-
	60.01 - 90.00	**-**	**-**	-	
Outstanding at the end of the year	00.00 - 30.00	**25,325,524**	**102**	11,229,024	100
	30.01 - 60.00	**23,539,934**	**74**	30,827,701	88
	60.01 - 90.00	**4,133,012**	**80**	13,568,814	91
Exercisable at the end of the year	00.00 - 30.00	**5,703,649**	**-**	4,291,524	-
	30.01 - 60.00	**19,646,184**	**-**	17,956,451	-
	60.01 - 90.00	**3,693,012**	**-**	4,131,762	-

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

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 2011.

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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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	**2011**	2010
Net income as reported	**662,869**	673,328
Less: Stock-based employee compensation expense (fair value method)	**95,825**	(132,345)
Proforma net income	**567,044**	805,673
Basic earnings per share as reported (₹)	**1.54**	1.57
Proforma basic earnings per share (₹)	**1.32**	1.88
Diluted earnings per share as reported (₹)	**1.52**	1.51
Proforma diluted earnings per share (₹)	**1.09**	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	**2011**	2010
Salaries and allowances	**43,277**	24,012
Contribution towards retirement benefits	**245**	547
Perquisites	**247**	343
Total	**43,769**	24,902

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.

22 Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2011 are summarised below:

Parties with substantial interests	• 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.
Key Managerial Personnel including relatives	• Ananda Mukerji# • Alexander Matthew Vallance • Carl Saldanha

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Non Executive Directors	• Dr. Ashok Ganguly* • Dr. Shailesh Mehta • Ananda Mukerji# • Charles Miller Smith • K.P.Balaraj • Mohit Bhandari • Y.H.Malegam • Donald Layden, Jr. • Lalita D. Gupte* • Pravir Vohra*** • Ram Chary

* Resigned during the year
** The shareholding has been diluted during the year resulting in exclusion from the list of Parties with substantial interests
*** Additions during the year
# Stepped down as Non-Executive director during the year

Particulars of related party transactions during the year ended 31 March 2011

Name of the related party	Description	Transaction value during the year ended		Receivable / Payable	
		31 March 2011	31 March 2010	**31 March 2011**	31 March 2010
FSL-UK	Income from services	**2,190,414**	2,181,429	**823,513**	636,273
	Reimbursement of expenses	**34,913**	23,123	**-**	-
	Recovery of expense	**50,924**	45,042	**3,419**	69,454
	Investment in equity	**-**	-	**18,349**	18,349
	Goodwill on Asset Purchase	**759,969**	-	**753,998**	-
	Receipt of services	**602,070**	-	**130,228**	-
FBPS	Interest Income	**16,666**	40,750	**-**	-
	Loan given / repaid	**416,122**	1,301,372	**-**	416,122
	Disinvestment in equity	**-**	1,350,859	**-**	-
FAL	Income from services	**290,034**	262,196	**96,364**	38,393
	Reimbursement of expenses	**147**	-	**-**	-
	Recovery of expense	**36,004**	31,889	**35,838**	31,129
Rev IT	Income from services	**854**	1,076	**854**	1,076
	Reimbursement of expenses	**825**	270	**-**	-
	Recovery of expense	**16,114**	20,714	**7,780**	18,493
	Investment in equity	**-**	-	**736,281**	830,049
	Sale of shares	**119,481**	107,028	**-**	-
Pipal	Recovery of expenses	**327**	5,703	**-**	9,461
	Loan repaid	**20,000**	-	**-**	20,000
	Interest income	**600**	2,400	**-**	3,901
	Sale of Investment	**208,925**	-	**-**	157,260
MedAssist	Income from services	**24,648**	22,308	**24,648**	22,308
	Reimbursement of expenses	**405**	3,097	**-**	19,439
	Recovery of expense	**39,356**	21,143	**36,870**	-

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Name of the related party	Description	Transaction value during the year ended		Receivable / Payable	
		31 March 2011	31 March 2010	**31 March 2011**	31 March 2010
FG US	Income from services	**676,586**	572,224	**165,690**	39,312
	Reimbursement of expenses	**11,110**	17,766	**-**	-
	Recovery of expense	**19,673**	45,557	**10,069**	37,976
	Investment in equity	**-**	9,353,217	**9,300,025**	9,353,217
	Disinvestment in equity	**-**	14,737,312	**-**	-
	Interest Income	**322,360**	-	**-**	-
	Loan given	**-**	6,735,000	**6,689,250**	6,735,000
Anunta	Recovery of expense	**7,687**	-	**7,687**	-
	Investment in equity	**500**	-	**500**	-
ICICI Bank Limited	Income from services	**-**	48,542	**-**	-
	Interest expenditure	**-**	1,298	**-**	-
	Guarantee commission paid	**-**	22,980	**-**	-
ICICI- Prudential Life Insurance Company Limited	Insurance premium paid	**-**	1,006	**-**	-
	Rent paid	**-**	2,193	**-**	-
	Income from services	**-**	19,850	**-**	-
Key managerial personnel and relatives	Remuneration	**55,007**	35,768	**-**	-
Non executive directors	Sitting fees paid	**1,320**	1,300	**-**	-

