

Firstsource Group USA, Inc.

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

Firstsource Group USA, Inc.

Special Purpose Financial statements together with the Independent Auditors' Report

for the year ended 31 March 2018

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Firstsource Group USA, 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	308,726	581,265
Other intangible assets	3	589,768	1,016,236
Financial assets			
Investments	4	389,297,835	389,297,835
Other financial assets	5(i)	2,375	14,214
Other non-current assets	6(i)	24,680	67,174
Total non-current assets		390,223,384	390,976,724
Current assets			
Financial assets			
Trade receivables	7	961,587	116,938
Cash and cash equivalents	8	4,106,345	673,679
Other financial assets	5(ii)	2,571,013	896,422
Other current assets	6(ii)	205,167	1,436,917
Total current assets		7,844,112	3,123,956
Total assets		398,067,496	394,100,680
EQUITY AND LIABILITIES			
Equity			
Equity share capital	9	218,483	218,483
Other equity		180,431,149	184,562,170
Total equity		180,649,632	184,780,653
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	10(i)	60,652,969	81,438,376
Net Deferred Tax Liabilities	11	2,379,434	4,617,624
Total non-current liabilities		63,032,403	86,056,000
Current liabilities			
Financial liabilities			
Short-term borrowings	10(ii)	85,581,417	61,919,400
Trade payables		466,062	371,432
Other financial liabilities	12	67,571,424	60,838,172
Other current liabilities	13	9,745	3,369
Provisions for employee benefits	14	74,945	74,472
Provision for Tax		681,868	57,182
Total current liabilities		154,385,461	123,264,027
Total equity and liabilities		398,067,496	394,100,680
Significant accounting policies	2		

The accompanying notes from 1 to 27 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

Rajesh Subramaniam
Director

Venkat Raman
Director

Mumbai
13 July 2018

Firstsource Group USA, Inc.

Statement of profit and loss

for the year ended 31 March 2018

(Currency: In US Dollar)

	Note	Year ended	
		31 March 2018	31 March 2017
INCOME			
Revenue from operations	15	12,710,306	16,217,985
Other income, net	16	534,103	(445,020)
Total income		13,244,409	15,772,965
EXPENSES			
Services rendered by business associates and others		10,345,887	9,970,416
Employee benefits expenses	17	580,554	4,804,233
Finance costs	18	4,165,693	3,648,813
Depreciation and amortization expense	3	621,884	700,977
Other expenses	19	3,201,862	5,059,037
Total expenses		18,915,880	24,183,477
Profit before tax		(5,671,471)	(8,410,512)
Tax expense			
Current tax	11	697,740	247,438
Deferred tax	11	(2,238,190)	1,037,111
Profit for the year		(4,131,021)	(9,695,061)
Other comprehensive income		-	-
Total comprehensive income for the year		(4,131,021)	(9,695,061)
Weighted average number of equity shares outstanding during the year			
Basic		218,483	218,483
Diluted		218,483	218,483
Earnings per equity share			
Basic		(18.91)	(44.37)
Diluted		(18.91)	(44.37)

Significant accounting policies

2

The accompanying notes from 1 to 27 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

Mumbai

13 July 2018

Rajesh Subramaniam

Director

Venkat Raman

Director

Firstsource Group USA, Inc.

Statement of changes in equity

for the year ended 31 March 2018

(Currency: In US Dollar)

Statement of changes in Equity

	Equity share capital	Attributable to owners of the Company Reserve and surplus Retained earnings	Total
Balance as at 1 April 2017	218,483	184,562,170	184,780,653
Profit / (loss) for the year	-	(4,131,021)	(4,131,021)
Balance as at 31 March 2018	218,483	180,431,149	180,649,632

	Equity share capital	Attributable to owners of the Company Reserve and surplus Retained earnings	Total
Balance as at 1 April 2016	218,483	194,257,231	194,475,714
Profit / (loss) for the year	-	(9,695,061)	(9,695,061)
Balance as at 31 March 2017	218,483	184,562,170	184,780,653

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

Rajesh Subramaniam

Director

Venkat Raman

Director

Mumbai

13 July 2018

Firstsource Group USA, Inc.

