Sourcepoint Fulfillment Services, Inc.

Special Purpose Financial Statements
together with the Independent Auditors’ Report
for the year ended 31 March 2019

Sourcepoint Fulfillment Services, Inc.

Special Purpose Financial Statements together with the Independent Auditors' Report

for the year ended 31 March 2019

Contents

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
FIRSTSOURCE SOLUTIONS LIMITED

Report on the Special Purpose Standalone Financial Statements

Opinion

We have audited the accompanying Special Purpose Standalone Financial Statements of **Sourcepoint Fulfillment Services, Inc.** (the 'Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'Special Purpose Standalone Financial Statements'). The Special Purpose Standalone Financial Statements have been prepared by the Management of the Company for the limited purpose of facilitating the preparation of the consolidated financial statements of Firstsource Solutions Limited as at and for the year ended 31 March 2019 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 Companies Act, 2013 ('the Act').

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 Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, of its profit and total comprehensive income, its changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Special Purpose Standalone Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act ('SAs'). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Special Purpose Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Special Purpose Standalone Financial Statements.

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 Act with respect to the preparation of these Special Purpose Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions 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 are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Standalone Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Special Purpose Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Special Purpose Standalone Financial Statements, including the disclosures, and whether the Special Purpose Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Special Purpose Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Special Purpose Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our audit work; and (ii) to evaluate the effect of any identified misstatements in the Special Purpose Standalone Financial Statements.

Basis of preparation

Without modifying our opinion, we draw attention to Note 1 to the Special Purpose Standalone Financial Statements, which describes the basis of preparation of the Special Purpose Standalone Financial Statements.

Restriction on Distribution and Use

Our report is intended solely for the information and use of the Board of Directors of Firstsource Solutions Limited for the preparation of their consolidated financial statements for the year ended and as at 31 March 2019, 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
8 July 2019

Sourcepoint Fulfillment Services, Inc.

Balance sheet

as at 31 March 2019

(Currency in US Dollar)

	Note	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	**196,219**	159,599
Capital work-in-progress		**-**	-
Other intangible assets	3	**82,775**	31,511
Financial assets			
Other financial assets	4(i)	**25,000**	45,000
Other non-current assets	5(i)	**144**	1,486
Income tax assets (net)		**6,979**	2,329
Total non-current assets		**311,117**	239,925
Current assets			
Financial assets			
Trade receivables	6	**1,776,174**	3,136,832
Cash and cash equivalents	7	**724,616**	77,878
Other financial assets	4(ii)	**1,645,089**	25,211,653
Other current assets	5(ii)	**51,972**	329,323
Total current assets		**4,197,851**	28,755,686
Total assets		**4,508,968**	28,995,611
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	**400,803**	400,803
Other equity	9	**(1,590,818)**	(4,589,068)
Total equity		**(1,190,015)**	(4,188,265)
LIABILITIES			
Current liabilities			
Financial liabilities			
Trade payables		**950,360**	1,401,564
Other financial liabilities	10	**4,568,232**	30,483,272
Provisions for employee benefits	11	**135,658**	385,877
Other current liabilities	12	**44,733**	913,163
Total current liabilities		**5,698,983**	33,183,876
Total equity and liabilities		**4,508,968**	28,995,611

Significant accounting policies 2

The accompanying notes from 1 to 23 are an integral part of these special purpose 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
08 July 2019
Mumbai

Shashank Cukkemane Muralidhara
Director

Auvese Pasha
Director

Sourcepoint Fulfillment Services, Inc.
Statement of profit and loss
for the year ended 31 March 2019
(Currency in US Dollar)

	Note	Year ended 31 March 2019	31 March 2018
INCOME			
Revenue from operations	*13*	**9,970,251**	24,824,437
Total income		**9,970,251**	24,824,437
EXPENSES			
Services rendered by business associates and others		**1,526,219**	12,140,219
Employee benefits expenses	*14*	**1,176,741**	11,437,334
Depreciation and amortization expense	*3*	**77,558**	35,251
Other expenses	*15*	**4,191,483**	5,641,953
Total expenses		**6,972,001**	29,254,757
Profit before tax		**2,998,250**	(4,430,320)
Tax expense			
Current tax		**-**	-
Deferred tax		**-**	-
Profit / (Loss) for the year		**2,998,250**	(4,430,320)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,998,250**	(4,430,320)
Weighted average number of equity shares outstanding during the year			
Basic		**400,803**	400,803
Earnings per equity share			
Basic		**7.48**	(11.05)
Diluted		**7.48**	(11.05)
Significant accounting policies	*2*		

The accompanying notes from 1 to 23 are an integral part of these special purpose 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

Shashank Cukkemane Muralidhara
Director

Auvese Pasha
Director

08 July 2019
Mumbai

Sourcepoint Fulfillment Services, Inc.