Note: Excludes forward contracts and ESOP's

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

Description	2011	2010
Remuneration paid		
Ananda Mukerji	**34,318**	24,902
Alexander Matthew Vallance	**9,451**	-
Carl Saldanha	**11,238**	10,866

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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	2011	2010	2009	2008	2007
Change in present value of obligations					
Obligations at beginning of the year	**78,224**	66,099	46,870	30,202	21,745
Service Cost	**23,850**	53,733	22,613	21,000	13,942
Interest cost	**5,684**	4,952	3,931	2,145	1,401
Actuarial (gain)/loss	**(6,584)**	(40,363)	(3,416)	(3,279)	(2,831)
Benefits paid	**(14,338)**	(6,197)	(3,899)	(3,198)	(1,979)
Obligations at the end of the year	**86,836**	78,224	66,099	46,870	32,278
Change in plan assets					
Fair value of plan assets at beginning of the year	**44,436**	46,105	2,076	2,076	(2,076)
Expected return on plan assets	**5,017**	3,871	1,358	164	(21)
Actuarial gain/(loss)	**(1,216)**	657	1,570	(164)	(1,958)
Contributions	**36,980**	-	45,000	3,198	-
Benefits paid	**(14,338)**	(6,197)	(3,899)	(3,198)	1,979
Fair value of plan assets at end of the year	**70,879**	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	**86,836**	78,224	66,099	46,870	32,278
Fair value of plan assets at the end of year	**(70,879)**	(44,436)	(46,105)	(2,076)	(2,076)
Funded status being amount of liability recognised in the balance sheet	**15,957**	33,788	19,994	44,794	30,202
Gratuity cost for the year					
Service cost	**23,850**	53,733	22,613	21,000	13,942
Interest cost	**5,684**	4,952	3,931	2,145	1,401
Expected return on plan assets	**(5,017)**	(3,871)	(1,358)	(164)	(4,788)
Actuarial (gain)/loss	**(5,368)**	(41,020)	(4,986)	(3,115)	(21)
Net gratuity cost	**19,149**	13,794	20,200	19,866	10,534
Actual return on plan assets	**3,801**	4,528	2,928	-	-
Assumptions					
Interest rate	**8.30%**	8.00%	7.86%	8.75%	7.50%
Estimated rate of return on plan assets	**9.00%**	8.00%	8.00%	7.90%	7.90%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%
Withdrawal rate	**25.00% reducing to 2.00% for over 20 years of service**	25.00% reducing to 2.00% for over 20 years of service	25.00% reducing to 2.00% for over 20 years of service	25.00% reducing to 2.00% for over 20 years of service	25.00% reducing to 2.00% for over 20 years of service

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Experience Adjustments	2011	2010	2009	2008
On plan liabilities (Gain) / Loss	**(5,451)**	(10,642)	(10,658)	(7,573)
On plan assets (Gain) / Loss	**1,216**	(657)	(1,570)	164

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 ₹ 20,000 to the gratuity trust during fiscal year 2012.

b) *Contribution to Provident Funds*

The provident fund charge during the year amounts to ₹ 106,262 (31 March 2010: ₹ 102,250)

c) *Compensated absences*

Actuarial Assumptions	2011	2010	2009	2008	2007
Interest rate	**8.30%**	8.00%	7.86%	8.75%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%

24 Other operating income

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

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

(No. of Shares in '000)

	2011	2010
Number of shares considered as basic weighted average shares outstanding	**429,898**	428,742
Add: Effect of potential issue of shares/ stock options *	**-**	-
Add: Adjustment for options relating to FCCB *	**90,374**	91,558
Number of shares considered as weighted average shares and potential shares outstanding	**520,272**	520,300
Net profit after tax attributable to shareholders	**662,869**	673,328
Add: Amortised cost on fair value of FCCB *	**129,031**	115,255
Net profit after tax for diluted earnings per share	**791,900**	788,583
* Not considered when anti-dilutive		

26 Capital and other commitments and contingent liabilities

	2011	2010
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**45,503**	59,880
Claims against the Company not acknowledged as debt	**45,237**	45,546
Guarantees and letters of credit given	**1,323,698**	1,826,369

Direct tax matters

Income tax demand amounting to ₹ 130,828 (31 March 2010: ₹ 106,659) for the various assessment years are disputed in appeal by the Company. In respect of certain disallowances, the Company has favorable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid ₹ 10,381 tax under protest against the demand raised for the assessment year 2004-2005.