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

1 Company overview

Firstsource Group USA Inc. ('the Company') was incorporated under the laws of the State of Delaware on 25 November 2009. The Company provides contact centre and transaction processing services for customers in the financial services, telecommunications and healthcare industry. The Company is a wholly owned subsidiary of Firstsource Solutions Limited ('FSL') incorporated under the laws of India.

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, and authorised for issue on 7 May 2018.

2 Significant accounting policies

2.1 Use of estimates

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

2.1.1 Critical accounting estimates

a Income taxes

The Company's major tax jurisdiction is United States of America. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.8.

b Property, plant and equipment and Intangible assets

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

Firstsource Group USA, 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 from contact centre and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts. Unbilled receivables represent costs incurred and revenues recognised on contracts to be billed in subsequent periods as per the terms of the contract.

Dividend income is recognised when the right to receive dividend is established.

For all instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

2.3 Property, plant and equipment and Intangible assets

Property, plant and equipment and Intangible assets 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
Service equipment*	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 independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

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

Firstsource Group USA, 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 amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

2.5 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the instalments of minimum lease payments have been apportioned between finance charge / expense and principal repayment. Assets given on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the finance income and principal amount using the implicit rate of return.

The finance charge / (income) is recognised in the statement of profit and loss, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

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

Firstsource Group USA, 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 transactions

Functional currency

The functional currency of the Company is the United States Dollar (USD)

Transactions and translations

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

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

2.7 Employee benefits

a) Post employment benefits (*continued*)

Defined contribution plans

The Company has a saving and investment plan under section 401 (k) of the Internal Revenue Code of the United States of America. This is a Defined Contribution Plan. Contribution made under the plan are charged to statement of Profit and loss in the period in which that accrue. The Company has no further obligation to the plan beyond its monthly contribution. Other retirement benefits, including social security and medicare, are accrued based on the amounts payable as per local regulations.

Compensated absences

Employees of the Company are entitled to compensated absences, the employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

2.8 Taxation

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 the Company in its financial statements.

Firstsource Group USA, Inc.

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

2 Significant accounting policies (*continued*)

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.

Firstsource Group USA, 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 (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 approximate fair value to short-term maturity of these instruments

vi) *Equity instruments*

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognised by the Company at the proceeds received net of direct issue cost.

b) *Share capital*

Ordinary shares 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.

Firstsource Group USA, Inc.

Notes to the financial statements

for the year ended 31 March 2018

(Currency: In US Dollar)

2 Significant accounting policies *(continued)*

2.12 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period 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 AS21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115 Revenue from Contract with Customers:

On 28 March 2018, Ministry of Corporate Affairs has notified the Ind AS115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The effect on adoption of Ind AS 115 on the financial statements is expected to be insignificant.

Firstsource Group USA, Inc.

Statement of cash flows

for the year ended 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
<u>Cash flow from operating activities</u>		
Profit before tax	(5,671,471)	(8,410,512)
Adjustments for		
Depreciation and amortisation	621,884	700,977
Loss / (Gain) on sale of fixed assets, net	52,315	(3,015)
Finance Costs	4,165,693	3,648,813
Operating cash flow before changes in working capital	(831,579)	(4,063,737)
Changes in working capital		
(Increase) / Decrease in trade receivables	(844,649)	443,644
(Increase)/ Decrease in loans and advances and other assets	(388,508)	5,601,603
Increase / (Decrease) in liabilities and provisions	7,244,561	33,934,083
Net changes in working capital	6,011,404	39,979,330
Income taxes paid	(73,054)	(221,060)
Net cash generated from / (used in) operating activities (A)	5,106,771	35,694,533
<u>Cash flow from investing activities</u>		
Purchase of property, plant and equipment and intangible assets	(275,746)	(1,415,571)
Proceeds on sale of property, plant and equipment and intangible assets	34,587	164,099
Investments made during the year	-	(13,691,211)
Net cash generated from / (used in) investing activities (B)	(241,159)	(14,942,683)
<u>Cash flow from financing activities</u>		
(Repayment) / Proceeds from short term borrowings	23,667,548	9,749,679
Repayment of long term borrowings	(20,524,971)	(27,135,756)
Interest paid	(4,575,523)	(3,773,319)
Net cash generated from / (used in) financing activities (C)	(1,432,946)	(21,159,396)
Net Increase / (decrease) in cash and cash equivalents at the end of the year (A+B+C)	3,432,666	(407,546)
Cash and cash equivalents at the beginning of the year	673,679	1,081,225
Cash and cash equivalents at the end of the year	4,106,345	673,679