Statement of changes in equity

for the year ended 31 March 2019

(Currency in US Dollar)

Equity share capital and other equity

	Attributable to owners of the Company		
	Reserve and surplus		
	Equity share capital	**Retained earnings**	**Total**
Balance as at 1 April 2018	400,803	(4,589,068)	(4,188,265)
Profit/(Loss) for the year	-	2,998,250	2,998,250
Balance as at 31 March 2019	**400,803**	**(1,590,818)**	**(1,190,015)**

	Attributable to owners of the Company		
	Reserve and surplus		
	Equity share capital	**Retained earnings**	**Total**
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)**

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

Shashank Cukkemane Muralidhara
Director

Auvese Pasha
Director

08 July 2019
Mumbai

Sourcepoint Fulfillment Services, Inc.
Statement of cash flows
for the year ended 31 March 2019
(Currency in US Dollar)

	31 March 2019	31 March 2018
Cash flow from operating activities		
Profit before tax	**2,998,250**	(4,430,320)
Adjustments for		
Depreciation and amortisation	**77,558**	35,251
Loss on Sale of Fixed Assets	**-**	386
Operating cash flow before changes in working capital	**3,075,808**	(4,394,683)
Changes in working capital		
(Increase) / decrease in trade receivables	**1,360,658**	(935,203)
(Increase) / decrease in loans and advances and other assets	**23,865,257**	(2,459,100)
Increase / (decrease) in liabilities and provisions	**(27,484,893)**	7,995,303
Net changes in working capital	**(2,258,978)**	4,601,000
Income taxes paid	**(4,650)**	(2,329)
Net cash generated from operating activities (A)	**812,180**	203,988
Cash flow from investing activities		
Purchase of property, plant and equipment	**(184,853)**	(141,835)
Proceeds on sale of property, plant and equipment	**19,411**	894
Net cash generated from / (used in) investing activities (B)	**(165,442)**	(140,941)
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)	**646,738**	63,047
Cash and cash equivalents at the beginning of the year	**77,878**	14,831
Cash and cash equivalents at the end of the year	**724,616**	77,878

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 2019	31 March 2018
Cash on hand	**-**	-
Balances with banks	**724,616**	77,878
- in current accounts	**724,616**	77,878
Cash and cash equivalents	**724,616**	77,878

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

Shashank Cukkemane Muralidhara
Director

Auvese Pasha
Director

08 July 2019
Mumbai

1 Company overview

Sourcepoint Fullfillment Services, Inc.(the 'Company') was incorporated for the purpose of providing business process outsourcing (BPO) servies 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 instititions situated primarily in the United States of America.

The Company is a wholly owned subsidiary of Sourcepoint, Inc. which is a wholly owned subsidiary of Firstsource group USA. Inc. incorporated in the state of Delware, 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 relevant amendment rules issued thereunder.

These special purpose financial statements have been prepared for the limited purpose of facilitating the preparatoin 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 6 May 2019.

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.

2.2 Revenue recognition

Effective 1 April 2018, the Company has applied Ind AS 115 'Revenue from contracts with customers' using the cumulative catch up transition method which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. The adoption of the standard did not have any material impact to the financial statements of the Company.

The Company is in contracts with customers, promises to transfer distinct services rendered either in the form of contact centre and transaction processing services.

Each distinct service, results in a simultaneous benefit to the corresponding customer. Also, the Company has an enforceable right to payment from the customer for the performance completed to date. Revenue from unit price based contracts is measured by multiplying the units of output delivered with the agreed transaction price per unit while in case of time and material based contracts, revenue is the product of the efforts expended and the agreed transaction price per unit. The Company continually reassesses the estimated discounts, rebates, price concessions, refund, credits, incentives, performance bonuses, etc., (variable consideration) aganist each performance obligation

2 Significant accounting policies (continued)

2.2 Revenue recognition (continued)

each reporting period and recgnises changes to estimated variable consideration as changes to the transaction price (i.e., revenue) of the apllicable performance obligation.