Indirect tax matters

The service tax demand amounting to ₹ 23,574 (31 March 2010: ₹ 23,574) in respect of FCCB issue expenses is disputed in appeal by the Company. The Company expects favorable appellate decision in this regard.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

27 Supplementary statutory information (accrual basis)

		2011	2010
(i)	*Value of imports calculated on CIF basis*		
	Capital goods	**56,819**	58,920
(ii)	*Earnings in foreign exchange*		
	Income from services	**4,454,441**	4,352,367
	Interest income	**339,027**	40,750
	Other income	**18,287**	17,287
	Gain on sale of investment in subsidiary	**52,016**	-
(iii)	*Expenditure in foreign currency*		
	Marketing and support services	**412**	-
	Travel and conveyance	**32,059**	8,322
	Repairs and maintenance	**20,277**	2,643
	Interest	**103,915**	85,608
	Connectivity charges	**79,424**	112,486
	Legal and professional fees	**19,783**	8,057
	Other expenses (including expenses on FCCB buyback)	**1,146**	358

28 Foreign currency convertible bonds (FCCB)

28.1 Issue of FCCB:

On 3 December 2007, the Company issued USD 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 2011	USD 212,400,000
Face value	USD 100,000
Conversion price per share and fixed exchange rate	₹ 92.2933
	₹ 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 2011	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 bought back and cancelled 129 FCCBs of the face value of USD 100,000 each under the Automatic route. The Company recognised a net gain of Nil (31 March 2010: ₹ 73,909) on the said buyback which has been disclosed under “Other Income”.

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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 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.

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 “Unamortised 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 recognised 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 2011 would have been higher by ₹ 914 (31 March 2010: higher by ₹ 938).

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 ₹ 98,942 for the year ended 31 March 2011 (31 March 2010: gain of ₹ 1,440,194), 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 ₹ 98,942 for the year ended 31 March 2011 (31 March 2010: loss of ₹ 1,440,194) 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 hedge against net investment in non integral foreign operations as permitted under AS 30 and the consequent limited revision to other accounting standards, the translation gain on FCCB 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 ₹ 129,031 for the year ended 31 March 2011 (31 March 2010: ₹ 115,255) 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.

Further the Company has taken hedges against ECB and translation loss of ₹ 66,853 (31 March 2010: gain of ₹ 78,952) has been taken to Hedging Reserve account.

31 Derivatives

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

As at 31 March 2011, the Company has derivative financial instruments to sell USD 14,358,483 (31 March 2010: USD 25,702,798) having fair value gain of ₹ 24,034 (31 March 2010: ₹ 55,246) and GBP 35,500,000 (31 March 2010: GBP 35,176,114) having fair value gain of ₹ 44,806 (31 March 2010: ₹ 336,936) relating to highly probable forecasted transactions. The Company has derivative financial instruments of GBP 10,000,000 (31 March 2010: GBP 5,000,000) which has been taken to hedge the foreign currency loans. The Company has recognised mark to market gain of ₹ 9,993 (31 March 2010: ₹ 416,691) relating to these derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders’ funds (refer Schedule 4).

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

The Company has recognised mark to market gain of ₹ 54,563 (31 March 2010: ₹ 322,107) 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 ₹ 14,278 (31 March 2010: ₹ 70,075) 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 ₹ 58,848 (equivalent to USD 1.31 million, CAD 0.01 million) (31 March 2010: ₹ 835,247 (equivalent to USD 9.3 million, GBP 10 million, AUD 0.2 million, CAD 0.1 million and EUR 0.09 million)). During the year ended 31 March 2011, the Company has recognised gain of Nil (31 March 2010: ₹ 124,426) on cancellation of undesignated derivative financial instruments in the Profit and loss account (refer Schedule 15).

