Firstsource-Dialog Solutions (Private) Limited

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

Firstsource-Dialog Solutions (Private) Limited

Special Purpose Financial Statements together with the Independent Auditors' Report

for the year ended 31 March 2018

Contents

Firstsource-Dialog Solutions (Private) Limited

Balance sheet

as at 31 March 2018

	Note	31 March 2018	31 March 2017
		Amount in LKR	
ASSETS			
Non-current assets			
Property, plant and equipment	*3*	**-**	-
Financial assets			
Other financial assets	*4(i)*	-	68,750
Income tax assets (net)	*5*	**6,891,131**	6,594,209
Total non-current assets		**6,891,131**	6,662,959
Current assets			
Financial assets			
Trade receivables	*6*	-	33,581,947
Cash and cash equivalents	*7*	**105,255,446**	91,769,464
Other financial assets	*4(ii)*	-	739,114
Other assets	*8*	-	327,350
Total current assets		**105,255,446**	126,417,875
Total assets		**112,146,577**	133,080,834
EQUITY AND LIABILITIES			
Equity			
Equity share capital	*9*	**9,221,040**	9,221,040
Other equity		**102,445,537**	97,038,268
Total equity		**111,666,577**	106,259,308
LIABILITIES			
Current liabilities			
Financial liabilities			
Trade payables		**480,000**	13,709,267
Other Financial Liabilities	*10*	-	4,863,339
Other liabilities	*11*	-	8,248,920
Total current liabilities		**480,000**	26,821,526
Total equity and liabilities		**112,146,577**	133,080,834

Significant accounting policies *2*

The accompanying notes from 1 to 21 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

Dinesh Jain
Director

Badrinath Bharadwaj
Director

Firstsource-Dialog Solutions (Private) Limited

Statement of profit and loss

for the year ended 31 March 2018

		Amount in LKR	
		Year ended	
	Note	**31 March 2018**	31 March 2017
INCOME			
Revenue from services		**-**	408,614,649
Other income	*12*	**2,969,235**	5,594,111
Total income		**2,969,235**	414,208,760
EXPENSES			
Employee benefits expense	*13*	**-**	282,267,596
Depreciation and amortization	*3*	**-**	6,872,371
Other expenses	*14*	**(2,438,034)**	188,226,153
Total expenses		**(2,438,034)**	477,366,120
Profit before taxation		**5,407,269**	(63,157,360)
Tax expense			
Current tax		**-**	1,062,619
Profit for the year		**5,407,269**	(64,219,979)
Total other comprehensive income for the year		**5,407,269**	(64,219,979)
Weighted average number of equity shares outstanding during the year			
Basic		**9,221,040**	9,221,040
Diluted		**9,221,040**	9,221,040
Earnings per equity share			
Basic and diluted Earnings per share		**0.59**	(6.96)
Diluted		**0.59**	(6.96)
Significant accounting policies	*2*		

The accompanying notes from 1 to 21 are an integral part of these financial statements.
As per our report of even date attached.

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13 July 2018
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Director

Firstsource-Dialog Solutions (Private) Limited
Statement of changes in equity
for the year ended 31 March 2018
Amount in LKR

Statement of changes in equity

Particulars	Attributable to owners of the Company			Total
	Equity share capital	Reserve and surplus		
		Securities premium	Retained earnings	
Balance as at 1 April 2017	9,221,040	97,478,960	(440,692)	106,259,308
Profit for the year	-	-	5,407,269	5,407,269
Balance as at 31 March 2018	**9,221,040**	**97,478,960**	**4,966,577**	**111,666,577**

Particulars	Attributable to owners of the Company			Total
	Equity share capital	Reserve and surplus		
		Securities premium	Retained earnings	
Balance as at 1 April 2016	9,221,040	97,478,960	63,779,287	170,479,287
Profit/(loss) for the year	-	-	(64,219,979)	(64,219,979)
Balance as at 31 March 2017	**9,221,040**	**97,478,960**	**(440,692)**	**106,259,308**

As per our report of even date attached.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
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For and on behalf of the Board of Directors

