

ISGN Fulfillment Services, Inc

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

ISGN Fulfillment Services, Inc

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

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS FIRSTSOURCE SOLUTIONS LIMITED

Report on the Special Purpose Standalone Financial Statements

We have audited the accompanying Special Purpose Standalone Financial Statements of ISGN Fulfillment Services INC. (the 'Company'), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Special Purpose Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the 'Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and the cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified 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 ('Ind AS').

This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Standalone Financial Statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Special Purpose Standalone Financial Statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Special Purpose Standalone Financial Statements in accordance with the Standards on Audit specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Standalone Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the



assessment of risks of material misstatement of the Special Purpose Standalone Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Special Purpose Standalone Financial Statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Special Purpose Standalone Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Special Purpose Standalone Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Standalone Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its Loss and its cash flows for the year ended on that date.

Other Matter


The comparative financial information of the Company for the year ended March 31, 2017 prepared in accordance with Ind AS included in these Special Purpose Standalone Financial Statements have been audited by another auditor. The report of the other auditor on these comparative financial information dated May 5, 2017 expressed an unmodified opinion.

Our report on the Special Purpose Standalone Financial Statements is not modified in respect of this matter.

Restriction on Distribution and Use

The Special Purpose Standalone Financial Statements have been prepared for the limited purpose of facilitating the preparation of the consolidated financial statements of Firstsource Solutions Limited as at and for the year ended March 31, 2018 in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') and to assist Firstsource Solutions Limited, the holding company to comply with the requirements of Section 129(3) of the Act. As a result, the Special Purpose Standalone Financial Statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Board of Directors of the Firstsource Solutions Limited for the preparation of their consolidated financial statements and compliance with the requirements of Section 129(3) as aforesaid and is not intended to be and should not be used by anyone other than the specified parties.

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


G. K. SUBRAMANIAM
Partner
(Membership No. 109839)

Mumbai
July 13, 2018

ISGN Fulfillment Services, Inc

Balance sheet

as at 31 March 2018

(Currency in US Dollar)

	Note	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	159,599	82,848
Capital work-in-progress		-	-
Other intangible assets	3	31,511	2,957
Financial assets			
Other financial assets	4(i)	45,000	45,000
Other non-current assets	5(i)	1,486	1,161
Income tax assets (net)		2,329	-
Total non-current assets		239,925	131,966
Current assets			
Financial assets			
Trade receivables	6	3,136,832	2,201,629
Cash and cash equivalents	7	77,878	14,831
Other financial assets	4(ii)	1,805,849	1,815,837
Other current assets	5(ii)	329,323	66,194
Total current assets		5,349,882	4,098,491
Total assets		5,589,807	4,230,457
EQUITY AND LIABILITIES			
Equity			
Equity share capital	6	400,803	400,803
Other equity		(4,589,068)	(158,748)
Total equity		(4,188,265)	242,055
LIABILITIES			
Current liabilities			
Financial liabilities			
Trade payables		1,401,564	3,270,537
Other financial liabilities	7	7,077,468	449,407
Provisions for employee benefits	8	385,877	268,458
Other current liabilities	9	913,163	-
Total current liabilities		9,778,072	3,988,402
Total equity and liabilities		5,589,807	4,230,457

Significant accounting policies

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



G.K. Subramaniam

Partner

Membership No: 109839

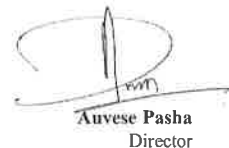
13 July 2018

Mumbai

For and on behalf of the Board of Directors



Erik Anderson
Director



Auvase Pasha
Director

ISGN Fulfillment Services, Inc**Statement of profit and loss***for the year ended 31 March 2018*

(Currency in US Dollar)

		Year ended	
	<i>Note</i>	31 March 2018	31 March 2017
INCOME			
Revenue from operations	10	24,824,437	39,507,671
Other income, net	11	-	2,794
Total income		24,824,437	39,510,465
EXPENSES			
Services rendered by business associates and others		12,140,219	14,988,257
Employee benefits expenses	12	11,437,334	19,602,783
Depreciation and amortization expense	3	35,251	103,410
Other expenses	13	5,641,953	7,021,089
Total expenses		29,254,757	41,715,539
Profit before tax		(4,430,320)	(2,205,074)
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit for the year		(4,430,320)	(2,205,074)
Other comprehensive income		-	-
Total comprehensive income for the year		(4,430,320)	(2,205,074)
Weighted average number of equity shares outstanding during the year			
Basic		400,803	400,803
Diluted		400,803	400,803
Earnings per equity share			
Basic		(11.05)	(5.50)
Diluted		(11.05)	(5.50)

Significant accounting policies

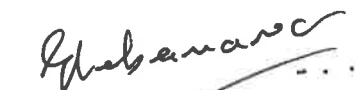
The accompanying notes from 1 to 21 are an integral part of these financial statements.