32 Summary of investments purchased and sold during the year

Mutual Fund Scheme	2011		2010	
Fund Name	Units purchased	Purchase value	Units purchased	Purchase value
Birla Sun Life Cash Manager – IP – Growth	36,070,920	572,751	9,567,414	145,000
Birla Sun Life Cash Plus – IP – Growth	53,528,068	805,530	74,140,823	1,075,011
Birla Sun Life Saving Fund – IP – Growth	16,364,860	290,041	52,508,397	905,092
Birla Sun Life Ultra Short Term - Institutional Growth	43,628,402	490,171	-	-
DSP Black Rock Money Manager Fund – IP – Growth	-	-	16,345	20,003
DSP ML Cash Manager Fund – Growth	-	-	17,730	20,000
DWS Insta Cash Plus Fund – IP – Growth	36,941,477	542,198	19,614,738	280,000
DWS Insta Cash Plus Fund - Super Institutional Plan - Growth	7,982,247	100,000	-	-
DWS Treasury Fund Cash - Institutional Plan – Growth	9,546,560	100,045	-	-
DWS Ultra Short Term Fund – Growth	36,564,639	400,387	17,729,559	190,018
Fortis Money Plus – IP – Fund – Growth	2,144,785	30,003	26,635,144	365,032
Fortis Overnight Fund - Institutional Plus Plan – Growth	2,116,805	30,000	28,112,205	390,000
HDFC FMP 35 D August 2010 (1) - Growth - Series XIV	5,000,000	50,000	-	-
HDFC Cash Management – Treasury Advantage WP – Growth	2,474,897	50,007	1,506,432	30,003
HDFC Cash Management Fund – Saving Plan – Growth	19,234,738	390,000	1,577,660	30,000
HDFC Liquid Fund - Premium Plan – Growth	8,006,356	150,000	-	-
ICICI Prudential Floating Rate Plan – D– Growth	8,370,509	130,293	-	-
ICICI Prudential Interval Fund - Monthly Interval Plan - I Institutional Growth	29,826,061	306,096	-	-
ICICI Prudential Interval Fund V - Monthly Interval Plan A Institutional Growth	2,368,950	25,000	-	-
ICICI Prudential Long Term Floating Rate Plan C – Growth	8,023,165	80,293	-	-
ICICI Prudential Ultra Short Term Plan Super Premium Growth	15,379,528	160,017	39,076,121	400,033
IDFC Cash Fund – Plan B – IP – Growth	-	-	8,889,673	145,000
IDFC Cash Fund - Super Institutional Plan C- Growth	25,272,962	285,000	13,558,382	150,189
IDFC Money Manager Fund – Treasury Plan B – Growth	-	-	9,420,703	140,011
IDFC Money Manager Fund – Treasury Plan C – Growth	8,071,643	90,006	22,799,280	245,076
IDFC Money Manager Fund- Invest Plan - B - Growth	12,493,005	180,023	-	-
JM High Liquidity Fund - Super Institutional Plan – Growth	18,327,474	275,000	-	-
JP Morgan India Treasury Fund - Super Institutional Growth Plan	35,224,838	430,269	-	-
JP Morgan Liquid Fund - Super Institutional Growth Plan	86,152,510	1,053,116	-	-
Kotak Floater Short Term Growth	56,108,238	885,143	-	-
Kotak Quarterly Interval Plan Series II – Growth	4,106,506	50,000	-	-
Kotak Flexi Debt Fund – IP – Growth	40,365,327	465,299	58,031,980	650,075
Kotak Liquid – IP – Growth	24,870,411	450,000	36,838,212	680,333
L & T Freedom Income Institutional Short Term Plan – Growth	8,298,252	125,016	675,002	10,001
L & T Liquid Super Institutional Plan - Cumulative	21,843,302	280,000	-	-