G.K. Subramaniam
Partner
Membership No: 109839
13 July 2018
Mumbai

Dinesh Jain
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Director

Firstsource-Dialog Solutions (Private) Limited

Statement of cash flows

for the year ended 31 March 2018

	Amount in LKR	
	31 March 2018	31 March 2017
Cash flow from operating activities		
Profit before tax	**5,407,269**	(63,157,360)
Adjustments for		
Depreciation and amortisation	-	6,872,371
Profit on Sales of Fixed Asset	-	(4,007,942)
Interest income	**(2,969,235)**	(1,639,552)
Operating cash flow before changes in working capital	**2,438,034**	(61,932,483)
Changes in working capital		
Decrease in trade receivables	**33,581,947**	44,076,870
Decrease/(increase) in loans and advances and other assets	**1,135,214**	17,643,463
Decrease in liabilities and provisions	**(26,341,526)**	(10,425,525)
Net changes in working capital	**8,375,635**	51,294,808
Income taxes paid	**(296,922)**	(2,237,422)
Net cash generated from / (used in) operating activities (A)	**10,516,747**	(12,875,097)
Cash flow from investing activities		
Interest income received	**2,969,235**	1,639,552
Purchase of property plant and equipment	-	(3,814,403)
Proceeds from Sale of property, plant and equipment	-	16,004,986
Net cash generated from investing activities (B)	**2,969,235**	13,830,135
Cash flow from financing activities		
Net cash generated from / (used in) financing activities (C)	**-**	-
Net decrease in cash and cash equivalents at the end of the year (A+B+C)	**13,485,983**	955,038
Cash and cash equivalents at the beginning of the year	**91,769,464**	90,814,426
Cash and cash equivalents at the end of the year	**105,255,446**	91,769,464

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:

	Amount in LKR	
	31 March 2018	31 March 2017
Cash on hand	-	-
Balances with banks		
- in current accounts	**105,255,446**	91,769,464
Cash and cash equivalents	**105,255,446**	91,769,464

As per our report of even date attached.

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

G.K. Subramaniam
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13 July 2018
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For and on behalf of the Board of Directors

Dinesh Jain
Director

Badrinath Bharadwaj
Director

Firstsource-Dialog Solutions (Private) Limited
Notes to the financial statements
for the year ended 31 March 2018

1 **Company overview**

Firstsource Solutions Limited (FSL) acquired 74% stake in Firstsource Dialog Solutions (Private) Ltd on 6 June 2011. The Company provides contact center and transaction processing services for customers in financial services and telecommunication industry.

Basis of Preparation and Statement of Compliance

These 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 extend 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 financial statements have been prepared 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 Firstsource Solutions Limited, the Holding Company and 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

Income taxes

The Company's major tax jurisdiction is Sri Lanka. 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 2.6.

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 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.

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 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 Significant accounting policies *(continued)*

2.3 Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment. 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 as summarised below:

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

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, 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 methods, useful lives and residual values are reviewed periodically at the end of each financial year.
Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those property, plant and equipment which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

Asset category	**Useful life (in years)**
Software*	2 – 4

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, 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.

Software product development costs are expensed as incurred during the research phase until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over the estimated useful life of the products as determined by the management. This capitalisation is done only if there is an intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available and such expenses can be accurately measured. Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product.

The 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

The amortisation period and the amortisation method are 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 Significant accounting policies *(continued)*

2.5 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

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 recognized 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 recognized for the asset in prior years.

***2.6* Taxation**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the period. Current tax and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

The current income tax expense includes income taxes payable by the Company.

Deferred income 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 carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised. Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

2 Significant accounting policies *(continued)*

2.7 Foreign Currency transactions

Functional currency

The functional currency of the Company is the Sri lankan Rupee (LKR) .

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.

2.8 Employee benefits

Employees are eligible for Employee's Provident Fund contributions and Employee's Trust Fund contributions in line with respective statutes and regulations and are required to be charged to the Statement of profit and loss.

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.

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

2 Significant accounting policies *(continued)*

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.

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 realized. 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 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 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 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.

2.14 Recent accounting pronouncements

Ind AS 21 Foreign currency transactions and advance consideration:

On March 28, 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS21, 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 April 1, 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 March 28, 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 April 1, 2018. The effect on adoption of Ind AS 115 on the financial statements is expected to be

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements *(continued)*

as at 31 March 2018

(Amount in LKR)

3) Property, plant and equipment and Intangible assets

Particulars	**Computers**	**Service equipments**	**Office furniture and equipment**	**Leasehold Improvements**	**Total**	**Software**	**Network**	**Total**	**Grand Total**
Gross block (at deemed cost)									
As at 1 April 2017	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	-
Deletions during the year	-	-	-	-	-	-	-	-	-
As at 31 March 2018	-	-	-	-	-	-	-	-	-
Accumulated depreciation / amortization									
As at 1 April 2017	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-
On deletions during the year	-	-	-	-	-	-	-	-	-
As at 31 March 2018	-	-	-	-	-	-	-	-	-
Net block									
As at 31 March 2018	-	-	-	-	-	-	-	-	-
As at 31 March 2017	-	-	-	-	-	-	-	-	-

