

Firstsource Advantage LLC

Special Purpose Financial Statements
together with the Independent Auditors' Report
for the year ended 31 March 2018

Firstsource Advantage LLC

Special Purpose Financial Statements together with the Independent Auditors' Report

for the year ended 31 March 2018

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Firstsource Advantage LLC

Balance sheet

as at 31 March 2018

(Currency: In US Dollar)

	Note	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	494,932	605,998
Capital work-in-progress		-	334,840
Other intangible assets	3	1,087,310	119,929
Financial assets			
Other financial assets	4(i)	174,332	149,577
Other non-current assets	5(i)	4,494	401,674
Deferred tax assets (net)		8,941,160	8,941,160
Total non-current assets		10,702,228	10,553,178
Current assets			
Financial assets			
Trade receivables	6	11,016,455	9,764,068
Cash and cash equivalents	7	437,666	152,489
Other financial assets	4(ii)	971,369	1,107,134
Other current assets	5(ii)	564,964	100,224
Total current assets		12,990,454	11,123,915
Total assets		23,692,682	21,677,093
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	10,000	10,000
Other equity		17,958,206	17,245,136
Total equity		17,968,206	17,255,136
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	9(i)	378,381	-
Total non-current liabilities		378,381	-
Current liabilities			
Financial liabilities			
Short-term borrowings	9(ii)	229,700	-
Trade payables		1,211,229	1,201,288
Other financial liabilities	10	3,653,779	3,018,299
Other current liabilities	11	64,100	63,287
Provisions for employee benefits	12	187,287	139,083
Total current liabilities		5,346,095	4,421,957
Total equity and liabilities		23,692,682	21,677,093

Significant accounting policies

2

The accompanying notes from 1 to 25 are an integral part of these financial statements.

As per our report of even date attached.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

Firm's Registration No: 117366W/W-100018

For and on behalf of the Board of Directors

G.K. Subramaniam

Partner

Membership No: 109839

Arjun Mitra

Director

Kimberly Nestark

Director

13 July 2018

Mumbai

Firstsource Advantage LLC

Statement of profit and loss

for the year ended 31 March 2018

(Currency: In US Dollar)

		Year ended	
	Note	31 March 2018	31 March 2017
INCOME			
Revenue from operations	13	42,548,027	43,995,891
Other income, net	14	-	246
Total income		42,548,027	43,996,137
EXPENSES			
Services rendered by business associates and others		7,689,045	6,893,220
Employee benefits expenses	15	24,229,152	26,550,785
Finance costs	16	2,514	-
Depreciation and amortisation expense	3	403,026	238,154
Other expenses	17	9,511,220	9,011,666
Total expenses		41,834,957	42,693,825
Profit before tax		713,070	1,302,312
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit for the year		713,070	1,302,312
Other comprehensive income			
Total other comprehensive income, net of taxes		-	-
Total comprehensive income for the year		713,070	1,302,312
Weighted average number of equity shares outstanding during the year			
Basic		10,000	10,000
Diluted		10,000	10,000
Earnings per equity share			
Basic		71.31	130.23
Diluted		71.31	130.23

Significant accounting policies

2

The accompanying notes from 1 to 25 are an integral part of these financial statements.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Firm's Registration No: 117366W/W-100018

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G.K. Subramaniam

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Mumbai

Firstsource Advantage LLC

Statement of changes in equity

for the year ended 31 March 2018

(Currency: In US Dollar)

Statement of changes in Equity

	Equity share capital	Attributable to owners of the Company Reserve and surplus Retained earnings	Total
Balance as at 1 April 2017	10,000	17,245,136	17,255,136
Profit for the year	-	713,070	713,070
Balance as at 31 March 2018	10,000	17,958,206	17,968,206

	Equity share capital	Attributable to owners of the Company Reserve and surplus Retained earnings	Total
Balance as at 1 April 2016	10,000	15,942,824	15,952,824
Other comprehensive income for the year	-	-	-
Profit for the year	-	1,302,312	1,302,312
Balance as at 31 March 2017	10,000	17,245,136	17,255,136

As per our report of even date attached.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

