Firstsource Business Process Services LLC

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

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for the year ended 31 March 2018

Contents

Firstsource Business Process Services LLC

Balance sheet

as at 31 March 2018

(Currency: In US Dollar)

	Note	31 March 2018	31 March 2017
ASSETS			
Non-Current assets			
Financial assets			
Investments	3	**38,296,362**	38,296,362
Deferred tax assets (net)	4	**1,456,072**	1,456,072
Total non-current assets		**39,752,434**	39,752,434
Current assets			
Financial assets			
Cash and cash equivalents	5	**25,885**	21,482
Total current assets		**25,885**	21,482
Total assets		**39,778,319**	39,773,916
EQUITY AND LIABILITIES			
Equity			
Equity share capital	6	**-**	-
Other equity		**22,165,637**	22,161,234
Total equity		**22,165,637**	22,161,234
LIABILITIES			
Current liabilities			
Financial liabilities			
Other Current financial liabilities	7	**17,612,682**	17,612,682
Other current liabilities		-	-
Total current liabilities		**17,612,682**	17,612,682
Total equity and liabilities		**39,778,319**	39,773,916
Significant accounting policies	2		

The accompanying notes from 1 to 13 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
13 July 2018
Mumbai

Arjun Mitra
Director

Venkat Raman
Director

Firstsource Business Process Services LLC

Statement of profit and loss

for the year ended 31 March 2018
(Currency: In US Dollar)

	Note	Year ended 31 March 2018	31 March 2017
INCOME			
Revenue from operations		-	-
Total income		-	-
EXPENSES			
Other expenses	*8*	**(4,403)**	814
Total expenses		**(4,403)**	814
Profit before tax		**4,403**	(814)
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit for the year		**4,403**	(814)
Other comprehensive income			
Total other comprehensive income, net of taxes		-	-
Total comprehensive income for the year		**4,403**	(814)

Significant accounting policies *2*

The accompanying notes from 1 to 13 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
13 July 2018
Mumbai

Arjun Mitra
Director

Venkat Raman
Director

Firstsource Business Process Services LLC

Statement of changes in equity

for the year ended 31 March 2018

(Currency: In US Dollar)

Statement of changes in equity

	Attributable to owners of the Company			
		Reserve and surplus		
	Equity share capital	**Securities Premium**	**Retained earnings**	**Total**
Balance as at 1 April 2017	**-**	**14,863,647**	**7,297,587**	**22,161,234**
Profit/(Loss) for the year	**-**	**-**	**4,403**	**4,403**
Balance as at 31 March 2018	**-**	**14,863,647**	**7,301,990**	**22,165,637**

	Attributable to owners of the Company			
		Reserve and surplus		
	Equity share capital	**Securities Premium**	**Retained earnings**	**Total**
Balance as at 1 April 2016	-	14,863,647	7,298,401	22,162,048
Profit/(Loss) for the year	-	-	(814)	(814)
Balance as at 31 March 2017	-	14,863,647	7,297,587	22,161,234

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

Venkat Raman
Director

Firstsource Business Process Services LLC

Statement of cash flows

for the year ended 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
Cash flow from operating activities		
Profit before tax	**4,403**	(814)
Operating cash flow before changes in working capital	**4,403**	(814)
Changes in working capital		
(Decrease) / Increase in liabilities and provisions	-	2,924
Net changes in working capital	-	2,924
Net cash generated from / (used in) operating activities (A)	**4,403**	2,110
Cash flow from investing activities		
	-	-
Net cash generated from / (used in) investing activities (B)	**-**	-
Cash flow from financing activities		
	-	-
Net cash generated from / (used in) financing activities (C)	**-**	-
Net Increase / (decrease) in cash and cash equivalents at the end of the year (A+B+C)	**4,403**	2,110
Cash and cash equivalents at the beginning of the year	**21,482**	19,372
Cash and cash equivalents at the end of the year	**25,885**	21,482

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	**25,885**	21,482
Cash and cash equivalents	**25,885**	21,482

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

Venkat Raman
Director

1 Company overview

Firstsource Business Process Services LLC ('the Company') was incorporated under the laws of the state of Delware on November 25, 2009. The Company is a wholly owned subsidiary of Firstsource Group USA Inc., incorporated in the state of Delaware, USA, which is a wholly owned subsidiary of Firstsource Solutions Limited., a company incorporated in India. On 31 December 2009, FirstRing Inc. USA, another subsidiary of Firstsource Solutions Ltd. was merged with the Company.

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 financials 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 ('Indian GAAP') and to assist Firstsource Solutions Limited, the Holding Company, to comply with the requirement of section 129(3) of the Act.

These special purpose financials statement were approved by the Board of Directors of Firstsource Solutions Limited, the holding company and authorised for the 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

Income tax

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 2.4.

2 Significant accounting policies *(Continued)*

2.2 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 as services are rendered 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.

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 for 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 Impairment

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.

2.4 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period 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 only to the extent that is probable that taxable profit will be available aganist which the 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.