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	4,106,345	673,679
- in current accounts	4,106,345	673,679
Cash and cash equivalents	4,106,345	673,679

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

Firstsource Group USA, Inc.

G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

13 July 2018

Rajesh Subramaniam

Director

Venkat Raman

Director

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

3) Property, plant and equipment and Intangible assets

	Tangible Asset						Intangible Asset	Grand Total
	Leasehold improvements	Computers	Service Equipment	Office equipment	Furniture and fixture	Total	Software	
Gross block (at deemed cost)								
As at 1 April 2017	3,681,175	1,182,954	747,235	240,692	621,574	6,473,630	1,846,428	8,320,058
Additions / adjustments during the year	-	1,083	20,510	(11,814)	-	9,779	-	9,779
Deletions during the year	-	-	(16,885)	(26,367)	-	(43,252)	(73,774)	(117,026)
As at 31 March 2018	3,681,175	1,184,037	750,860	202,511	621,574	6,440,157	1,772,654	8,212,811
Accumulated depreciation / amortization								
As at 1 April 2017	3,269,145	1,094,192	741,265	168,386	619,377	5,892,365	830,192	6,722,557
Charge for the year	170,860	48,660	6,973	17,869	1,359	245,721	376,163	621,884
On deletions / adjustments during the year	-	-	(3,663)	(2,992)	-	(6,655)	(23,469)	(30,124)
As at 31 March 2018	3,440,005	1,142,852	744,575	183,263	620,736	6,131,431	1,182,886	7,314,317
Net block								
As at 31 March 2018	241,170	41,185	6,285	19,248	838	308,726	589,768	898,494
As at 31 March 2017	412,030	88,762	5,970	72,306	2,197	581,265	1,016,236	1,597,501

	Tangible Asset						Intangible Asset	Total
	Leasehold improvements	Computers	Service Equipment	Office equipment	Furniture and fixture	Total	Software	
Gross block (at deemed cost)								
As at 1 April 2016	5,894,795	1,178,832	758,666	415,773	667,060	8,915,126	1,844,603	10,759,729
Additions	18,290	4,122	8,128	18,136	5,728	54,404	1,825	56,229
Deletions during the year	(2,231,910)	-	(19,559)	(193,217)	(51,214)	(2,495,900)	-	(2,495,900)
As at 31 March 2017	3,681,175	1,182,954	747,235	240,692	621,574	6,473,630	1,846,428	8,320,058
Accumulated depreciation / amortization								
As at 1 April 2016	3,803,693	1,034,153	740,140	248,211	629,101	6,455,298	452,965	6,908,263
Charge for the year	240,523	60,039	5,482	15,870	1,836	323,750	377,227	700,977
On deletions	(775,071)	-	(4,357)	(95,695)	(11,560)	(886,683)	-	(886,683)
As at 31 March 2017	3,269,145	1,094,192	741,265	168,386	619,377	5,892,365	830,192	6,722,557
Net block								
As at 31 March 2017	412,030	88,762	5,970	72,306	2,197	581,265	1,016,236	1,597,501
As at 31 March 2016	2,091,102	144,679	18,526	167,562	37,959	2,459,828	1,391,638	3,851,466

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)

as at 31 March 2018
 (Currency: In US Dollar)