Firm's Registration No: 117366W/W-100018

For and on behalf of the Board of Directors

G.K. Subramaniam

Partner

Membership No: 109839

13 July 2018

Mumbai

Arjun Mitra

Director

Kimberly Nestark

Director

Firstsource Advantage LLC

Statement of cash flows

for the year ended 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
<u>Cash flow from operating activities</u>		
Profit before tax	713,070	1,302,312
Adjustments for		
Depreciation and amortisation	403,026	238,154
Finance costs	2,514	-
Operating cash flow before changes in working capital	1,118,610	1,540,466
Changes in working capital		
(Increase) / Decrease in trade receivables	(1,252,387)	(6,276,607)
(Increase) / Decrease in loans and advances and other assets	43,450	1,534,852
(Decrease)/ Increase in liabilities and provisions	1,029,438	3,778,638
Net changes in working capital	(179,499)	(963,117)
Income taxes paid	-	-
Net cash generated from operating activities (A)	939,111	577,349
<u>Cash flow from investing activities</u>		
Purchase of property, plant and equipment and intangible assets	(651,420)	(738,568)
Proceeds on sale of property, plant and equipment and intangible assets	-	-
Net cash generated used in investing activities (B)	(651,420)	(738,568)
<u>Cash flow from financing activities</u>		
Interest paid	(2,514)	-
Net cash generated used in financing activities (C)	(2,514)	-
Net Increase / (decrease) in cash and cash equivalents at the end of the year (A+B+C)	285,177	(161,219)
Cash and cash equivalents at the beginning of the year	152,489	313,708
Cash and cash equivalents at the end of the year	437,666	152,489

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:

	31 March 2018	31 March 2017
Cash on hand	-	-
Balances with banks		
- in current account	437,666	152,489
Cash and cash equivalents	437,666	152,489

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Firm's Registration No: 117366W/W-100018

For and on behalf of the Board of Directors

G.K. Subramaniam

Partner

Membership No: 109839

Arjun Mitra

Director

Kimberly Nestark

Director

Mumbai

13 July 2018

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

1 Company overview

Firstsource Advantage LLC ('the Company') was incorporated under the laws of the state of New York on 27 April 1995 for the purpose of providing debt collection services to major credit card issuers and banks throughout the United States. Credit is granted to primarily all of its customers.

Basis of Preparation and Statement of Compliance

These special purpose financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values and the provisions of the Companies Act, 2013 ('the Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 ('the rules').

These special purpose financial statements have been prepared for the limited purpose of facilitating the preparation of the consolidated financial statements of Firstsource Solutions Limited, the Holding Company, as at and for the year ended March 31, 2018 in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') and to assist Firstsource Solutions Limited, the Holding Company to comply with the requirements of Section 129(3) of the Act.

These financial statements were approved by the Board of Directors of the Firstsource Solutions Limited, the Holding Company authorised for issue on 7 May 2018.

2 Significant accounting policies

2.1 Use of estimates

The preparation of the financial statements in conformity with Ind AS 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 and the reported amount of income and expenses for the period. 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. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.1.1.

2.1.1 Critical accounting estimates

a Income taxes

The Company's major tax jurisdiction is United States of America. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.8.

b Property, plant and equipment and Intangible assets

The charge in respect of periodic depreciation / amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and are reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.2 Revenue recognition

Revenue from debt collection services comprise from both time / unit price and fixed fee milestone based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from contracts containing milestones are recognised only when the services for a given milestone are provided and accepted by the customer and the billable amount are no longer contingent upon any further service. 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.

For all instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

2.3 Property, plant and equipment and Intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation, amortisation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the property, plant and equipment and intangible assets. Depreciation / amortisation on property, plant and equipment and intangible assets is provided pro-rata to the period of use based on management's best estimate of useful lives of the assets as summarised below:

Asset category	Useful life (in years)
Tangible assets	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Service equipment*	2 – 5
Computers*	2 – 4
Office equipment*	2 – 5
Furniture and fixtures*	2 – 5
Intangible assets	
Software*	2 – 4

* For these class of assets, based on internal assessment and technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Depreciation and amortisation methods, useful lives and residual values are reviewed periodically at the end of each financial year.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.4 Impairment

a. Financial assets

The Company recognises loss allowances using the expected credit loss ('ECL') model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

b. Non-financial assets

i. Property, Plant and equipment and Intangible assets

Property, plant and equipment and intangible assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit ('CGU') to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.5 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 instalments 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 finance income and principal amount using the implicit rate of return.