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)**
Tangible assets	
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
Intangible assets	
Software*	2 – 4

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

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

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 months 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. A default on a financial asset is when there is a significant increase in the credit risk which is evaluated based on the business environment. The assets are written off when the Company is certain about the non-recovery.

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.

2 Significant accounting policies (continued)

2.4 Impairment (continued)

b. Non-financial assets (continued)

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 Income Taxes

Current income taxes and deferred income tax

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 recongised 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 aganist which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recongised.

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

2.6 Foreign currency

Functional currency

The functional currency of the Company is the United Stated 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 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 accure. 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.

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 to be utilised within one calendar year, the employees can 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.

2 Significant accounting policies (continued)

2.7 Employee benefits (continued)

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

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.

2.11.2 Classification and Subsequent Measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

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

ii) Financial assets at amortised cost

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

2 Significant accounting policies (continued)

2.11 Financial instruments (continued)

2.11.2 Classification and Subsequent Measurement (continued)

a) Non-derivative financial instruments (continued)

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

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

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

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

v) Financial liabilities

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

b) Share Capital

Ordinary shares

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

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 Significant accounting policies (continued)

2.14 Recent accounting pronouncements

Ind AS 116 Leases:

On 30 March, 2019, Ministry of Corporate Affairs has notified Ind AS 116 'Leases', Ind AS 116 will replace the existing leases standard Ind AS 17 'Leases and related interpretations'. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure for leases for both parties to a contract , i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Ind AS 116 also contains enhanced disclosure requirement for lessees. Ind AS 116 substantially carries forward the lessor accounting requirement in Ind AS 17. The effective date for adoption of Ind AS 116 is annual periods beginning on or after 1 April 2019 and permits two possible methods of transition; (a) Full retrospective - retrospectively adjusting each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and error or (b) Modified retrospective - retrospectively, with cumulative effect of initially applying the standard recognised at the date of initial application. The Company is currently evaluating the effect of Ind AS 116 on the financial statements.

Amendment to Ind AS 12 Income taxes

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12 'Income Taxes' in connection with accounting for dividend distribution taxes. The effective date of application of this amendment is annual periods beginning on or after 1 April 2019. This amendment clarifies that an entity shall recognise the income tax consequences of dividends in the Statement of Profit and Loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The effect of application of this amendment on the financial statements is expected to be insignificant.

Ind AS 12 Appendix C Uncertainty Over Income Tax Treatments

On 30 March, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C Uncertainty Over Income Tax Treatments with effective date for adoption for annual periods beginning on or after 1 April 2019. This appendix requires companies to determine the probability of the relevant tax authority accepting each tax treatment or group of tax treatments that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, The effect of adoption of the Appendix on the financial statements is expected to be insignificant.

Amendment to Ind AS 19 Employee Benefits

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19 'Employee Benefits' which requires an entity to use updated assumptions to determine service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in the Statement of Profit and Loss as part of past service cost or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the assets ceiling. The effective date of application of this amendment is annual periods beginning on or after 1 April 2019. The effect of application of this amendment on the financial statements is expected to be insignificant.

Sourcepoint Fulfillment Services, Inc.

Notes to the financial statements (Continued)

as at 31 March 2019

(Currency in US Dollar)