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


Erik Anderson

Director


Auvese Pasha

Director

ISGN Fulfillment Services, Inc

Statement of changes in equity

for the year ended 31 March 2018

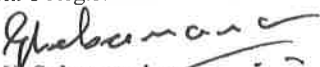
(Currency in US Dollar)

	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus Retained earnings	
Balance as at 1 April 2017	400,803	(158,748)	242,055
Profit/(Loss) for the year	-	(4,430,320)	(4,430,320)
Balance as at 31 March 2018	400,803	(4,589,068)	(4,188,265)

	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus Retained earnings	
Balance as at 1 April 2016	400,803	2,046,326	2,447,129
Profit/(Loss) for the year	-	(2,205,074)	(2,205,074)
Balance as at 31 March 2017	400,803	(158,748)	242,055

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


Erik Anderson
Director


Auvese Pasha
Director

ISGN Fulfillment Services, Inc**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	(4,430,320)	(2,205,074)
Adjustments for		
Depreciation and amortisation	35,251	103,410
Loss on Sale of Fixed Assets	386	-
Operating cash flow before changes in working capital	(4,394,683)	(2,101,664)
Changes in working capital		
(Increase) / decrease in trade receivables	(935,203)	1,372,275
(Increase) / decrease in loans and advances and other assets	(253,465)	1,143,750
Increase / (decrease) in liabilities and provisions	5,789,670	(1,746,912)
Net changes in working capital	4,601,002	769,113
Income taxes paid	(2,329)	-
Net cash generated from / (used in) operating activities (A)	203,990	(1,332,551)

Cash flow from investing activities

Purchase of property, plant and equipment	(141,837)	(84,571)
Proceeds on sale of property, plant and equipment	894	-
Net cash generated from / (used in) investing activities (B)	(140,943)	(84,571)

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)	63,047	(1,417,122)
Cash and cash equivalents at the beginning of the year	14,831	1,431,953
Cash and cash equivalents at the end of the year	77,878	14,831

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	77,878	14,831
- in current accounts	77,878	14,831
Cash and cash equivalents	77,878	14,831

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

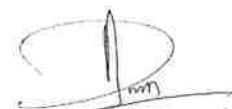
Membership No: 109839

13 July 2018

Mumbai

For and on behalf of the Board of Directors


Erik Anderson
 Director



Auvese Pasha
 Director

ISGN Fulfillment Services, Inc

Notes to the financial statements

for the year ended 31 March 2018

(Currency in US Dollar)

1 Company overview

ISGN Fulfillment Services Inc.(the 'Company') was incorporated for the purpose of providing business process outsourcing (BPO) services to the mortgage lending Industry. The Company provides a wide range of consulting services relating to mortgage products. business process outsourcing (BPO) Services such as fulfillment services and loan services. The Company's customer base consists primarily of Mortgage banks and financial institutions situated primarily in the United States of America.

The Company is a wholly owned subsidiary of ISGN Solutions INC. which is a wholly owned subsidiary of Firstsource group USA. Inc. incorporated in the state of Delaware, USA.

Basis of Preparation and Statement of Compliance

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

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

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

2 Significant accounting policies

2.1 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.1.1

2.1.1 Critical accounting estimates

Property, plant and equipment and Intangible Assets

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

ISGN Fulfillment Services, Inc

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 derived from professional services under the time and material contracts is recognised as the related services are performed. Revenue from title and related operations such as valuation, are primarily transactions based and are recognised as revenue when services are performed, the fee is fixed or determinable, and collection is reasonably assured.

Unbilled revenue represents work executed in accordance with the terms of the agreement with customers but not billed as of the balance sheet date.

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 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 / Amortisation on property, plant and equipment and intangible assets is provided pro-rata to the period of use based on management's best estimate of useful lives of the assets as summarised below:

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

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

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

ISGN Fulfillment Services, Inc

Notes to the financial statements

for the year ended 31 March 2018

(Currency in US Dollar)

2 Significant accounting policies (Continued)

2.4 Impairment

a. Financial assets

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

b. Non-financial assets

Property, Plant and equipment and Intangible assets

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

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

2.5 Taxation

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 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.