The finance charge / (income) is recognised in consolidated statement of profit and loss, 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 arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term, unless the increase is on account of inflation, in the statement of profit and loss.

2.6 Foreign currency

Functional currency

The functional currency of the Company is the United States Dollar (\$) .

Transactions and translations

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Gains or losses realised upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the functional currency using the exchange rate in effect on the date of the transaction.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.7 Employee benefits

a) Defined contribution plans

The Company has a saving and investment plan under section 401 (k) of the Internal Revenue Code of the United States of America. This is a Defined Contribution Plan. Contribution made under the plan are charged to statement of Profit and loss in the period in which that accrue. The Company has no further obligation to the plan beyond its monthly contribution. Other retirement benefits, including social security and medicare, are accrued based on the amounts payable as per local regulations.

b) Compensated absences

Employees of the Company are entitled to compensated absences, 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 absences 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.

2.8 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

The Income tax liability and Deferred Tax Asset and Liability are computed on a combined basis and a combined tax return is filed for all subsidiaries of Firstsource Solutions Limited operating in the United States of America and the charge, the asset and the liability is accounted on a combined basis by Firstsource Group USA, Inc. (parent company in the United States of America) in its financial statements. Deferred Tax Asset and Liability and Income tax charge accounted in these Special Purpose Financial Statements relate only to the pre-acquisition period and adjustments thereof.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.9 Earnings per equity share

The basic earnings per equity share is computed by dividing the net profit or loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. 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.

2.10 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.

2.11 Financial instruments

2.11.1 Initial recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.11.2 Classification and subsequent measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

ii) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Financial assets at fair value through other comprehensive income ('FVOCI')

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

iv) Financial assets at fair value through profit and loss ('FVTPL')

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

v) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amount approximate fair value to short-term maturity of these instruments.

vi) Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments are recognised by the Company at the proceeds received net of direct issue cost.

b) Share Capital Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.11 Financial instruments

2.11.3 De-recognition of financial instruments

The Company de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from the Company's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

2.11.4 Fair value of financial instrument

In determining the fair value of its financial instrument, the Company uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realised. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.12 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.13 Onerous Contract

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.

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

Notes to the financial statements (Continued)

2 Significant accounting policies (Continued)

2.14 Recent accounting pronouncements

Ind AS 21 Foreign currency transactions and advance consideration:

On 28 March 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115 Revenue from Contract with Customers:

On 28 March 2018, Ministry of Corporate Affairs has notified the Ind AS115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The effect on adoption of Ind AS 115 on the financial statements is expected to be insignificant.

Firstsource Advantage LLC

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

3 Property, plant and equipment and Intangible assets

Particulars	Tangible Asset						Intangible Asset	Grand Total
	Leasehold improvements	Service Equipment	Computers	Office equipment	Furniture and fixture	Total	Software	
Gross block (at deemed cost)								
As at 1 April 2017	1,115,640	2,760,420	2,155,111	1,638,632	1,428,677	9,098,480	3,741,746	12,840,226
Additions / adjustments during the year	38,000	-	41,618	19,329	10,207	109,154	1,150,187	1,259,341
Deletions during the year	-	-	-	-	-	-	-	-
As at 31 March 2018	1,153,640	2,760,420	2,196,729	1,657,961	1,438,884	9,207,634	4,891,933	14,099,567
Accumulated depreciation / amortization								
As at 1 April 2017	1,027,687	2,697,466	1,884,063	1,475,342	1,407,924	8,492,482	3,621,817	12,114,299
Charge for the year	28,626	29,487	96,120	60,083	5,904	220,220	182,806	403,026
On deletions / adjustments during the year	-	-	-	-	-	-	-	-
As at 31 March 2018	1,056,313	2,726,953	1,980,183	1,535,425	1,413,828	8,712,702	3,804,623	12,517,325
Net block								
As at 31 March 2018	97,327	33,467	216,546	122,536	25,056	494,932	1,087,310	1,582,242
As at 31 March 2017	87,953	62,954	271,048	163,290	20,753	605,998	119,929	725,927