Amouts in LKR

Particulars	**Tangible Asset**					**Intangible Asset**			**Grand Total**
	Computers	**Service equipments**	**Office furniture and equipment**	**Leasehold Improvements**	**Total**	**Software**	**Network**	**Total**	
Gross block (at deemed cost)									
As at 1 April 2016	21,506,807	25,691,253	7,358,557	14,241,259	68,797,876	14,961,545	18,355,310	33,316,855	102,114,731
Additions during the year	-	2,216,044	781,601	-	2,997,645	816,758	-	816,758	3,814,403
Deletions during the year	21,506,807	27,907,297	8,140,158	14,241,259	71,795,521	15,778,303	18,355,310	34,133,613	105,929,134
As at 31 March 2017	-	-	-	-	-	-	-	-	-
Accumulated depreciation / amortization									
As at 1 April 2016	18,838,732	18,935,189	7,122,449	14,234,076	59,130,446	9,879,948	18,049,325	27,929,273	87,059,719
Charge for the year	1,618,699	2,650,262	218,883	7,183	4,495,027	2,105,417	271,927	2,377,344	6,872,371
On deletions during the year	20,457,431	21,585,451	7,341,332	14,241,259	63,625,473	11,985,365	18,321,252	30,306,617	93,932,090
					-			-	
As at 31 March 2017	-	-	-	-	-	-	-	-	-
Net block									
As at 31 March 2017	-	-	-	-	-	-	-	-	-

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements *(continued)*

as at 31 March 2018

		Amount in LKR	
		31 March 2018	31 March 2017
4)	**Other financial assets**		
	(i) Other non-current financial assets		
	Others		
	Deposits	-	68,750
		-	68,750
	(ii) Other current financial assets		
	Recoverable from Dialog Axiata PLC	-	739,114
		-	739,114
	Financial assets carried at amortised cost	-	807,864
5)	**Taxation**		
	Advance tax and tax deducted at source (net)	**6,891,131**	6,594,209
		6,891,131	6,594,209
6)	**Trade receivables**		
	(Unsecured)		
	Considered good	-	33,581,947
		-	33,581,947
7)	**Cash and cash equivalents**		
	Cash on hand	-	-
	Balances with banks		
	in current accounts	**105,255,446**	91,769,464
		105,255,446	91,769,464
8)	**Other assets**		
	Prepaid expenses	-	278,797
	Other advances	-	48,553
		-	327,350

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements *(continued)*

as at 31 March 2018

	Amount in LKR	
	31 March 2018	31 March 2017
9) Share capital		
Authorised		
9,221,040 (31 March 2017: 9,221,040) Equity Shares of LKR 1 each	**9,221,040**	9,221,040
	9,221,040	9,221,040
Issued, subscribed and paid-up		
9,221,040 (31 March 2017: 9,221,040) Equity Shares of LKR 1 each	**9,221,040**	9,221,040
	9,221,040	9,221,040

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	**9,221,040**	**9,221,040**	9,221,040	9,221,040
At the end of the year	**9,221,040**	**9,221,040**	9,221,040	9,221,040

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 Solutions Limited	**6,823,570**	**74.00%**	6,823,570	74.00%
Dialog axiata PLC	**2,397,470**	**26.00%**	2,397,470	26.00%

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 shares 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 the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Firstsource-Dialog Solutions (Private) Limited
Notes to the financial statements *(continued)*
as at 31 March 2018

	Amount in LKR	
	31 March 2018	31 March 2017
10) Other Financial Liabilities		
Book Credit in Bank Account	-	4,863,339
	-	4,863,339
11) Other liabilities		
Statutory Dues		
Value added tax	-	3,325,423
Economic Service charge payable	-	399,789
Stamp duty payable	-	34,400
Employee Provident fund	-	3,755,865
Employee Trust fund	-	563,380
PAYE	-	170,063
	-	8,248,920