2.5 Foreign currency

Functional currency

The functional currency of the Company is the US dollars (USD).

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.

2 Significant accounting policies *(Continued)*

2.6 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.

2.7 Financial instruments

2.7.1 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.

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.

2 Significant accounting policies *(Continued)*

2.7 Financial instruments (Continued)

2.7.1 Initial recognition

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 recognized as a deduction from equity, net of any tax effects.

2.7.2 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.

2.7.3 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.

2.8 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the year 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 items 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 Significant accounting policies *(Continued)*

2.9 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived 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.

2.10 **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 AS 115, 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.

(Currency: In US Dollar)

	31 March 2018	31 March 2017
3 Investments		
Non-Current		
Unquoted		
Investment carried at cost (Investment in equity instruments of subsidiaries)		
10,000 membership units (31 March 2017: 10,000 units) of face value of USD 1 each in Firstsource Advantage LLC	**38,271,362**	38,271,362
Investment in One Advantage LLC	**25,000**	25,000
	38,296,362	38,296,362

	31 March 2018	31 March 2017
4 Taxation		
Deferred tax asset on account of:		
Depreciation and amortisation	**87,406**	87,406
Business losses carried forward	**6,004,379**	6,004,379
	6,091,785	6,091,785
Deferred tax liability on account of:		
Accrued expenses	**15,468**	15,468
Goodwill and other amortisation	**4,620,245**	4,620,245
	4,635,713	4,635,713
Net Deferred Tax Asset	**1,456,072**	1,456,072

	31 March 2018	31 March 2017
5 Cash and cash equivalents		
Balances with banks		
-in current accounts	**25,885**	21,482
	25,885	21,482

6 Share Capital

	31 March 2018	31 March 2017
(a) Issued, subscribed and paid-up	-	-

(b) Details of voting rights holding more than 5% in the company

	31 March 2018	31 March 2017
	% of total shares	% of total shares
Firstsource Group USA, Inc.	**100%**	100%

Management confirms to a framework of capital through agreement without any contributions thereby providing 100% ownership and voting rights and right to 100% of profits / losses. Hence, the financials do not disclose any Earnings per share value.

	31 March 2018	31 March 2017
7 Other financial liabilities		
Other current financial liabilities		
Payable to Related Parties	**17,612,682**	17,612,682
	17,612,682	17,612,682

	31 March 2018	31 March 2017
8 Other Expenses		
Bank administration charges (net)	(4,403)	814
	(4,403)	**814**

(Currency: In US Dollar)

9 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					
Cash and cash equivalents	**25,885**	**-**	**-**	**25,885**	**25,885**
Total	**25,885**	**-**	**-**	**25,885**	**25,885**
Financial liabilities					
Other financial liabilities	**17,612,682**	**-**	**-**	**17,612,682**	**17,612,682**
Total	**17,612,682**	**-**	**-**	**17,612,682**	**17,612,682**

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					
Cash and cash equivalents	21,482	-	-	21,482	21,482
Total	21,482	-	-	21,482	21,482
Financial liabilities					
Other financial liabilities	17,612,682	-	-	17,612,682	17,612,682
Total	17,612,682	-	-	17,612,682	17,612,682

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:

Financial risk factors:

The Company's activities are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk.

a) Market risk

The Company operates in the United States of America and there are no major transcations outside the United States of America. Hence, there is no foreign exchaneg 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. There is no exposure to the credit risk at the reporting date. 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.

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
Other financial liabilities	**17,612,682**	-	17,612,682	-

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

10 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	Spen Liq Private Limited (Spen Liq) Firstsource Group USA Inc. Firstsource Solutions Ltd
Fellow Subsidiary Companies	Spencer Retail Limited (Spencer) Omnipresent Retail India Private Limited (Omnipresent) New Rising Promoters Private Limited MedAssist Holding, LLC. Firstsource Solutions USA LLC Firstsource Solution UK Limited Firstsource Solution UK Limited Firstsource Process Management Services Limited Firstsource BPO Ireland Limited Firstsource Dialog Solutions (Private) Limited ISGN Fulfillment Services, Inc ISGN Solutions, Inc. One Advantage LLC
Directors	Venkat Raman Arjun Mitra

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended		Receivable / (Payable) at	
		31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
Firstsource Group USA Inc	Receiveable / (Payable)	-	-	**(17,612,682)**	(17,612,682)
Firstsource Advantage LLC	Investment in Equity	**-**	**-**	**38,271,362**	38,271,362
	Receivable / (Payable)	-	(2,924)	-	-
One Advantage LLC	Investment in Equity	-	-	**25,000**	25,000

11 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.

12 Capital and other commitments and contingent liabilities

The Company has capital commitments of USD Nil (31 March 2017: USD Nil) as at the balance sheet date. There are no contingent liabilities as at Balance sheet date. (31 March 2017 : USD Nil)

13 Subsequent events

The Company evaluated subsequent events from the balance sheet date through 13 July 2018 and determined that 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
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13 July 2018
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