Particulars	Tangible Asset						Intangible Asset	Grand Total
	Leasehold improvements	Service Equipment	Computers	Office equipment	Furniture and fixture	Total	Software	
Gross block (at deemed cost)								
As at 1 April 2016	1,085,523	2,725,026	1,929,833	1,602,138	1,416,922	8,759,442	3,677,055	12,436,497
Additions / adjustments during the year	30,117	35,394	225,278	36,494	11,755	339,038	64,691	403,729
Deletions during the year	-	-	-	-	-	-	-	-
As at 31 March 2017	1,115,640	2,760,420	2,155,111	1,638,632	1,428,677	9,098,480	3,741,746	12,840,226
Accumulated depreciation / amortization								
As at 1 April 2016	1,008,732	2,651,894	1,833,553	1,416,136	1,404,114	8,314,429	3,561,716	11,876,145
Charge for the year	18,955	45,572	50,510	59,206	3,810	178,053	60,101	238,154
On deletions / adjustments during the year	-	-	-	-	-	-	-	-
As at 31 March 2017	1,027,687	2,697,466	1,884,063	1,475,342	1,407,924	8,492,482	3,621,817	12,114,299
Net block								
As at 31 March 2017	87,953	62,954	271,048	163,290	20,753	605,998	119,929	725,927
As at 31 March 2016	76,791	73,132	96,280	186,002	12,808	445,013	115,339	560,352

Firstsource Advantage LLC

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
4 Other financial assets		
<i>(Unsecured, considered good)</i>		
(i) Other non-current financial assets		
Deposits	174,332	149,577
	<u>174,332</u>	<u>149,577</u>
(ii) Other current financial assets		
Unbilled receivables	971,369	1,107,134
	<u>971,369</u>	<u>1,107,134</u>
5 Other assets		
<i>(Unsecured, considered good)</i>		
(i) Other non-current assets		
Prepaid expenses	4,494	401,674
	<u>4,494</u>	<u>401,674</u>
(ii) Other current assets		
Prepaid expenses	564,289	1,491
Other advances	675	98,733
	<u>564,964</u>	<u>100,224</u>
6 Trade receivables		
<i>(Unsecured)</i>		
Considered good	11,016,455	9,764,068
	<u>11,016,455</u>	<u>9,764,068</u>
a) Trade receivables are non-interest bearing.		
b) No trade or other receivables are due from directors or other officers of the Company either severally or jointly.		
c) For receivables from related party refer note 20.		
7 Cash and cash equivalents		
Balances with banks		
-in current accounts	437,666	152,489
-in trust accounts	1,198,502	957,455
	<u>1,636,168</u>	<u>1,109,944</u>
Less: Current account balance held in trust for customers	(1,198,502)	(957,455)
	<u>437,666</u>	<u>152,489</u>

Firstsource Advantage LLC

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
8 Share capital		
Authorised		
10,000 (31 March 2017: 10,000) Equity Shares of USD 1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
Issued, subscribed and paid-up		
10,000 (31 March 2017: 10,000) Equity Shares of USD 1 each, fully paid up	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	31 March 2018		31 March 2017	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	10,000	10,000	10,000	10,000
At the end of the year	10,000	10,000	10,000	10,000

b) Particulars of shareholders holding more than 5% equity shares

	31 March 2018		31 March 2017	
	Number of shares	% of total shares	Number of shares	% of total shares
Firstsource Business Process Services LLC	10,000	100.00%	10,000	100.00%

c) Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Firstsource Advantage LLC

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
9 Borrowings		
(i) Long-term borrowings		
<i>Secured</i>		
Long term maturities of finance lease obligations	378,381	-
	<u>378,381</u>	<u>-</u>
(ii) Short-term borrowings		
Current maturities of long-term borrowings		
<i>Secured</i>		
Finance lease obligation	229,700	-
	<u>229,700</u>	<u>-</u>
10 Other financial liabilities		
Other current financial liabilities		
Book credit in bank account	340,327	75,935
Creditors for capital goods	-	335,000
Payable to Related parties	3,313,452	2,607,364
	<u>3,653,779</u>	<u>3,018,299</u>
11 Other Current liabilities		
Statutory Dues	64,100	63,287
	<u>64,100</u>	<u>63,287</u>
12 Provision for employee benefits		
Current		
Compensated absences	187,287	139,083
	<u>187,287</u>	<u>139,083</u>

