

**Firstsource Transaction Services LLC**

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

# **Firstsource Transaction Services LLC**

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

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# Firstsource Transaction Services LLC

## Balance sheet

as at 31 March 2018

(Currency: In US Dollar)

	Note	31 March 2018	31 March 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,461,958	1,578,867
Capital work-in-progress		27,255	69,549
Other intangible assets	3	363,545	481,105
<b>Financial assets</b>			
Other financial assets	4(i)	183,818	215,896
Other non-current assets	6(i)	116,108	124,973
<b>Total non-current assets</b>		<b>2,152,684</b>	<b>2,470,390</b>
<b>Current assets</b>			
Financial assets			
Trade receivables	5	13,492,980	10,339,400
Cash and cash equivalents		-	-
Other financial assets	4(ii)	14,055,578	14,050,672
Other current assets	6(ii)	904,320	725,402
<b>Total current assets</b>		<b>28,452,878</b>	<b>25,115,474</b>
<b>Total assets</b>		<b>30,605,562</b>	<b>27,585,864</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	7	-	-
Other equity		25,882,276	23,718,734
<b>Total equity</b>		<b>25,882,276</b>	<b>23,718,734</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities			
Short-term borrowings	8	-	2,215
Trade payables		3,421,391	2,965,084
Other financial liabilities	9	359,724	284,809
Provisions for employee benefits	10	686,240	498,629
Other current liabilities	11	255,931	116,393
<b>Total current liabilities</b>		<b>4,723,286</b>	<b>3,867,130</b>
<b>Total equity and liabilities</b>		<b>30,605,562</b>	<b>27,585,864</b>

### Significant accounting policies

The accompanying notes from 1 to 23 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

### G.K. Subramaniam

Partner

Membership No: 109839

13 July 2018

Mumbai

### Arjun Mitra

Director

### Venkat Raman

Director

For and on behalf of the Board of Directors

# Firstsource Transaction Services 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
<b>INCOME</b>			
Revenue from operations	12	90,830,835	90,709,697
Other income, net	13	(15,860)	(1,662)
<b>Total income</b>		<b>90,814,975</b>	<b>90,708,035</b>
<b>EXPENSES</b>			
Services rendered by business associates and others		17,313,337	16,232,900
Employee benefits expenses	14	56,664,664	57,898,542
Finance costs	15	42,246	44,587
Depreciation and amortisation expense	3	1,093,356	780,654
Other expenses	16	13,537,830	12,997,607
<b>Total expenses</b>		<b>88,651,433</b>	<b>87,954,290</b>
<b>Profit before tax</b>		<b>2,163,542</b>	<b>2,753,745</b>
<b>Tax expense</b>			
Current tax		-	-
Deferred tax		-	-
<b>Profit for the year</b>		<b>2,163,542</b>	<b>2,753,745</b>
<b>Other comprehensive income</b>			
<b>Total other comprehensive income, net of taxes</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>2,163,542</b>	<b>2,753,745</b>

### Significant accounting policies

2

The accompanying notes from 1 to 23 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

**G.K. Subramaniam**

Partner

Membership No: 109839

13 July 2018

Mumbai

**For and on behalf of the Board of Directors**

**Arjun Mitra**

Director

**Venkat Raman**

Director

# Firstsource Transaction Services 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 Retained earnings	Total
Balance as at 1 April 2017	-	23,718,734	23,718,734
Profit for the year	-	2,163,542	2,163,542
<b>Balance as at 31 March 2018</b>	<b>-</b>	<b>25,882,276</b>	<b>25,882,276</b>

### Statement of changes in Equity

	Equity share capital	Attributable to owners of the Company Reserve and Retained earnings	Total
Balance as at 1 April 2016	-	20,964,989	20,964,989
Profit for the year	-	2,753,745	2,753,745
<b>Balance as at 31 March 2017</b>	<b>-</b>	<b>23,718,734</b>	<b>23,718,734</b>