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Mutual Fund Scheme	2011		2010	
Fund Name	**Units purchased**	**Purchase value**	Units purchased	Purchase value
L & T Liquid – IP – Growth	**2,346,879**	**45,000**	538,692	10,000
Pramerica Liquid Fund Growth	**67,907**	**70,000**	-	-
Pramerica Ultra Short Term Bond Fund - Growth	**14,926**	**15,006**	-	-
ICICI Prudential Flexible Income Plan Premium – Growth	**2,776,638**	**490,398**	23,379,910	495,068
ICICI Prudential Liquid Super Institutional Plan – Growth	**2,113,868**	**290,000**	29,527,260	805,000
Reliance Liquid Fund- Treasury Plan- Institutional Option- Growth Plan	**37,526,405**	**866,397**	37,166,088	820,000
Reliance Liquid Fund - Cash Plan - Growth	**21,976,287**	**345,145**	-	-
Reliance Liquidity Fund – Growth	**60,421,616**	**860,000**	25,013,743	335,000
Reliance Medium Term Fund - Retail Plan Growth	**5,208,740**	**100,000**	3,688,367	70,008
Reliance Money Manager Fund - Institutional Option - Growth	**170,838**	**215,025**	567,511	695,061
Reliance Monthly Interval Fund Series I - Institutional Growth	**97,511,219**	**1,255,390**	-	-
Reliance Monthly Interval Fund Series II - Institutional Growth	**27,681,100**	**356,162**	-	-
Religare Credit Opportunities Fund – IP – Growth	**5,515,568**	**60,000**	16,125,262	165,016
Religare Liquid Fund – IP – Growth	**13,638,520**	**175,000**	37,456,025	465,745
Religare Overnight Fund - Growth	**11,327,310**	**130,013**	-	-
Religare Ultra Short Term Fund - IP - Growth	**12,292,345**	**260,008**	16,100,392	200,022
SBI - Magnum Insta Cash - Cash Plan - IP Growth	**4,222,722**	**90,000**	-	-
SBI - SHDF - Ultra Short Term Fund - Institutional Plan – Growth	**14,305,355**	**175,069**	-	-
SBI Premier Liquid Fund - Institutional - Growth	**16,051,556**	**240,000**	-	-
SBI Premier Liquid Fund - Super Institutional - Growth	**15,381,303**	**235,000**	-	-
Templeton India TMA Super IP – Growth	**94,192**	**130,000**	238,721	320,000
Templeton India Ultra Short Bond – IP – Growth	**-**	**-**	5,202,607	60,006
Templeton India Ultra Short Bond Fund Super Institutional Plan – Growth	**8,389,477**	**100,012**	9,005,180	105,012
UTI Fixed Income Interval Fund - Monthly Interval Plan - II - Institutional Growth Plan	**67,806,565**	**694,803**	-	-
UTI Fixed Income Interval Fund - Monthly Interval Plan - I - Institutional Growth Plan	**68,208,004**	**852,617**	-	-
UTI Liquid Cash Plan – IP – Growth	**190,384**	**295,000**	336,912	500,095
UTI Treasury Advantage Fund – IP – Growth	**58,538**	**75,006**	277,018	335,043

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Mutual Fund Scheme	2011		2010	
Fund Name	**Units sold**	**Sale value**	Units sold	Sale value
Birla Sun Life Cash Manager – IP – Growth	**(36,070,920)**	**(575,593)**	(9,567,414)	(145,019)
Birla Sun Life Cash Plus – IP – Growth	**(47,153,445)**	**(705,857)**	(74,140,823)	(1,075,347)
Birla Sun Life Saving Fund – IP – Growth	**(22,657,981)**	**(400,936)**	(46,215,276)	(796,842)
Birla Sun Life Ultra Short Term - Institutional Growth	**(43,628,402)**	**(495,462)**	-	-
DSP Black Rock Money Manager Fund – IP – Growth	**-**	**-**	(16,345)	(20,073)
DSP ML Cash Manager Fund – Growth	**-**	**-**	(17,730)	(20,003)
DWS Insta Cash Plus Fund – IP – Growth	**(36,941,477)**	**(542,379)**	(19,614,738)	(280,059)
DWS Insta Cash Plus Fund - Super Institutional Plan - Growth	**(7,982,247)**	**(100,280)**	-	-
DWS Treasury Fund Cash - Institutional Plan – Growth	**(9,546,560)**	**(100,423)**	-	-
DWS Ultra Short Term Fund – Growth	**(36,564,639)**	**(402,265)**	(17,729,559)	(190,259)
Fortis Money Plus – IP – Fund – Growth	**(2,144,785)**	**(30,033)**	(26,635,144)	(366,711)
Fortis Overnight Fund - Institutional Plus Plan – Growth	**(2,116,805)**	**(30,003)**	(28,112,205)	(390,059)
HDFC FMP 35 D August 2010 (1) – Growth - Series XIV	**(5,000,000)**	**(50,278)**	-	-
HDFC Cash Management – Treasury Advantage WP – Growth	**(2,474,897)**	**(50,163)**	(1,506,432)	(30,059)
HDFC Cash Management Fund – Saving Plan – Growth	**(7,026,466)**	**(140,119)**	(1,577,660)	(30,003)
HDFC Liquid Fund - Premium Plan – Growth	**(8,006,356)**	**(150,068)**	-	-
ICICI Prudential Floating Rate Plan – D – Growth	**(8,370,509)**	**(131,199)**	-	-
ICICI Prudential Interval Fund - Monthly Interval Plan - I Institutional Growth	**(29,826,061)**	**(307,966)**	-	-
ICICI Prudential Interval Fund V - Monthly Interval Plan A Institutional Growth	**-**	**-**	-	-
ICICI Prudential Long Term Floating Rate Plan C – Growth	**(8,023,165)**	**(80,712)**	-	-
ICICI Prudential Ultra Short Term Plan Super Premium Growth	**(41,340,951)**	**(431,239)**	(13,114,698)	(135,000)
IDFC Cash Fund – Plan B – IP – Growth	**-**	**-**	(8,889,673)	(145,020)
IDFC Cash Fund - Super Institutional Plan C- Growth	**(25,272,962)**	**(285,118)**	(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	**(16,780,957)**	**(186,315)**	(14,089,967)	(150,432)
IDFC Money Manager Fund- Invest Plan – B – Growth	**(12,493,005)**	**(181,224)**	-	-
JM High Liquidity Fund - Super Institutional Plan – Growth	**(18,327,474)**	**(277,805)**	-	-
JP Morgan India Treasury Fund - Super Institutional Growth plan	**(35,224,838)**	**(433,116)**	-	-
JP Morgan Liquid Fund - Super Institutional Growth Plan	**(86,152,510)**	**(1,057,686)**	-	-
Kotak Floater Short Term Growth	**(49,517,452)**	**(785,000)**	-	-
Kotak Quarterly Interval Plan Series II - Growth	**(4,106,506)**	**(50,261)**	-	-
Kotak Flexi Debt Fund – IP – Growth	**(47,186,933)**	**(547,231)**	(51,210,374)	(575,333)
Kotak Liquid – IP – Growth	**(24,870,411)**	**(450,331)**	(36,838,212)	(680,429)
L & T Freedom Income Institutional Short Term Plan – Growth	**(8,298,252)**	**(125,272)**	(675,002)	(10,007)