Firstsource Advantage LLC

Notes to the financial statements (Continued)

for the year ended 31 March 2018

(Currency: In US Dollar)

	Year ended	
	31 March 2018	31 March 2017
13 Revenue from operations		
Sale of services	42,548,027	43,995,891
	<u>42,548,027</u>	<u>43,995,891</u>
14 Other income		
Miscellaneous income	-	246
	<u>-</u>	<u>246</u>
15 Employee benefits expense		
Salaries and wages	23,020,904	25,187,514
Contribution to social security and other benefits	130,829	139,011
Staff welfare expenses	1,077,419	1,224,260
	<u>24,229,152</u>	<u>26,550,785</u>
16 Finance cost		
Finance charges on leased assets	2,514	-
	<u>2,514</u>	<u>-</u>

Firstsource Advantage LLC
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

	Year ended	
	31 March 2018	31 March 2017
17 Other expenses		
Bank administration charges	813,216	655,421
Rent	778,307	757,480
Legal and professional fees	767,364	533,503
Repairs, maintenance and upkeep	391,016	433,350
Computer expenses	595,997	665,412
Insurance	161,631	193,709
Car and other hire charges	132,241	143,481
Electricity, water and power consumption	115,651	111,848
Travel and conveyance	106,780	123,744
Printing and stationery	84,017	104,493
Recruitment and training expenses	33,516	17,310
Marketing and Support Expenses	9,256	18,511
Miscellaneous expenses	737	-
Exchange Loss	3,231	-
Connectivity Expenses	322,214	314,069
Information and communication expenses	4,613,395	4,173,015
Rates and taxes	11,710	14,680
Allocated Corporate Costs	570,941	751,640
	9,511,220	9,011,666

Firstsource Advantage LLC
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

18 Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2018 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	11,016,455	-	-	11,016,455	11,016,455
Cash and cash equivalents	437,666	-	-	437,666	437,666
Other financial assets	1,145,700	-	-	1,145,700	1,145,700
Total	12,599,821	-	-	12,599,821	12,599,821
Financial liabilities					
Borrowings	608,081	-	-	608,081	608,081
Trade payables	1,211,229	-	-	1,211,229	1,211,229
Other financial liabilities	3,653,779	-	-	3,653,779	3,653,779
Total	5,473,089	-	-	5,473,089	5,473,089

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	9,764,068	-	-	9,764,068	9,764,068
Cash and cash equivalents	152,489	-	-	152,489	152,489
Other financial assets	1,256,711	-	-	1,256,711	1,256,711
Total	11,173,268	-	-	11,173,268	11,173,268
Financial liabilities					
Trade payables	1,201,288	-	-	1,201,288	1,201,288
Other financial liabilities	3,018,299	-	-	3,018,299	3,018,299
Total	4,219,587	-	-	4,219,587	4,219,587

Fair value hierarchy for the above stated financial assets and liabilities is using measurement principles at Level 3 as at 31 March 2018 and 31 March 2017.

II. Financial risk management:

a) Market risk

The Company operates in the United States of America and there are no major transactions outside the United States of America. Hence, there is no foreign exchange risk for the Company.

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to USD 11,016,455 as at 31 March 2018 (31 March 2017 : USD 9,764,068 and unbilled revenue amounting to USD 971,369 as at 31 March 2018 (31 March 2017 : USD 1,107,134). Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business.

Firstsource Advantage LLC
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

18 Financial instruments (Continued)

c) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018 and 31 March 2017:

	31 March 2018		31 March 2017	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	1,211,229	-	1,201,288	-
Financial Liabilities	3,653,779	-	3,018,299	-
Borrowings	229,700	378,381	-	-

19 Leases

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2018 aggregated to USD 525,060 (31 March 2017: USD 517,301).