3) Property, plant and equipment and Intangible assets

Particulars	Tangible Asset							Intangible Asset	
	Leasehold improvements	Network	Computers	Vehicles	Office equipment	Furniture and fixture	Total	Software	Grand Total
Gross block									
As at 1 April 2018	**111,856**	**-**	**5,805,954**	**4,893**	**2,149,959**	**1,652,592**	**9,725,254**	**1,163,426**	**10,888,680**
Additions / adjustments during the year	**46,931**	**24,680**	**4,555**	**-**	**34,707**	**8,091**	**118,964**	**65,889**	**184,853**
Deletions during the year	**-**	**(17,200)**	**-**	**-**	**(26,793)**	**(3,783)**	**(47,776)**	**(1,124,432)**	**(1,172,208)**
As at 31 March 2019	**158,787**	**7,480**	**5,810,509**	**4,893**	**2,157,873**	**1,656,900**	**9,796,442**	**104,883**	**9,901,325**
Accumulated depreciation / amortization									
As at 1 April 2018	**16,099**	**-**	**5,774,241**	**1,458**	**2,142,635**	**1,631,222**	**9,565,655**	**1,131,915**	**10,697,570**
Charge for the year	**28,747**	**1,379**	**22,022**	**1,397**	**4,306**	**5,082**	**62,933**	**14,625**	**77,558**
On deletions / adjustments during the year	**-**	**(820)**	**-**	**-**	**(26,793)**	**(752)**	**(28,365)**	**(1,124,432)**	**(1,152,797)**
As at 31 March 2019	**44,846**	**559**	**5,796,263**	**2,855**	**2,120,148**	**1,635,552**	**9,600,223**	**22,108**	**9,622,331**
Net block									
As at 31 March 2019	**113,941**	**6,921**	**14,246**	**2,038**	**37,725**	**21,348**	**196,219**	**82,775**	**278,994**
As at 31 March 2018	**95,757**	**-**	**31,713**	**3,435**	**7,324**	**21,370**	**159,599**	**31,511**	**191,110**

Particulars	Tangible Asset							Intangible Asset	
	Leasehold improvements	Network	Computers	Vehicles	Office equipment	Furniture and fixture	Total	Software	Grand Total
Gross block									
As at 1 April 2017	54,124	-	10,807,048	25,991	2,147,796	1,633,246	14,668,205	1,127,497	15,795,702
Additions / adjustments during the year	57,732	-	26,026	-	2,163	19,986	105,907	35,929	141,836
On deletions / adjustments during the year	-	-	(5,027,120)	(21,098)	-	(640)	(5,048,858)	-	(5,048,858)
As at 31 March 2018	111,856	-	5,805,954	4,893	2,149,959	1,652,592	9,725,254	1,163,426	10,888,680
Accumulated depreciation / amortization									
As at 1 April 2017	3,407	-	10,790,323	21,159	2,140,564	1,629,904	14,585,357	1,124,540	15,709,897
Charge for the year	12,692	-	10,295	1,397	2,071	1,421	27,876	7,375	35,251
On deletions / adjustments during the year	-	-	(5,026,377)	(21,098)	-	(103)	(5,047,578)	-	(5,047,578)
As at 31 March 2018	16,099	-	5,774,241	1,458	2,142,635	1,631,222	9,565,655	1,131,915	10,697,570
Net block									
As at 31 March 2018	95,757	-	31,713	3,435	7,324	21,370	159,599	31,511	191,110
As at 31 March 2017	50,717	-	16,725	4,832	7,232	3,342	82,848	2,957	85,805

Sourcepoint Fulfillment Services, Inc.
Notes to the financial statements (Continued)
as at 31 March 2019
(Currency in US Dollar)

	31 March 2019	31 March 2018
4) Other financial assets		
(Unsecured, considered good)		
(i) Other non-current financial assets		
Deposits	**25,000**	45,000
	25,000	45,000
(ii) Other current financial assets		
Unbilled revenues	**-**	1,793,541
Recoverable from Customers	**144,594**	-
Advance to related parties	**1,490,995**	23,405,804
Advance to Employees	**9,500**	12,308
	1,645,089	25,211,653
5) Other assets		
(Unsecured, considered good)		
(i) Other non-current assets		
Prepaid expenses	**144**	1,486
	144	1,486
(ii) Other current assets		
Prepaid expenses	**51,972**	129,323
Advance to Vendors	**-**	200,000
	51,972	329,323
6) Trade receivables		
(Unsecured)		
Considered Doubtful	**15,938**	-
Less: Impairment allowance	**(15,938)**	-
	-	-
Considered Good	**1,776,174**	3,136,832
	1,776,174	3,136,832
	1,776,174	3,136,832

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 18.