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

**Venkat Raman**

Director

13 July 2018

Mumbai

# Firstsource Transaction Services LLC

## Statement of cash flows

for the year ended 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
<b><u>Cash flow from operating activities</u></b>		
Profit before tax	2,163,542	2,753,745
<b>Adjustments for</b>		
Depreciation and amortisation	1,093,356	780,654
Provision for doubtful debts	140,000	-
Finance costs	42,246	44,587
Loss on sale of Fixed Assets, net	15,038	-
<b>Operating cash flow before changes in working capital</b>	<b>3,454,182</b>	<b>3,578,986</b>
<b>Changes in working capital</b>		
(Increase) / Decrease in trade receivables	(3,293,580)	1,798,998
(Increase) / Decrease in loans and advances and other assets	(142,881)	(4,799,112)
Increase / (Decrease) in liabilities and provisions	858,371	(206,150)
<b>Net changes in working capital</b>	<b>(2,578,090)</b>	<b>(3,206,264)</b>
Income taxes paid		
<b>Net cash generated from / (used in) operating activities (A)</b>	<b>876,092</b>	<b>372,722</b>
<b><u>Cash flow from investing activities</u></b>		
Purchase of property plant and equipment and intangible assets	(849,267)	(422,226)
Proceeds from Sale of fixed assets	17,636	-
<b>Net cash generated from / (used in) investing activities (B)</b>	<b>(831,631)</b>	<b>(422,226)</b>
<b><u>Cash flow from financing activities</u></b>		
(Repayment) / Proceeds from short term borrowings*	(2,215)	(5,088)
Interest paid	(42,246)	(44,587)
<b>Net cash generated from / (used in) financing activities (C)</b>	<b>(44,461)</b>	<b>(49,675)</b>
<b>Net Increase / (decrease) in cash and cash equivalents at the end of the year (A+B+C)</b>	<b>-</b>	<b>(99,179)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>-</b>	<b>99,179</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>

### 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 accounts	-	-
<b>Cash and cash equivalents</b>	<b>-</b>	<b>-</b>

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

**Venkat Raman**  
Director

Mumbai  
13 July 2018

## **Firstsource Transaction Services LLC**

### **Notes to the financial statements**

*for the year ended 31 March 2018*

(Currency: In US Dollar)

#### **1 Company overview**

Firstsource Transaction Services LLC ('the Company') was incorporated under the laws of the State of Delaware on 26 May 2011. The Company provides contact centre and transaction processing services for customers in the financial services, telecommunications and healthcare industry. The Company is a wholly owned subsidiary of MedAssist Holding, Inc. who holds the voting rights in the Company.

##### **Basis of Preparation and Statement of Compliance**

The 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 the Holding Company Firstsource Solutions Limited to comply with the requirements of section 129(3) of the Act.

These special purpose 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 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 2.5.

###### **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.

## Firstsource Transaction Services LLC

### Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

## 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 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 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. Depreciation 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 summarized below:

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

Depreciation and amortisation 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 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.

## **Firstsource Transaction Services LLC**

### **Notes to the financial statements**

*for the year ended 31 March 2018*

(Currency: In US Dollar)

#### **2 Significant accounting policies (continued)**

##### **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 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.

#### **2.5 Income taxes**

##### *Current income taxes*

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 is computed on combined basis for all subsidiaries of First Source Solutions Limited operating in the United States of America.

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 Transaction Services LLC**

### **Notes to the financial statements**

for the year ended 31 March 2018

(Currency: In US Dollar)

## **2 Significant accounting policies (continued)**

### **2.6 Foreign Currency transactions**

#### **Functional currency**

The functional currency of the Company is the US Dollar (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 relevant functional currencies using the exchange rate in effect on the date of the transaction.

### **2.7 Employee benefits**

#### *Defined contribution plans*

The Companies having a savings and investment plan under section 401 (k) of the internal revenue code of the United States of America. This is a Defined Contribution plan. Contributions made under the plan are charged to the Statement of profit and loss in the period in which they accrue. The Company has no further obligation to the plan beyond its monthly contributions. Other retirement benefits, including social security and medicare are accrued based on the amounts payable as per local regulations.

#### *Compensated absences*

Provision for compensated absences cost has been made based on eligible vacation balances at balance sheet date.

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 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 as income, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

#### *Operating lease*

Lease 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.

## **Firstsource Transaction Services LLC**

### **Notes to the financial statements**

*for the year ended 31 March 2018*

(Currency: In US Dollar)

## **2 Significant accounting policies (continued)**

### **2.9 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.

### **2.10 Financial instruments**

#### **2.10.1 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.

#### **2.10.2 Classification and subsequent measurement**

##### **i) 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.

##### **ii) 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.

##### **iii) 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 the statement of profit and loss.

## **Firstsource Transaction Services LLC**

### **Notes to the financial statements**

for the year ended 31 March 2018

(Currency: In US Dollar)