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

	As at 31 March 2018	As at 31 March 2017
Amount due within one year from the balance sheet date	532,936	525,060
Amount due in the period between one year and five years	2,212,893	2,180,190
Amount due in the period beyond five years	47,253	612,892
	<u>2,793,082</u>	<u>3,318,142</u>

The Company also leases office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under cancellable operating leases for the year ended 31 March 2018 is USD 253,247 (31 March 2017: USD 240,179).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2018 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2018			
Amount payable within one year from the balance sheet date	244,783	15,083	229,700
Amount payable in the period between one year and five years	406,034	27,653	378,381
	<u>650,817</u>	<u>42,736</u>	<u>608,081</u>
As at 31 March 2017			
Amount payable within one year from the balance sheet date	-	-	-
Amount payable in the period between one year and five years	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Firstsource Advantage LLC
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

20 Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2018 are summarized below:

Ultimate Holding Company	CESC Limited
Holding Company	Firstsource Solutions Limited Firstsource Group USA, Inc.
Fellow Subsidiaries	MedAssist Holding LLC Firstsource Solutions USA LLC Firstsource Solutions UK Limited Firstsource Process Management Services Limited Firstsource BPO Ireland Limited Firstsource Dialog Solutions (Private) Limited. Firstsource Business Process Services LLC Firstsource Solutions USA LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc. ISGN Fulfillment Agency, LLC One Advantage LLC
Fellow Associate	Nanobi Data and Analytics Private Limited.
Directors	Kimberly Nestark Arjun Mitra

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) as at	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
Firstsource Solutions Limited	Services rendered by business associates and others	7,689,045	6,893,220		
	Recovery of expenses	1,225			
	Reimbursement of expenses	629,443	855,052		
	Receivable / (Payable)			(6,393,237)	(4,761,301)
Firstsource Group USA Inc	Recovery of expense	16,833	42,263		
	Reimbursement of expenses	381,738	256,267		
	Receivable / (Payable)			2,914,498	2,084,269
Firstsource Transaction Services LLC	Recovery of expense	80,396	64,658		
	Reimbursement of expenses	3,896	2,549		
	Receivable / (Payable)			100,447	23,947
Medassit Holding LLC	Recovery of expense	115,207	550,241		
	Reimbursement of expenses	332,564	725,271		
	Receivable / (Payable)			(11,752)	(152,504)
One Advantage LLC	Recovery of expense	1,366,480	1,272,477		
	Reimbursement of expenses	88,176	128,345		
	Receivable / (Payable)			60,462	244,130
Firstsource Solutions UK Limited	Recovery of expense	-	78,913		
	Reimbursement of expenses	180,336	71,988		
	Receivable / (Payable)			2,611	(50,840)
ISGN Solutions, Inc.	Recovery of expense	607	-		
	Receivable / (Payable)			607	
ISGN Fulfillment Services, Inc	Recovery of expense	7,978	4,934		
	Receivable / (Payable)			12,912	4,934

Firstsource Advantage LLC
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

21 Segment reporting

As per Ind AS 108 - Operating Segment, if a financial report contains both consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108 - Operating Segment has been given in the consolidated financial statements of the Holding Company.

22 Computation for calculating basic and diluted earnings per share

	For year ended	
	31 March 2018	31 March 2017
Number of shares considered as basic weighted average shares outstanding	10,000	10,000
Number of shares considered as weighted average shares and potential shares outstanding	10,000	10,000
Net profit after tax attributable to shareholders	713,070	1,302,312
Net profit after tax for diluted earnings per share	713,070	1,302,312

23 Capital and other commitments and contingent liabilities

The Company has capital commitments of USD 999,960 (31 March 2017: USD 191,004) as at the balance sheet date. There are no contingent liabilities as at the balance sheet date 31 March 2018 ((31 March 2017: USD Nil).

24 Long-term contracts

The Company has a process whereby yearly all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

25 Subsequent events

The Company evaluated subsequent events from the balance sheet date through 13 July 2018 and determined there are no material items to report.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No: 117366W/W-100018

For and on behalf of the Board of Directors

G.K. Subramaniam
Partner
Membership No: 109839

Arjun Mitra
Director

Kimberly Nestark
Director

Mumbai
13 July 2018