	31 March 2018	31 March 2017
4) Investments		
(i) Non-current		
Unquoted		
Investments carried at cost (Investment in equity instruments of subsidiaries)		
Investment in MedAssist Holding Inc.- 992 equity shares (31 March 2017 992 equity shares)	346,518,624	346,518,624
Investment in Firstsource Business Process Services Limited. -100%, voting rights (31 March 2017: 100% voting rights)	29,088,000	29,088,000
Investment in ISGN Solution Inc- 733 voting common stock (1st April 2017: 100% voting right)	13,691,211	13,691,211
	389,297,835	389,297,835
 Aggregate book value of unquoted investments	 389,297,835	 389,297,835

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
as at 31 March 2018
(Currency: In US Dollar)

	31 March 2018	31 March 2017
5) Other financial assets		
<i>(Unsecured, considered good)</i>		
(i) Other non-current financial assets		
Deposits	2,375	14,214
	<u>2,375</u>	<u>14,214</u>
(ii) Other current financial assets		
Unbilled receivables	729,153	896,422
Foreign currency forward contract	1,841,860	-
	<u>2,571,013</u>	<u>896,422</u>
6) Other assets		
<i>(Unsecured, considered good)</i>		
(i) Other non-current assets		
Prepaid expenses	24,680	67,174
	<u>24,680</u>	<u>67,174</u>
(ii) Other current assets		
Prepaid expenses	205,167	1,432,833
401K Withholding tax	-	4,084
	<u>205,167</u>	<u>1,436,917</u>
7) Trade receivables		
<i>(Unsecured)</i>		
Considered good	961,587	116,938
	<u>961,587</u>	<u>116,938</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 parties, refer note 22.

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
8) Cash and cash equivalents		
Balances with banks		
-in current accounts	4,106,345	673,679
	<u>4,106,345</u>	<u>673,679</u>
9) Share capital		
Authorised		
218,483 common stock (31 March 2017 : 218,483 common stock) fully paid-up common stock of USD I each as at 31 March 2018	218,483	218,483
	<u>218,483</u>	<u>218,483</u>
Issued, subscribed and paid-up		
218,483 common stock (31 March 2017 : 218,483 common stock) fully paid-up common stock of USD I each as at 31 March 2018	218,483	218,483
	<u>218,483</u>	<u>218,483</u>

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	218,483	218,483	218,483	218,483
Shares allotted during the year	-	-	-	-
- employee stock option scheme				
At the end of the year	218,483	218,483	218,483	218,483

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

	31 March 2018		31 March 2017	
	Number of shares	% of total shares	Number of shares	% of total shares
Firstsource Solutions Limited.	218,483	100.00%	218,483	100.00%

c) Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

	31 March 2018	31 March 2017
10) Borrowings		
(i) Long-term borrowings		
<i>Secured</i>		
Term loan - from banks	-	45,000,000
Term Loan (Refer note 'a')		
Non-current maturities of finance lease obligations	64,135	324,571
(refer note 'b')		
<i>Unsecured</i>		
Loan from Group Companies (refer note 'd')	60,588,834	36,113,805
	60,652,969	81,438,376
	<hr/> <hr/>	<hr/> <hr/>
(ii) Short-term borrowings		
<i>Unsecured</i>		
Line of Credit from banks (refer note 'c')	40,302,790	16,312,607
Current portion of long term borrowings		
<i>Secured</i>		
Term Loan (Refer note 'a')	45,000,000	45,036,000
Finance lease obligation - (refer note 'b')	164,190	169,721
Loan from Non Banking Financing Companies	114,437	401,072
	85,581,417	61,919,400
	<hr/> <hr/>	<hr/> <hr/>