## **2 Significant accounting policies (continued)**

### **2.10 Financial instruments (continued)**

#### **2.10.2 Classification and subsequent measurement (continued)**

##### **iv) 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

##### **v) 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 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.

#### **2.10.3 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.

#### **2.10.4 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.

### **2.11 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.

### **2.12 Onerous contracts**

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

### **2.13 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 Transaction Services 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	Vehicles	Office equipment	Furniture and fixture	Total	Softwares	
<b>Gross block (at deemed cost)</b>									
As at 1 April 2017	1,332,663	1,054,648	3,668,649	85,584	596,018	2,581,553	9,319,115	3,645,325	12,964,440
Additions / adjustments during the year	65,412	82,923	208,190	-	185,353	24,423	566,301	325,260	891,561
Deletions during the year	(25,418)	(5,761)	(3,824)	-	(234)	(19,781)	(55,018)	-	(55,018)
<b>As at 31 March 2018</b>	<b>1,372,657</b>	<b>1,131,810</b>	<b>3,873,015</b>	<b>85,584</b>	<b>781,137</b>	<b>2,586,195</b>	<b>9,830,398</b>	<b>3,970,585</b>	<b>13,800,983</b>
<b>Accumulated depreciation / amortization</b>									
As at 1 April 2017	1,154,126	491,307	3,357,643	76,331	330,958	2,329,883	7,740,248	3,164,220	10,904,468
Charge for the year	50,728	170,939	204,437	4,660	121,131	98,641	650,536	442,820	1,093,356
On deletions / adjustments during the year	(7,613)	(3,099)	(743)	-	(839)	(10,050)	(22,344)	-	(22,344)
<b>As at 31 March 2018</b>	<b>1,197,241</b>	<b>659,147</b>	<b>3,561,337</b>	<b>80,991</b>	<b>451,250</b>	<b>2,418,474</b>	<b>8,368,440</b>	<b>3,607,040</b>	<b>11,975,480</b>
<b>Net block</b>									
As at 31 March 2018	175,416	472,663	311,678	4,593	329,887	167,721	1,461,958	363,545	1,825,503
As at 31 March 2017	178,537	563,341	311,006	9,253	265,060	251,670	1,578,867	481,105	2,059,972

Particulars	Tangible Asset							Intangible Asset	Grand Total
	Leasehold improvements	Service Equipment	Computers	Vehicles	Office equipment	Furniture and fixture	Total	Softwares	
<b>Gross block (at deemed cost)</b>									
As at 1 April 2016	1,319,449	660,381	3,532,052	85,584	523,362	2,575,579	8,696,407	3,982,370	12,678,777
Additions / adjustments during the year	13,214	394,267	136,597	-	72,656	5,974	622,708	195,323	818,031
Deletions during the year	-	-	-	-	-	-	-	(532,368)	(532,368)
<b>As at 31 March 2017</b>	<b>1,332,663</b>	<b>1,054,648</b>	<b>3,668,649</b>	<b>85,584</b>	<b>596,018</b>	<b>2,581,553</b>	<b>9,319,115</b>	<b>3,645,325</b>	<b>12,964,440</b>
<b>Accumulated depreciation / amortization</b>									
As at 1 April 2016	1,115,217	361,026	3,193,912	67,118	231,046	2,225,572	7,193,891	3,069,356	10,263,247
Charge for the year	38,909	130,281	163,731	9,213	99,912	104,311	546,357	234,297	780,654
On deletions / adjustments during the year	-	-	-	-	-	-	-	(139,433)	(139,433)
<b>As at 31 March 2017</b>	<b>1,154,126</b>	<b>491,307</b>	<b>3,357,643</b>	<b>76,331</b>	<b>330,958</b>	<b>2,329,883</b>	<b>7,740,248</b>	<b>3,164,220</b>	<b>10,904,468</b>
<b>Net block</b>									
As at 31 March 2017	178,537	563,341	311,006	9,253	265,060	251,670	1,578,867	481,105	2,059,972
As at 31 March 2016	204,232	299,355	338,140	18,466	292,316	350,007	1,502,516	913,014	2,415,530

# Firstsource Transaction Services LLC

## Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
<b>4) Other financial assets</b>		
<i>(Unsecured, considered good)</i>		
<b>(i) Other non-current financial assets</b>		
Deposits	183,818	215,896
	<u>183,818</u>	<u>215,896</u>
<b>(ii) Other current financial assets</b>		
Unbilled receivables	1,353,745	483,685
Advances to Related parties	12,701,833	13,566,987
	<u>14,055,578</u>	<u>14,050,672</u>
<b>5) Trade receivables</b>		
<i>(Unsecured)</i>		
Considered doubtful	140,000	-
Less: Impairment allowance	140,000	-
	<u>-</u>	<u>-</u>
Considered good	13,492,980	10,339,400
	<u>13,492,980</u>	<u>10,339,400</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 19		
<b>6) Other assets</b>		
<i>(Unsecured, considered good)</i>		
<b>(i) Other non-current assets</b>		
Prepaid expenses	116,108	124,973
	<u>116,108</u>	<u>124,973</u>
<b>(ii) Other current assets</b>		
Prepaid expenses	826,215	725,364
Other advances	78,105	38
	<u>904,320</u>	<u>725,402</u>