		Amount in LKR Year ended	
		31 March 2018	31 March 2017
12)	**Other income**		
	Interest income	**2,969,235**	1,639,552
	Profit on sale of fixed assets, net	-	4,007,942
	Gain / (Loss) on Foreign Exchange	-	(53,383)
		2,969,235	5,594,111
13)	**Employee benefits expense**		
	Salaries and wages	-	247,353,922
	Contribution to social security and other benefits	-	20,253,909
	Staff welfare expenses	-	14,659,765
		-	282,267,596
14)	**Other expenses**		
	Rent	-	81,487,860
	Repairs, maintenance and upkeep	-	15,013,460
	Insurance	-	9,471,144
	Rates and taxes	-	3,001,200
	Legal and professional fees	**853,183**	4,549,275
	Car and other hire charges	-	27,900,216
	Connectivity charges	-	3,523,598
	Donation	-	2,060
	Information and communication expenses	**2,930**	2,875,582
	Membership and Registration fees	-	81,610
	Recruitment and training expenses	-	586,420
	Meeting and seminar expenses	-	18,005
	Marketing and Support Services	-	18,443
	Electricity, water and power consumption	-	36,922,459
	Travel and conveyance	-	911,852
	Computer expenses	-	383,304
	Printing and stationery	-	1,114,312
	Books Periodicals and Subscriptions	-	610
	Bank administration charges	**10,530**	137,895
	Provision reversal (no longer required)	**(3,304,677)**	-
	Miscellaneous expenses	-	226,848
		(2,438,034)	188,226,153

Firstsource-Dialog Solutions (Private) Limited
Notes to the financial statements (continued)
for the year ended 31 March 2018

15) 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	-	-	-	-	-
Cash and cash equivalents	**105,255,446**	-	-	**105,255,446**	**105,255,446**
Other financial assets	-	-	-	-	-
Total	**105,255,446**	-	-	**105,255,446**	**105,255,446**
Financial liabilities					
Trade payables	**480,000**	-	-	**480,000**	**480,000**
Book Credit in Bank Account	-	-	-	-	-
Total	**480,000**	-	-	**480,000**	**480,000**

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	33,581,947	-	-	33,581,947	33,581,947
Cash and cash equivalents	91,769,464	-	-	91,769,464	91,769,464
Other financial assets	739,114	-	-	739,114	739,114
Total	126,090,525	-	-	126,090,525	126,090,525
Financial liabilities					
Trade payables	13,709,267	-	-	13,709,267	13,709,267
Book Credit in Bank Account	4,863,339	-	-	4,863,339	4,863,339
Total	18,572,606	-	-	18,572,606	18,572,606

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.

15) Financial instruments *(continued)*

II Financial risk management:

a) Market Risk

The Company operates in Sri Lanka and there are no major transactions outside Sri Lanka. Hence, there is no significant 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 Nil and LKR 33,581,947 as of 31 March 2018 and 31 March 2017 respectively. 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
Trade payables	**480,000**	**-**	13,709,267	-
Book Credit in Bank Account	**-**	**-**	4,863,339	

16) 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
Fellow Subsidaries	Firstsource Group USA Inc. Firstsource Transaction Services LLC Firstsource Solution UK Limited Firstsource Process Management Services Limited Medassist Holding, LLC Firstsource Advantage LLC One Advantage LLC Firstsource BPO Ireland Limited Firstsource Business Process Services LLC Firstsource Solutions USA LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc.
Key Managerial Personnel	Badrinath Bharadwaj Dinesh Jain
Directors	Dinesh Jain Supun Weerasinghe Sandra De Zoysa Shalabh Jain Badrinath Bharadwaj

There are no related party transactions during the years ended 31 March 2018 and 31 March 2017.

17) 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.

18) Computation for calculating basic and diluted earnings per share

	For the year ended	
	31 March 2018	31 March 2017
Number of shares considered as basic weighted average shares outstanding	**9,221,040**	9,221,040
Number of shares considered as weighted average shares and potential shares outstanding	**9,221,040**	9,221,040
Net profit after tax attributable to shareholders	**5,407,269**	(64,219,979)
Net profit after tax for diluted earnings per share	**5,407,269**	(64,219,979)

19) Capital and other commitments and contingent liabilities

The Company has no capital commitments as at the balance sheet date (31 March 2017 Nil) and there are no contingent liabilities as at the balance sheet date (31 March 2017 Nil).

20) Long-term contracts

The Company has a process whereby periodically 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.

21) 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
13 July 2018
Mumbai

Dinesh Jain
Director

Badrinath Bharadwaj
Director