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

Mutual Fund Scheme	2011		2010	
Fund Name	**Units sold**	**Sale value**	Units sold	Sale value
L & T Liquid Super Institutional Plan – Cumulative	**(21,843,302)**	**(281,147)**	-	-
L & T Liquid – IP – Growth	**(2,346,879)**	**(45,008)**	(538,692)	(10,001)
Pramerica Liquid Fund Growth	**(67,907)**	**(70,299)**	-	-
Pramerica Ultra Short Term Bond Fund - Growth	**(14,926)**	**(15,069)**	-	-
ICICI Prudential Flexible Income Plan Premium – Growth	**(2,776,638)**	**(493,135)**	(23,379,910)	(496,448)
ICICI Prudential Liquid Super Institutional Plan – Growth	**(2,113,868)**	**(290,046)**	(29,527,260)	(805,148)
Reliance Liquid Fund- Treasury Plan- Institutional Option- Growth Plan	**(29,982,462)**	**(686,842)**	(37,166,088)	(820,152)
Reliance Liquid Fund - Cash Plan - Growth	**(21,976,287)**	**(348,512)**		-
Reliance Liquidity Fund – Growth	**(60,421,616)**	**(860,470)**	(25,013,743)	(335,075)
Reliance Medium Term Fund - Retail Plan Growth	**(5,208,740)**	**(100,201)**	(3,688,367)	(70,043)
Reliance Money Manager Fund - Institutional Option - Growth	**(210,690)**	**(266,197)**	(527,659)	(646,681)
Reliance Monthly Interval Fund Series I - Institutional Growth	**(97,511,220)**	**(1,262,949)**	-	-
Reliance Monthly Interval Fund Series II - Institutional Growth	**(27,681,100)**	**(358,729)**	-	-
Religare Credit Opportunities Fund – IP – Growth	**(14,173,090)**	**(147,497)**	(1,952,172)	(20,000)
Religare Liquid Fund – IP – Growth	**(13,638,520)**	**(175,030)**	(37,456,025)	(465,809)
Religare Overnight Fund - Growth	**(11,327,310)**	**(130,208)**	-	-
Religare Ultra Short Term Fund – IP - Growth	**(12,292,345)**	**(261,328)**	(16,100,392)	(200,847)
SBI - Magnum Insta Cash - Cash Plan – IP Growth	**(4,222,722)**	**(90,206)**	-	-
SBI - SHDF - Ultra Short Term Fund - Institutional Plan – Growth	**(14,305,355)**	**(176,651)**	-	-
SBI Premier Liquid Fund - Institutional - Growth	**(16,051,556)**	**(240,167)**	-	-
SBI Premier Liquid Fund - Super Institutional - Growth	**(4,991,116)**	**(75,332)**	-	-
Templeton India TMA Super IP – Growth	**(94,192)**	**(130,038)**	(238,721)	(320,094)
Templeton India Ultra Short Bond – IP – Growth	**-**	**-**	(5,202,607)	(60,229)
Templeton India Ultra Short Bond Fund Super Institutional Plan – Growth	**(8,389,477)**	**(100,172)**	(9,005,180)	(105,296)
UTI Fixed Income Interval Fund - Monthly Interval Plan - II - Institutional Growth Plan	**(57,452,947)**	**(591,358)**	-	-
UTI Fixed Income Interval Fund - Monthly interval plan - I - Institutional Growth Plan	**(68,208,004)**	**(858,016)**	-	-
UTI Liquid Cash Plan – IP – Growth	**(190,384)**	**(295,169)**	(336,912)	(500,166)
UTI Treasury Advantage Fund – IP – Growth	**(58,538)**	**(75,201)**	(277,018)	(335,876)