ISGN Fulfillment Services, Inc

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

Functional currency

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

Transactions and Translations

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

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

2.7 Employee benefits

Defined contribution plans

The Company has 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 contribution. Other contributions to retirement benefits, including social security and medicare are accrued based on the amounts payable as per local regulations.

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.

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.

ISGN Fulfillment Services, Inc

Notes to the financial statements

for the year ended 31 March 2018

(Currency in US Dollar)

2 Significant accounting policies (Continued)

2.8 Leases

Operating lease

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

2.9 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.

ISGN Fulfillment Services, Inc

Notes to the financial statements

for the year ended 31 March 2018

(Currency in US Dollar)

2 Significant accounting policies (Continued)

2.11 Financial instruments (Continued)

2.11.2 Classification and subsequent measurement

a) Non-derivative financial instruments

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.

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 statement of profit and loss.

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.

b) Share Capital

Ordinary shares

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.

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

ISGN Fulfillment Services, Inc

Notes to the financial statements

for the year ended 31 March 2018

(Currency in US Dollar)

2 Significant accounting policies (Continued)

2.11 Financial instruments (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.

2.11.4 Fair value of financial instrument

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

2.12 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the 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 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.

ISGN Fulfillment Services, Inc
Notes to the financial statements (Continued)
as at 31 March 2018
(Currency in US Dollar)

4 Property, plant and equipment and Intangible assets

Particulars	Tangible Asset				Intangible Asset	
	Leasehold improvements	Computers	Vehicle	Office equipment	Furniture and fixture	Total
Gross block (at deemed cost)						
As at 1 April 2017	54,124	1,08,07,048	25,991	21,47,796	16,33,246	1,46,68,205
Additions / adjustments during the year	57,732	26,026	-	2,163	19,985	1,05,907
Deletions during the year	-	(50,27,120)	(21,098)	-	(640)	(50,48,858)
As at 31 March 2018	1,11,856	58,05,954	4,893	21,49,959	16,52,592	97,25,253
Accumulated depreciation / amortization						
As at 1 April 2017	3,407	1,07,90,323	21,159	21,40,564	16,29,904	1,45,85,357
Charge for the year	12,692	10,295	1,397	2,071	1,421	27,876
On deletions / adjustments during the year	-	(50,26,377)	(21,098)	-	(103)	(50,47,578)
As at 31 March 2018	16,099	57,74,241	1,458	21,42,635	16,31,222	95,65,655
Net block						
As at 31 March 2018	95,757	31,713	3,435	7,324	21,369	1,59,599
As at 31 March 2017	50,717	16,725	4,832	7,232	3,342	82,848

Particulars	Tangible Asset				Intangible Asset	
	Leasehold improvements	Computers	Vehicle	Office equipment	Furniture and fixture	Total
Gross block (at deemed cost)						
As at 1 April 2016	-	1,07,83,461	21,098	21,13,608	16,29,893	1,45,48,060
Additions / adjustments during the year	54,124	23,587	4,893	7,340	3,353	93,297
On deletions / adjustments during the year	-	-	-	26,848	-	26,848
As at 31 March 2017	54,124	1,08,07,048	25,991	21,47,796	16,33,246	1,46,68,205
Accumulated depreciation / amortization						
As at 1 April 2016	-	1,07,16,482	21,098	20,96,437	16,29,893	1,44,63,910
Charge for the year	3,407	73,841	61	17,279	11	94,599
On deletions / adjustments during the year	-	-	-	26,848	-	26,848
As at 31 March 2017	3,407	1,07,90,323	21,159	21,40,564	16,29,904	1,45,85,357
Net block						
As at 31 March 2017	50,717	16,725	4,832	7,232	3,342	82,848
As at 31 March 2016	-	66,979	-	17,171	0	84,150

ISGN Fulfillment Services, Inc

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency in US Dollar)

	31 March 2018	31 March 2017
4) Other financial assets		
<i>(Unsecured, considered good)</i>		
(i) Other non-current financial assets		
Deposits	45,000	45,000
	<u>45,000</u>	<u>45,000</u>
(ii) Other current financial assets		
Unbilled receivables	17,93,541	17,96,792
Loan to Employees	12,308	19,045
	<u>18,05,849</u>	<u>18,15,837</u>
5) Other assets		
<i>(Unsecured, considered good)</i>		
(i) Other non-current assets		
Prepaid expenses	1,486	1,161
	<u>1,486</u>	<u>1,161</u>
(ii) Other current assets		
Prepaid expenses	1,29,323	66,194
Advance to Vendors	2,00,000	-
	<u>3,29,323</u>	<u>66,194</u>
6) Trade receivables		
<i>(Unsecured)</i>		
Considered doubtful	-	16,73,573
Less: Impairment allowance	-	16,73,573
	<u>-</u>	<u>-</u>
Considered good	31,36,832	22,01,629
	<u>31,36,832</u>	<u>22,01,629</u>
	<u>31,36,832</u>	<u>22,01,629</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 16.		
d) During the year ended March 31, 2018, trade receivables considered doubtful amounting to USD 1,673,573 have been written off, for which an impairment allowance was created in the prior years.		
7) Cash and cash equivalents		
Cash on hand	-	-
Balances with banks		
-in current accounts	77,878	14,831
	<u>77,878</u>	<u>14,831</u>