	31 March 2019	31 March 2018
7) Cash and cash equivalents		
Cash on hand	**-**	-
Balances with banks in current accounts	**724,616**	77,878
	724,616	77,878

(Currency in US Dollar)

	31 March 2019	31 March 2018
8) Share capital		
Authorised		
10,00,000 (31 March 2018 : 1,00,000) Equity Shares of USD 1 each	**1,000,000**	1,000,000
	1,000,000	1,000,000
Issued, subscribed and paid-up		
400,803 (31 March 2018: 400,803) Equity Shares of USD 1 each	**400,803**	400,803
	400,803	400,803

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

	31 March 2019		31 March 2018	
	Number of shares	**Amount**	Number of shares	Amount
At the commencement of the year	**400,803**	**400,803**	400,803	400,803
At the end of the year	**400,803**	**400,803**	400,803	400,803

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

	31 March 2019		31 March 2018	
	Number of shares	**% of total shares**	Number of shares	% of total shares
Sourcepoint, Inc.	**400,803**	**100.00%**	**400,803**	**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 th Company's residual assets. The unit holders are entitled to receive dividend as declared from time to time. The voting rights o an unit holder are in proportion to its share of the units of the Company. On winding up of the Company, the unit holders wil be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportio to the number of shares held.

9) Other equity

	31 March 2019	31 March 2018
Retained earnings		
At the commencement of the year	**(4,589,068)**	(158,748)
Add: Net profit for the year	**2,998,250**	(4,430,320)
At the end of the year	**(1,590,818)**	(4,589,068)
Total other equity	**(1,590,818)**	(4,589,068)

Sourcepoint Fulfillment Services, Inc.

Notes to the financial statements (Continued)

as at 31 March 2019

(Currency in US Dollar)

		31 March 2019	31 March 2018
10)	**Other financial liabilities**		
	Other current financial liabilities		
	Book credit in bank account	**-**	124,521
	Payable to Related Parties	**4,568,232**	30,358,751
		4,568,232	30,483,272
11)	**Provision for employee benefits**		
	Current		
	Compensated absences	**135,658**	385,877
		135,658	385,877
12)	**Other liabilities**		
	Other current liabilities		
	Advance from Customer	**44,733**	913,163
		44,733	913,163

(Currency in US Dollar)

	Year ended	
	31 March 2019	31 March 2018

13) Revenue from operations

Sale of services	**9,970,251**	24,824,437
	9,970,251	24,824,437

The company provides business process outsourcing (BPO) services to the mortgage lending industry in the US geography only.

Revenues in excess of invoicing are classified as contract assets (which is referred as unbilled revenues). Changes in contract assets are directly attributable to revenue recognised based on the accounting policy defined and invoicing done during the year. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures as the revenue recognised corresponds directly with the value to the customer of the Company's performance completed to date.

14) Employee benefits expense

Salaries and Wages	**1,028,823**	10,260,863
Contribution to social security and other benefits	**10,403**	81,430
Staff welfare expenses	**137,515**	1,095,041
	1,176,741	11,437,334

15) Other expenses

Rent (net)	**(33,000)**	329,208
Title and Valuation Expenses	**3,930,988**	2,909,691
Rates and taxes	**76,769**	386,220
Bank administration charges	**48,835**	74,066
Computer expenses	**45,496**	35,810
Connectivity, Information and communication expenses	**41,215**	247,272
Legal and professional fees	**36,221**	98,620
Provision for doubtful debts	**15,938**	-
Recruitment and training expenses	**2,100**	11,995
Loss on sale / write-off of fixed assets net	**-**	386
Miscellaneous expenses	**26,921**	1,548,685
	4,191,483	5,641,953

Note : Facilities used for operations by the Company in FY 19 are common to the Holding Company Sourcepoint, Inc. and there is no cost charged in FY 19 for such use by the Holding Company to the Company.

Sourcepoint Fulfillment Services, Inc.

Notes to the financials statements (Continued)

for the year ended 31 March 2019

(Currency in US Dollar)

16) Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2019 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	**1,776,174**	-	-	**1,776,174**	**1,776,174**
Cash and cash equivalents	**724,616**	-	-	**724,616**	**724,616**
Other financial assets	**1,670,089**	-	-	**1,670,089**	**1,670,089**
Total	**4,170,879**	-	-	**4,170,879**	**4,170,879**
Financial liabilities					
Other financial liabilities	**4,568,232**	-	-	**4,568,232**	**4,568,232**
Trade payables	**950,360**	-	-	**950,360**	**950,360**
Total	**5,518,592**	-	-	**5,518,592**	**5,518,592**

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	3,136,832	-	-	3,136,832	3,136,832
Cash and cash equivalents	77,878	-	-	77,878	77,878
Other financial assets	25,256,653	-	-	25,256,653	25,256,653
Total	28,471,363	-	-	28,471,363	28,471,363
Financial liabilities					
Other financial liabilities	30,483,272		-	30,483,272	30,483,272
Trade payables	1,401,564	-	-	1,401,564	1,401,564
Total	31,884,836	-	-	31,884,836	31,884,836

Fair value hierachy for the above stated financial assets and liabilities is using measurement principles at Level 3 as at 31 March 2019 and 31 March 2018.