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Currency: In thousands of Indian rupees)

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:

	2011	2010
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
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible	**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 years figures have been regrouped / reclassified to conform to current year presentation.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
27 April 2011

For and on behalf of the Board of Directors

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Ram Chary
Director

Pravir Vohra
Director

Mohit Bhandari
Director

Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

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	134147	State code	11
Balance sheet date	31032011		

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

Public issue	NIL	Rights issue	NIL
Bonus issue	NIL	Private placement	10835

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

Total liabilities	23712448	Total assets	23712448
Sources of funds			
Paid up capital	4306382	Reserves and surplus	6054068
Secured loans	1766755	Unsecured loans	11585243
Application of funds			
Net fixed assets	1576352	Net curent assets (+)	9591015
Accumulated losses	NIL	Deferred tax	357766
Investments	11050594	Amalgamation deficit account	1136721

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

Turnover	7029686	Total expenditure	6625497
(+/-) Profit/loss before tax (+)	695600	(+/-) Profit/loss after tax (+)	662869
Earning per share (₹)	1.54 Basic 1.52 Diluted	Dividends %	NIL

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

Item code No (ITC Code)	Not applicable
Service description	IT enabled transaction processing services

For and on behalf of the Board of Directors

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director & CEO

Ram Chary
Director

Pravir Vohra
Director

Mohit Bhandari
Director

Y.H.Malegam
Director

K.P.Balaraj
Director

Charles Miller Smith
Director

Mumbai
27 April 2011

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

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.

ADDENDUM TO NOTICE DATED JUNE 9, 2011 CONVENING THE TENTH ANNUAL GENERAL MEETING OF FIRSTSOURCE SOLUTIONS LIMITED AT RAVINDRA NATYA MANDIR, SAYANI ROAD, PRABHADEVI, MUMBAI - 400 025 ON WEDNESDAY, AUGUST 3, 2011 AT 3.00 P.M.

The Board of Directors of the Company (hereinafter referred to as the 'Board'), on June 30, 2011, approved the appointment of Mr. Rajesh Subramaniam as an Additional Director and also approved his appointment as Deputy Managing Director & Chief Financial Officer ('Dy MD & CFO') of the Company for a period of five years effective from August 1, 2011. As Mr. Rajesh Subramaniam would hold office as an Additional Director only upto the date of forthcoming Annual General Meeting i.e. August 3, 2011, the Board also approved issuing this addendum to the Notice dated June 9, 2011, in order to seek approval of the members for appointment of Mr. Rajesh Subramaniam as Director and Dy MD & CFO of the Company. The following new item alongwith Explanatory Statement shall be deemed to be included in the Notice dated June 9, 2011, convening the Tenth Annual General Meeting of the Members of Firstsource Solutions Limited as Item No. 7 under Special Business and shall form an integral part thereof:

SPECIAL BUSINESS

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

"**RESOLVED THAT** Mr. Rajesh Subramaniam, who has been appointed as an Additional Director by the Board of Directors with effect from August 1, 2011, 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) and Article 155 of the Articles of Association of the Company, and in respect of whom a notice has been received from a member under section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director 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, if required, and such other approvals, as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Rajesh Subramaniam as Deputy Managing Director & Chief Financial Officer ("Dy MD & CFO") of the Company for a period of five years with effect from August 1, 2011, 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. Rajesh Subramaniam, Dy MD & CFO, 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. Rajesh Subramaniam, during his aforesaid tenure, subject to the provisions of the Act and Articles of Association of the Company, shall not be liable to retire 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. Rajesh Subramaniam, Dy MD & CFO, within the ceiling limit as approved by the members herein.