# Firstsource Transaction Services LLC

## Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
<b>7) Share capital</b>		
<b>Issued, subscribed and paid-up</b>	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<p>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.</p>		
<b>8) Borrowings</b>		
<b>Short-term borrowings</b>		
<i>Unsecured</i>		
Loan from non-banking financing companies (refer note 'c')	-	2,215
	<u>-</u>	<u>2,215</u>
	<u>-</u>	<u>2,215</u>
<b>9) Other financial liabilities</b>		
<b>Other current financial liabilities</b>		
Book credit in bank account	336,570	261,655
Creditors for capital goods	23,154	23,154
	<u>359,724</u>	<u>284,809</u>
	<u>359,724</u>	<u>284,809</u>
<b>10) Provision for employee benefits</b>		
<b>Current</b>		
Compensated absences	686,240	498,629
	<u>686,240</u>	<u>498,629</u>
	<u>686,240</u>	<u>498,629</u>
<b>11) Other liabilities</b>		
<b>Other current liabilities</b>		
Statutory Dues	148,810	116,393
Others	107,121	-
	<u>255,931</u>	<u>116,393</u>
	<u>255,931</u>	<u>116,393</u>

# Firstsource Transaction Services 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
<b>12) Revenue from operations</b>		
Sale of services	90,830,835	90,709,697
	<b>90,830,835</b>	<b>90,709,697</b>
<b>13) Other income</b>		
Net Foreign Exchange loss	(822)	(2,321)
Loss on sale of fixed assets, net	(15,038)	-
Miscellaneous income	-	659
	<b>(15,860)</b>	<b>(1,662)</b>
<b>14) Employee benefits expense</b>		
Salaries and wages	51,420,812	52,626,767
Contribution to social security and other benefits	248,256	259,453
Staff welfare expenses	4,995,596	5,012,322
	<b>56,664,664</b>	<b>57,898,542</b>
<b>15) Finance cost</b>		
Interest expense		
- on working capital demand loan and others	42,246	44,587
	<b>42,246</b>	<b>44,587</b>

**Firstsource Transaction Services LLC**  
**Notes to the financial statements (Continued)**

*for the year ended 31 March 2018*

(Currency: In US Dollar)

	<b>Year ended</b>	
	<b>31 March 2018</b>	31 March 2017
<b>16) Other expenses</b>		
Rent	<b>2,486,168</b>	2,606,761
Car and other hire charges	<b>2,362,276</b>	2,466,733
Information and communication expenses	<b>1,633,597</b>	1,655,539
Connectivity charges	<b>380,606</b>	134,513
Legal and professional fees	<b>1,409,228</b>	1,264,675
Repairs, maintenance and upkeep	<b>1,089,149</b>	993,934
Computer expenses	<b>767,743</b>	511,131
Travel and conveyance	<b>527,836</b>	628,537
Recruitment and training expenses	<b>456,399</b>	457,011
Insurance	<b>327,152</b>	502,544
Printing and stationery	<b>388,700</b>	481,556
Electricity, water and power consumption	<b>285,085</b>	394,484
Provision for doubtful debts/ written off/ (written back), net	<b>139,999</b>	(162,500)
Rates and taxes	<b>130,400</b>	137,172
Bank administration charges	<b>15,167</b>	19,139
Registration and Membership Fees	<b>15,141</b>	9,848
Miscellaneous expenses	<b>331,157</b>	243,701
Allocated corporate costs	<b>792,027</b>	652,829
	<b>13,537,830</b>	12,997,607

## Firstsource Transaction Services LLC

### Notes to the financials statements (Continued)

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

#### 17) 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
<b>Financial assets</b>					
Trade receivables	13,492,980	-	-	13,492,980	13,492,980
Other financial assets	14,239,396	-	-	14,239,396	14,239,396
<b>Total</b>	<b>27,732,376</b>	-	-	<b>27,732,376</b>	<b>27,732,376</b>
<b>Financial liabilities</b>					
Other financial liability	359,724	-	-	359,724	359,724
Trade payables	3,421,391	-	-	3,421,391	3,421,391
<b>Total</b>	<b>3,781,115</b>	-	-	<b>3,781,115</b>	<b>3,781,115</b>