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

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 1,776,174 and USD 3,136,832 as of 31 March 2019 and 31 March 2018 respectively and unbilled revenue amounting to USD Nil and USD 1,793,541 as of 31 March 2019 and 31 March 2018 respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States of America. 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 2019 and 31 March 2018:

	31 March 2019		31 March 2018	
	Less than 1 Year	**More than 1 year**	Less than 1 Year	More than 1 year
Trade payables	**950,360**	**-**	1,401,564	-

17) 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 2019 aggregated to USD 272,939 (31 March 2018: USD 373,836).

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

	As at 31 March 2019	As at 31 March 2018
Amount due within one year from the balance sheet date	**131,179**	254,408
Amount due in the period between one year and five years	**227,025**	-
Amount due in the period beyond five years	**-**	-
	358,204	254,408

Sourcepoint Fulfillment Services, Inc.

Notes to the financial statements (Continued)

for the year ended 31 March 2019

(Currency in US Dollar)

18) Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2019 are summarized below:

Ultimate Holding Company	CESC Ventures Limited
Holding Company	Firstsource Solutions Limited Firstsource Group USA Inc. Sourcepoint, Inc.
Fellow Subsidiary Companies	Kolkata Games and Sports Private Limited Quest Properties India Limited Metromark Green Commodities Private Limited Guiltfree Industries Limited Bowlopedia Restaurants India Limited Apricot Foods Private Limited 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	Shashank Cukkemane Muralidhara 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 2019	31 March 2018	**31 March 2019**	31 March 2018
Firstsource Solutions Limited	Service Rendered by Business Associates and others	**1,526,219**	12,140,219	-	-
	Reimbursement of expenses	**27,851**	40,577	-	-
	Receiveable / (Payable)		-	**(1,136,711)**	(11,772,509)
Firstsource Group USA Inc	Recovery of expenses	**20,743**	15,475	-	-
	Reimbursement of expenses	**806,355**	483,506	-	-
	Receiveable / (Payable)			**(2,800,492)**	23,398,485
Firstsource Transcation Services LLC	Recovery of expenses	**66,352**	83,864	-	-
	Reimbursement of expenses	**2,497**	4,498	-	-
	Receiveable / (Payable)		-	**43,105**	(425,560)
Medassit Holding LLC	Reimbursement of expenses	**1,037,736**	1,350,636	-	-
	Receiveable / (Payable)	-	-	**(628,123)**	(2,771,254)
Firstsource Advantage LLC	Reimbursement of expenses	**6,429**	7,978	-	-
	Receiveable / (Payable)		-	**(2,907)**	(12,912)
Sourcepoint Inc.	Recovery of expenses	**13,218,214**	930,749	-	-
	Reimbursement of expenses	**8,004,238**	11,907,872	-	-
	Receiveable / (Payable)		-	**1,447,890**	(15,376,516)
One Advantage LLC	Recovery of expenses	-	7,319	-	-
	Receiveable / (Payable)	-	-	-	7,319

(Currency in US Dollar)

19) 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 Firstsource Solutions Limited ('the Holding Company').

20) Computation for calculating diluted earnings per share

	For year ended	
	31 March 2019	31 March 2018
Number of shares considered as basic weighted average shares outstanding	**400,803**	400,803
Number of shares considered as weighted average shares and potential shares outstanding	**400,803**	400,803
Net profit after tax attributable to shareholders	**2,998,250**	(4,430,320)

21) Capital and other commitments and contingent liabilities

The Company has Capital commitments of USD 8,639 as at 31 March 2019 (31 March 2018: USD Nil). There are no contigent liability as at the Balance sheet date.

22) 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 assessed that there is no provision required under any law / Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account.

23) Subsequent events

The Company evaluated subsequent events from the balance sheet date through 27 June 2019 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

Shashank Cukkemane Muralidhara
Director

Auvese Pasha
Director

08 July 2019
Mumbai