- a Loan is carrying floating interest rate in the range of 3.20% p.a to 3.75% p.a. The loan is repayable by March 2019 in quarterly installments. The loan is secured against pari passu charge on all current assets, non-current assets and fixed assets of all US subsidiaries (excluding ISGN-SOL and ISGN-FFS) and Firstsource Solutions UK Limited and guarantee given by Firstsource Solutions Limited.
- b Finance lease obligation carries interest in the range of 4% - 12.5% for the period of 3 - 5 years from April 2013 to October 2019, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease.- refer note 3.
- c Line of credit from bank carries interest in the range of 2.50% to 4%.
- d Unsecured Loan from Firstsource UK Limited at an interest rate of 4.25%. The currency risk is secured by a forward exchange contract

31 March 2018 31 March 2017

11) Taxation

(i) Deferred tax

Deferred tax asset on account of:

Depreciation	577,101	577,101
Gratuity and compensated absences	1,549,239	1,549,239
Carry forward losses	44,451,637	42,213,447
Accrued Expenses	706,399	706,399
	<u>47,284,376</u>	<u>45,046,186</u>

Deferred tax liability on account of:

Goodwill and other Amortization	49,663,810	49,663,810
	<u>49,663,810</u>	<u>49,663,810</u>
Provision for tax	<u>(2,379,434)</u>	<u>(4,617,624)</u>

(ii) Income tax liability

Advance tax and tax deducted at source (net)	(775,042)	(701,988)
Provision for tax (net)	1,456,910	759,170
	<u>681,868</u>	<u>57,182</u>

Income tax expense

Income tax expense in the statement of profit and loss comprises:

	Year ended	
	31 March 2018	31 March 2017
Current taxes	697,740	247,438
Deferred taxes	(2,238,190)	1,037,111
Income tax expense	<u>(1,540,450)</u>	<u>1,284,549</u>

A reconciliation of the income tax provision to the amount computed by the applying statutory income tax rate to the income before income taxes is summarised below. As explained in Note 2.8, the tax charge is computed on a combined basis for all subsidiaries of the Company and a combined return is filed, hence, the below reconciliation considers profit before tax and adjustments on a consolidated basis :

	Year ended	
	31 March 2018	31 March 2017
Profit before income taxes	11,743,590	3,727,258
Enacted tax rates in United States of America	24.85%	37.83%
Computed expected tax expense	2,918,282	1,410,022
Effect of change in tax rates	(3,753,155)	-
Others	(705,577)	(125,473)
Income tax expense	<u>(1,540,450)</u>	<u>1,284,549</u>

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2018

(Currency: In US Dollar)

31 March 2018

31 March 2017

12) Other financial liabilities

Other current financial liabilities

Book credit in bank account	63,443	6,304,833
Amount Payable to Subsidiary	67,486,276	51,658,776
Foreign currency forward contract	-	2,443,028
Interest accrued but not due on borrowings	21,705	431,535
	<u>67,571,424</u>	<u>60,838,172</u>

13) Other current liabilities

Statutory dues	9,745	3,369
	<u>9,745</u>	<u>3,369</u>

14) Provision for employee benefits

Current

Compensated absences	74,945	74,472
	<u>74,945</u>	<u>74,472</u>

Firstsource Group USA, 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
15) Revenue from operations		
Sale of services	12,710,306	16,217,985
	<u>12,710,306</u>	<u>16,217,985</u>
16) Other income		
Exchange gain/(loss)	586,418	(448,035)
Gain/(loss) on sale of fixed assets, net	(52,315)	3,015
	<u>534,103</u>	<u>(445,020)</u>
17) Employee benefits expense		
Salaries and wages	563,458	4,515,998
Contribution to social security and other benefits	3,902	13,382
Staff welfare expenses	13,194	274,853
	<u>580,554</u>	<u>4,804,233</u>
18) Finance cost		
Interest expense		
- on term loan	891,118	305,273
- on working capital demand loan and others	1,723,519	1,717,860
Finance charges on leased assets	915,672	1,882,830
Net Foreign Exchange gain/loss	635,384	(257,150)
	<u>4,165,693</u>	<u>3,648,813</u>