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
<b>Financial assets</b>					
Trade receivables	10,339,400	-	-	10,339,400	10,339,400
Other financial assets	14,266,568	-	-	14,266,568	14,266,568
<b>Total</b>	<b>24,605,968</b>	-	-	<b>24,605,968</b>	<b>24,605,968</b>
<b>Financial liabilities</b>					
Borrowings	2,215	-	-	2,215	2,215
Other financial liability	284,809	-	-	284,809	284,809
Trade payables	2,965,084	-	-	2,965,084	2,965,084
<b>Total</b>	<b>3,252,108</b>	-	-	<b>3,252,108</b>	<b>3,252,108</b>

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 US and there are no major transactions outside the US. So there is no market 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 13,492,980 as at 31 March 2018 (31 March 2017: USD 10,339,400) and unbilled revenue amounting to USD 1,353,745 as at 31 March 2018 (31 March 2017: USD 483,685). Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom and other locations. 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	3,421,391	-	2,965,084	-
Other borrowings	-	-	2,215	-
Book credit in bank account	336,570	-	261,655	-
Creditors for capital goods	23,154	-	23,154	-

#### 18) 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 564,511 (31 March 2017: USD 266,305).

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	578,622	564,511
Amount due in the period between one year and five years	1,509,360	2,087,982
Amount due in the period beyond five years	-	-
	<b>2,087,982</b>	<b>2,652,493</b>

The Company is also obligated under 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 cancellable operating leases for the year ended 31 March 2018 aggregated to USD 1,921,657 (31 March 2017: USD 2,606,761).

## Firstsource Transaction Services LLC

### Notes to the financial statements (Continued)

for the year ended 31 March 2018

(Currency: In US Dollar)

#### 19) 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 Subsidiary	Firstsource Solutions USA LLC Firstsource Solutions UK Limited Firstsource Process Management Services Limited Firstsource BPO Ireland Limited Firstsource Dialog Solutions (Private) Ltd. Firstsource Solutions USA LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc. ISGN Fulfillment Agency LLC One Advantage LLC Firstsource Process Services Limited Firstsource Advantage LLC MedAssist Holding LLC
Directors	Venkat Raman Arjun Mitra

#### Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended	Transaction value during year ended	Receivable / (Payable) as at		Amount
		Amount in USD	Amount in USD	in USD		
		31 March 2018	31 March 2017	31 March 2018	31 March 2017	
Firstsource Solutions Limited	Services Rendered by business associates and others	17,313,337	16,232,900	-	-	-
	Recovery of expenses	70,373	51,447	-	-	-
	Reimbursement of expenses	1,277,444	1,002,851	-	-	-
	Receivable/ (Payable)	-	-	(17,473,379)	(14,502,873)	-
Firstsource Group USA Inc	Reimbursement of expenses	3,049,998	1,852,180	-	-	-
	Recovery of expenses	377,658	1,098,436	-	-	-
	Receivable/ (Payable)	-	-	50,740,878	42,911,631	-
Medassist Holdings LLC	Reimbursement of expenses	7,211,255	7,239,443	-	-	-
	Recovery of expenses	477,108	431,898	-	-	-
	Receivable/ (Payable)	-	-	(21,497,347)	(14,633,201)	-
Firstsource Advantage LLC	Reimbursement of expenses	80,397	64,658	-	-	-
	Recovery of expenses	3,896	2,549	-	-	-
	Receivable/ (Payable)	-	-	(100,448)	(23,947)	-
Firstsource Solutions UK Limited	Reimbursement of expenses	672	-	-	-	-
	Receivable/ (Payable)	-	-	(672)	-	-
ISGN Solutions Inc.	Recovery of expense	809	6,422	-	-	-
	Receivable/ (Payable)	-	-	607,231	6,422	-
ISGN Fulfillment Services Inc.	Reimbursement of expenses	83,864	219,891	-	-	-
	Recovery of expense	4,498	24,306	-	-	-
	Receivable/ (Payable)	-	-	425,559	(195,075)	-
One Advantage LLC	Reimbursement of expenses	-	3,226	-	-	-
	Recovery of expense	5,278	1,922,271	-	-	-
	Receivable/ (Payable)	-	-	11	4,030	-

# **Firstsource Transaction Services LLC**

## **Notes to the financial statements (Continued)**

*for the year ended 31 March 2018*

(Currency: In US Dollar)

### **20) 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.

### **21) Capital and other commitments and contingent liabilities**

The Company has capital commitments of USD 610,227 (31 March 2017: USD 49,425) as at the balance sheet date and there are no contingent liabilities as at the balance sheet date (31 March 2017 Nil).

### **22) 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.

### **23) 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*

**Venkat Raman**

*Director*

Mumbai

13 July 2018