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. Rajesh Subramaniam, Dy MD & CFO, 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 of 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."

EXPLANATORY STATEMENT

(Under Section 173(2) of the Companies Act, 1956)

Item No.7

Mr. Rajesh Subramaniam has been appointed as an Additional Director by the Board of Directors on June 30, 2011 with effect from August 1, 2011. According to the provisions of Section 260 of the Companies Act 1956 (hereinafter referred to as the 'Act') and Article 155 of Articles of Association of the Company, on his appointment as Additional Director, he would hold office as Director only upto the date of this Annual General Meeting ('AGM') i.e. August 3, 2011. As required by the provisions of Section 257 of the Act, a notice along with prescribed deposit of Rs. 500, has been received from a member, signifying his intention to propose the appointment of Mr. Rajesh Subramaniam as a Director of the Company.

The Board of Directors, on June 30, 2011, also approved the appointment of Mr. Rajesh Subramaniam as Deputy Managing Director and Chief Financial Officer ("Dy MD & CFO") of the Company, for a period of five years with effect from August 1, 2011, subject to the approval of members and approval of the Central Government, if required.

Mr. Rajesh Subramaniam, 39 years, has done MBA from the Richmond College, London and Graduation in Commerce from Madras University. He has close to 17 years of work experience. He is currently Managing Director of Walden India Advisors Private Limited where he is responsible for leading all investment initiatives and management of portfolio companies. Prior to joining Walden in 2008, he was CFO of the Company viz. Firstsource Solutions Limited for a period from November, 2002 to June, 2008. During his term with the Company, he was instrumental in building the Company to its IPO and was also responsible for Strategy, M&A and Corporate Development. His prior experience includes working with organizations such as ICICI Bank, KPMG, E&Y, Pioneer ITI AMC (now part of Franklin Templeton) and GIV Venture Partners in leadership roles.

Mr. Rajesh Subramaniam holds directorships in MindTree Limited, Co Options Corporation Limited, Quatrro Global Services Private Limited, A&A Dukaan Financial Services Private Limited, Walden India Advisors Private Limited, Walden-Nikko Mauritius Co., Walden-Nikko India Management Co. Limited and Walden Investments VI. He does not hold any shares or stock options in the Company. He is not related to any other Director of the Company.

The details of the remuneration, as recommended by Compensation cum Board Governance Committee and Board of Directors, payable to Dy MD & CFO, during the period from August 1, 2011 to July 31, 2016, are as under:

Salary and fixed allowances:

An amount in the range of Rs. 8,00,000 to Rs. 2,000,000 per month. 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. Rajesh Subramaniam.

Perquisites:

Mr. Rajesh Subramaniam will also be entitled to perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like rent free furnished/ unfurnished residential accommodation leased/ rented by the Company together with benefit of gas, electricity, water, repairs & maintenance, club fees, personal insurance, use of car, telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave travel concession, provident fund, superannuation fund, gratuity and other benefits, in accordance with the scheme(s) and rule(s) applicable to the senior executives of the Company from time to time, for the aforesaid benefits.

He shall also be entitled to grant of Stock Options by the Company under its Employees Stock Options Scheme, in one or more tranches as may be decided by the Board from time to time.

Variable Compensation including Performance Pay and Incentives:

In addition to above salary and perquisites, Mr. Rajesh Subramaniam will also be entitled to variable compensation including performance pay/ Bonus and incentives upto 150% of the fixed salary (100% of which will be linked to base target), based on individual and Company performance and such performance parameters as may be laid down by the Board and subject to such other approvals as may be necessary.

The remuneration to Mr. Rajesh Subramaniam, 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. Rajesh Subramaniam, 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. Rajesh Subramaniam, within the limits as approved by members hereto. Mr. Rajesh Subramaniam 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, he shall not be liable to retire by rotation.

The above may also be treated as an abstract of the terms of appointment of Mr. Rajesh Subramaniam as Dy MD & CFO of the Company pursuant to the provisions of Section 302 of the Act.

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 is in any way concerned or interested in this resolution.

Registered Office:
6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013
June 30, 2011

By Order of the Board of Directors

Sanjay Gupta
Vice President - Corporate Affairs and Company Secretary