Firstsource Group USA, 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
19) Other expenses		
Rent	405,374	603,550
Car and other hire charges	428,067	825,692
Repairs, maintenance and upkeep	369,609	509,221
Computer expenses	1,301	1,746
Legal and professional fees	538,268	796,218
Connectivity charges	14,277	311,091
Recruitment and training expenses	311	46,250
Information and communication expenses	13,743	79,201
Travel and conveyance	129,016	225,983
Insurance	39,424	114,965
Miscellaneous expenses	6,628	48,445
Allocated corporate cost	947,448	1,112,205
Printing and stationery	1,816	3,661
Rates and taxes	134,628	205,506
Bank administration charges	171,952	175,304
	3,201,862	5,059,037

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

20) 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	961,587	-	-	961,587	961,587
Cash and cash equivalents	4,106,345	-	-	4,106,345	4,106,345
Other financial assets	731,528	1,841,860	-	2,573,388	2,573,388
Total	5,799,460	1,841,860	-	7,641,320	7,641,320
Financial liabilities					
Borrowings	146,234,386	-	-	146,234,386	146,234,386
Other financial liabilities	67,571,424	-	-	67,571,424	67,571,424
Trade payables	466,062	-	-	466,062	466,062
Total	214,271,872	-	-	214,271,872	214,271,872

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	116,938	-	-	116,938	116,938
Cash and cash equivalents	673,679	-	-	673,679	673,679
Other financial assets	910,636	-	-	910,636	910,636
Total	1,701,253	-	-	1,701,253	1,701,253
Financial liabilities					
Borrowings	143,357,776	-	-	143,357,776	143,357,776
Other financial liabilities	58,395,144	2,443,028	-	60,838,172	60,838,172
Trade payables	371,432	-	-	371,432	371,432
Total	202,124,352	2,443,028	-	204,567,380	204,567,380

II. Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as 31 March 2018:

	As	Fair value measurement at end of the reporting period using		
	31 March 2018	Level 1	Level 2	Level 3
Investments				
Investment in equity instruments	-	-	-	-
Total	-	-	-	-
Foreign currency forward contract	1,841,860	-	1,841,860	-

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

	As of	Fair value measurement at end of the reporting period using		
	31 March 2017	Level 1	Level 2	Level 3
Investments				
Investment in equity instruments	-	-	-	-
Total	-	-	-	-
Foreign currency forward contract	(2,443,028)	-	(2,443,028)	-

The fair value of other financial assets and liabilities approximate the carrying value.

Foreign currency forward contract is valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

20) Financial instruments (continued)

III. Financial risk management:

a) Market risk

The Company operates in the United States of America and there are no major transactions outside the United States of America. Hence, there is no significant foreign exchange risk for the Company.

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to USD 961,654 and USD 116,938 as of 31 March 2018 and 31 March 2017 respectively and unbilled revenue amounting to USD 729,153 and USD 896,422 as of 31 March 2018 and 31 March 2017 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 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	466,062	-	371,432	-
Other borrowings	85,581,417	60,652,969	61,919,400	81,438,376
Other Financial Liabilities	67,571,424	-	60,838,172	-

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

21) 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 496,521 (31 March 2017: USD 484,555).

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	508,870	496,521
Amount due in the period between one year and five years	477,143	986,014
	986,013	1,482,535

The Company also leases office facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under cancellable operating leases for the year ended 31 March 2018 is USD 440,000 (31 March 2017 is USD 940,268).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2018 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum payments
<i>As at 31 March 2018</i>			
Amount payable within one year from the balance sheet date	177,785	13,595	164,190
Amount payable in the period between one year and five years	68,379	4,244	64,135
	246,164	17,839	228,325
<i>As at 31 March 2017</i>			
Amount payable within one year from the balance sheet date	218,579	48,858	169,721
Amount payable in the period between one year and five years	426,871	102,300	324,571
	645,450	151,158	494,292

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
for the year ended 31 March 2018
(Currency: In US Dollar)