ISGN Fulfillment Services, Inc
Notes to the financial statements (Continued)
as at 31 March 2018
(Currency in US Dollar)

31 March 2018 31 March 2017

3) Share capital

Authorised

10,00,000 (31 March 2017 : 1,00,000) Equity Shares of USD 1 each

10,00,000

10,00,000

10,00,000

10,00,000

Issued, subscribed and paid-up

400,803 (31 March 2017: 400,803) Equity Shares of USD 1 each

4,00,803

4,00,803

4,00,803

4,00,803

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	4,00,803	4,00,803	4,00,803	4,00,803
At the end of the year	4,00,803	4,00,803	4,00,803	4,00,803

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
ISGN Solutions, INC	4,00,803	100.00%	4,00,803	100.00%

c) Rights, preferences and restrictions attached to equity shares

The Company has a single class of shares. Accordingly, all unit holders rank equally with regard to dividends and share in the Company's residual assets. The unit holders are entitled to receive dividend as declared from time to time. The voting right of an unit holder are in proportion to its share of the units of the Company. On winding up of the Company, the unit holder will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of shares held.

ISGN Fulfillment Services, Inc
Notes to the financial statements (Continued)
as at 31 March 2018
 (Currency in US Dollar)

	31 March 2018	31 March 2017
7) Other financial liabilities		
Other current financial liabilities		
Book credit in bank account	1,24,521	55,049
Payable to Related Parties, Net	69,52,947	3,94,358
	<u>70,77,468</u>	<u>4,49,407</u>
8) Provision for employee benefits		
Current		
Compensated absences	3,85,877	— 2,68,458
	<u>3,85,877</u>	<u>2,68,458</u>
9) Other liabilities		
Other current liabilities		
Advance from Customer	9,13,163	—
	<u>9,13,163</u>	<u>—</u>

ISGN Fulfillment Services, Inc
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
10) Revenue from operations		
Sale of services	2,48,24,437	3,95,07,671
	<u>2,48,24,437</u>	<u>3,95,07,671</u>
11) Other income		
Miscellaneous income	-	2,794
	<u>-</u>	<u>2,794</u>
12) Employee benefits expense		
Salaries and wages	1,02,60,863	1,78,84,944
Contribution to social security and other benefits	81,430	1,60,373
Staff welfare expenses	10,95,041	15,57,466
	<u>1,14,37,334</u>	<u>1,96,02,783</u>
13) Other expenses		
Rent	5,63,497	4,37,353
Car and other hire charges	2,25,886	3,03,537
Repairs, maintenance and upkeep	3,12,519	5,48,535
Electricity, water and power consumption	2,24,467	2,45,707
Computer expenses	35,810	62,081
Data Cost	29,09,691	30,67,483
Legal and professional fees	98,620	2,06,323
Connectivity charges	3,469	43,429
Recruitment and training expenses	11,995	44,402
Information and communication expenses	2,43,803	2,69,444
Travel and conveyance	4,94,761	7,02,431
Insurance	4,972	2,34,715
Miscellaneous expenses	20,166	1,76,753
Comission on sales	2,56,731	3,10,115
Printing and stationery	9,121	23,366
Office Expenses	-	-
Rates and taxes	1,51,931	1,93,045
Bank administration charges	74,066	1,50,083
Loss on sale / write-off of fixed assets net	386	-
Registration and Membership Fees	62	2,287
	<u>56,41,953</u>	<u>70,21,089</u>

ISGN Fulfillment Services, Inc
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency in US Dollar)

14) 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	31,36,832	-	-	31,36,832	31,36,832
Cash and cash equivalents	77,878	-	-	77,878	77,878
Other financial assets	18,05,849	-	-	18,05,849	18,05,849
Total	50,20,559	-	-	50,20,559	50,20,559
Financial liabilities					
Other financial liabilities	70,77,468	-	-	70,77,468	70,77,468
Trade payables	14,01,564	-	-	14,01,564	14,01,564
Total	84,79,032	-	-	84,79,032	84,79,032