22) 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 Ltd
Fellow Subsidiaries	Firstsource BPO Ireland Limited Firstsource Dialog Solutions (Private) Ltd. Firstsource Solution UK Limited
Subsidiary	Firstsource Business Process Services LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc. ISGN Fulfillment Agency, LLC Firstsource Advantage LLC One Advantage LLC Firstsource Solutions USA LLC Firstsource Transaction Services LLC MedAssist Holding LLC
Fellow Associate	Nanobi Data and Analytics Private Limited
Directors	Rajesh Subramaniam Venkat Raman

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended		Receivable / (Payable) at	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
	Services rendered by business associates and others	10,345,887	9,970,416		
Firstsource Solutions Limited	Recovery of expenses	1,629,231	741		
	Parental Guarantee	-	1,112,205		
	Reimbursement of expenses	2,576,293	6,423,133		
	Receivable / (Payable)			(10,082,938)	(6,430,708)
Firstsource UK Limited	Reimbursement of expenses		63,215,172		
	Recovery of expense		105,987,983		
	Loan received	21,000,000	17,000,206		
	Loan repaid	9,500,000	43,860,812		
	Interest expenses	2,071,504	2,443,828		
	Loan Outstanding			(56,000,000)	(32,160,355)
	Receivable / (Payable)			(1,772,832)	
Mediassist Holdings LLC	Reimbursement of expenses	78,415	830,834		
	Recovery of expense	2,986,569	4,375,426		
	Investment			346,518,624	346,518,624
	Receivable / (Payable)			(2,860,482)	3,165,755
First Source Transactions Services LLC	Reimbursement of expenses	377,658	1,098,436		
	Recovery of expense	3,049,998	1,852,180		
	Receivable / (Payable)			(50,740,879)	(42,911,631)
Firstsource Advantage LLC	Reimbursement of expenses	16,833	42,263		
	Recovery of expense	381,738	256,267		
	Receivable / (Payable)			(2,914,499)	(2,084,270)
Firstsource Business Process Services LLC	Advance			29,088,000	29,088,000
	Investment			17,612,682	17,612,682
	Receivable / (Payable)				
ISGN Fulfillment Services, Inc	Reimbursement of expenses	15,475	45,741		
	Recovery of expense	483,506	1,310,871		
	Receivable / (Payable)			(23,408,996)	(21,005,095)
ISGN Solutions, Inc.	Reimbursement of expenses	295,513	126,045		
	Recovery of expense	903,093	1,346		
	Investment			13,691,211	13,691,211
	Receivable / (Payable)			12,875,554	4,710,813
Firstsource BPO Ireland Limited	Repayment of Loan				
	Interest accrued				
	Interest expenses	159,502	177,005		
	Loan Outstanding			(4,588,834)	(3,953,450)
One Advantage LLC	Reimbursement of expenses	-	53,932		
	Recovery of expense	52,863	46,520		
	Receivable / (Payable)			(6,204,399)	(4,716,322)

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

for the year ended 31 March 2018

(Currency: In US Dollar)

23) Segment reporting

As per Ind AS 108 - Operating Segment, if a financial report contains both consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108 - Operating Segment has been given in the consolidated financial statements of the Holding Company.

24) Computation for calculating basic and diluted earnings per share

	For year ended	
	31 March 2018	31 March 2017
Number of shares considered as basic weighted average shares outstanding	218,483	218,483
Number of shares considered as weighted average shares and potential	218,483	218,483
Net profit after tax attributable to shareholders	(4,131,021)	(9,695,061)
Net profit after tax for diluted earnings per share	(18.91)	(44.37)

25) Capital and other commitments and contingent liabilities

The Company has capital commitments of USD 648 (31 March 2017: USD 49,425) as at the balance sheet date and there are no contingent liabilities as at Balance sheet date. (31st March 2017 : USD Nil)

26) 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.

27) Subsequent events

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

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

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

For and on behalf of the Board of Directors

Firstsource Group USA, Inc.

G.K. Subramaniam

Partner

Membership No: 109839

Rajesh Subramaniam

Director

Venkat Raman

Director

Mumbai

13 July 2018