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	22,01,629	-	-	22,01,629	22,01,629
Cash and cash equivalents	14,831	-	-	14,831	14,831
Other financial assets	18,15,837	-	-	18,15,837	18,15,837
Total	40,32,297	-	-	40,32,297	40,32,297
Financial liabilities					
Other financial liabilities	4,49,407	-	-	4,49,407	4,49,407
Trade payables	32,70,537	-	-	32,70,537	32,70,537
Total	37,19,944	-	-	37,19,944	37,19,944

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. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance.

a) Market risk

The Company operates in the US and there are no major transactions outside the US. So there is no major market risk for the company.

b) Credit risk

The Company operates in the US and there are no major transactions outside the US. So there is no major market risk for the company.

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	14,01,564	-	32,70,537	-

15) 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 373,836 (31 March 2017: USD 170,729).

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	2,54,408	-
Amount due in the period between one year and five years	-	-
Amount due in the period beyond five years	-	-
	2,54,408	-

ISGN Fulfillment Services, Inc
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency in US Dollar)

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 Firstsource Group USA Inc. ISGN Solutions Services INC
Fellow Subsidiary Companies	Firstsource Advantage LLC Firstsource Solutions USA LLC MedAssist Holding, LLC, Firstsource Solutions UK Limited Firstsource Process Management Services Limited Firstsource BPO Ireland Limited Firstsource Dialog Solutions (Private) Ltd. Firstsource Business Process Services LLC One Advantage LLC Firstsource Group USA Inc. ISGN Fulfillment Agency, LLC Firstsource Transaction Services LLC
Fellow Associate	Nanobi Data and Analytics Private Limited
Directors	Erik Anderson Auvese Pasha

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended Amount in USD		Receivable / (Payable) at Amount in USD	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
Firstsource Solutions Limited	Service Rendered by Business Associates and others	1,21,40,219	1,49,88,257		
	Recovery of expenses	-	2,87,668		
	Reimbursement of expenses	40,577	14,70,718		
	Receivable / (Payable)			(1,17,72,509)	(1,50,97,851)
Firstsource Group USA Inc	Recovery of expenses	15,475	45,741		
	Reimbursement of expenses	4,83,506	13,10,871		
	Receivable / (Payable)			2,33,98,485	2,10,05,095
Firstsource Transcation Services LLC	Recovery of expenses	83,864	2,19,891		
	Reimbursement of expenses	4,498	24,306		
	Receivable / (Payable)			(4,25,560)	1,95,075
Medassit Holding LLC	Reimbursement of expenses	13,50,636	14,20,618		
	Receivable / (Payable)			(27,71,254)	(14,20,618)
Firstsource Advantage LLC	Reimbursement of expenses	7,978	4,934		
	Receivable / (Payable)			(12,912)	(4,934)
ISGN Solution Services Inc.,	Recovery of expenses	9,30,749	15,81,118		
	Reimbursement of expenses	1,19,07,872	1,98,02,241		
	Receivable / (Payable)			(1,53,76,516)	(50,71,123)
One Advantage LLC	Recovery of expenses	7,319			
	Receivable / (Payable)			7,319	-

ISGN Fulfillment Services, Inc
Notes to the financial statements (Continued)

for the year ended 31 March 2018

(Currency in US Dollar)

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 Company.

18) Computation for calculating diluted earnings per share

	For year ended	
	31 March 2018	31 March 2017
Number of shares considered as basic weighted average shares outstanding	400,803	400,803
Add: Effect of potential issue of shares/ stock options *	-	-
Number of shares considered as weighted average shares and potential shares outstanding	400,803	400,803
Net profit after tax attributable to shareholders	(4,430,320)	(2,205,074)
Net profit after tax for diluted earnings per share	(4,430,320)	(2,205,074)
* Not considered when anti-dilutive		

19) Capital and other commitments and contingent liabilities

There are no capital commitment as at 31 March 2018 (31 March 2017: USD Nil). There are no contingent liability as at the Balance sheet date.

20) Long-term contracts

The Company has a process whereby yearly all long-term contracts (including derivative 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 (including derivative contracts) has been made in the books of account.

21) Subsequent events

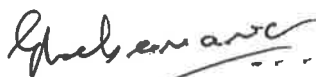
The Company evaluated subsequent events from the balance sheet date through 13 July 2018 and determined there are no material items to report.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

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



G.K. Subramaniam

Partner

Membership No: 109839

13 July 2018

Mumbai

For and on behalf of the Board of Directors



Erik Anderson

Director



Auvase Pasha

Director