

Firstsource-Dialog Solutions (Private) Limited

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

Firstsource-Dialog Solutions (Private) Limited

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

Contents

Independent auditors' report

Balance sheet

Statement of profit and loss

Statement of changes in equity

Cash flow statement

Notes to the financial statements

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 **Firstsource – Dialogue Solutions (Private) Limited** (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
27 June 2019

Firstsource-Dialog Solutions (Private) Limited

Balance sheet

as at 31 March 2019

(Currency : In LKR)

	<i>Note</i>	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
Financial assets			
Income tax assets (net)	3	55,35,793	68,91,131
Total non-current assets		55,35,793	68,91,131
Current assets			
Financial assets			
Cash and cash equivalents	4	5,24,58,475	10,52,55,446
Total current assets		5,24,58,475	10,52,55,446
Total assets		5,79,94,268	11,21,46,577
EQUITY AND LIABILITIES			
Equity			
Equity share capital	5	46,10,520	92,21,040
Other equity	6	5,26,17,058	10,24,45,537
Total equity		5,72,27,578	11,16,66,577
LIABILITIES			
Current liabilities			
Financial liabilities			
Trade payables		7,66,690	4,80,000
Total current liabilities		7,66,690	4,80,000
Total equity and liabilities		5,79,94,268	11,21,46,577

Significant accounting policies

2

The accompanying notes from 1 to 15 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

27 June 2019

Mumbai

Dinesh Jain

Director

Badrinath Bharadwaj

Director

Firstsource-Dialog Solutions (Private) Limited

Statement of profit and loss

for the year ended 31 March 2019

(Currency : In LKR)

		Year ended	
	Note	31 March 2019	31 March 2018
INCOME			
Revenue from services		-	-
Other income	7	23,13,772	29,69,235
Total income		23,13,772	29,69,235
EXPENSES			
Other expenses	8	16,99,287	(24,38,034)
Total expenses		16,99,287	(24,38,034)
Profit before taxation		6,14,485	54,07,269
Tax expense			
Current tax	3	14,79,242	-
(Loss) / Profit for the year		(8,64,757)	54,07,269
Other comprehensive income		-	-
Total comprehensive income for the year		(8,64,757)	54,07,269
Weighted average number of equity shares outstanding during the year			
Basic		66,94,728	92,21,040
Diluted		66,94,728	92,21,040
Earnings per equity share			
Basic and diluted Earnings per share		(0.13)	0.59

Significant accounting policies

2

The accompanying notes from 1 to 15 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

27 June 2019

Mumbai

Dinesh Jain **Badrinath Bharadwaj**

Director

Director

Firstsource-Dialog Solutions (Private) Limited

Statement of changes in equity

for the year ended 31 March 2019

(Currency : In LKR)

Statement of changes in equity

Particulars	Attributable to owners of the Company			Total
	Equity share capital	Reserve and surplus Securities premium	Retained earnings	
Balance as at 1 April 2018	92,21,040	9,74,78,960	49,66,577	11,16,66,577
Profit/(loss) for the year	-	-	(8,64,757)	(8,64,757)
Buyback of equity shares	(46,10,520)	(4,89,63,722)	-	(5,35,74,242)
Balance as at 31 March 2019	46,10,520	4,85,15,238	41,01,820	5,72,27,578

Particulars	Attributable to owners of the Company			Total
	Equity share capital	Reserve and surplus Securities premium	Retained earnings	
Balance as at 1 April 2017	92,21,040	9,74,78,960	(4,40,692)	10,62,59,308
Profit/(loss) for the year	-	-	54,07,269	54,07,269
Balance as at 31 March 2018	92,21,040	9,74,78,960	49,66,577	11,16,66,577

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

27 June 2019

Mumbai

Dinesh Jain

Director

Badrinath Bharadwaj

Director

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2019

1 Company overview

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

Basis of Preparation and Statement of Compliance

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values and the provisions of the Companies Act, 2013 ('the Act') (to the 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 thereafter.

These financial statements have been prepared to assist Firstsource Solutions Limited, the Holding Company to comply with the requirements of Section 129(3) of the Act. These financial statements were approved by the Board of Directors of Firstsource Solutions Limited, the Holding Company and authorised for issue on 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

Income taxes

The Company's major tax jurisdiction is Sri Lanka. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.4.

2.2 Revenue recognition

Effective 1 April 2018, the Company has applied Ind AS 115 'Revenue from contracts with customers' 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, in its contracts with customers, promises to transfer distinct services rendered either in the form of customer management, transaction processing and revenue cycle management.

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, refunds, credits, incentives, performance bonuses, etc., (variable consideration) against each performance obligation each reporting period and recognises changes to estimated variable consideration as changes to the transaction price (i.e., revenue) of the applicable 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 Impairment

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.

2.4 Taxation

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

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

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

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

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2019

2 Significant accounting policies (continued)

2.5 Foreign Currency transactions

Functional currency

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

Transactions and translations

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

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

2.6 Employee benefits

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

2.7 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.

2.8 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.

2.9 Financial instruments

2.9.1 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.

2.9.2 Classification and subsequent measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

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

ii) Financial assets at amortised cost

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

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

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

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

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

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2019

2 Significant accounting policies (continued)

2.9 Financial instruments (continued)

2.9.2 Classification and subsequent measurement (continued)

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

2.9.3 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.

2.9.4 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 realized. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.10 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.

2.11 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.

2.12 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.

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

as at 31 March 2019

(Amount in LKR)

31 March 2019 31 March 2018

3) Taxation

(i) Advance tax and tax deducted at source (net)	55,35,793	68,91,131
	<u>55,35,793</u>	<u>68,91,131</u>

(ii) Income tax expense

Income tax expense in the Statement of Profit and loss comprises:

	Year ended 31 March 2019	Year ended 31 March 2018
Current taxes	14,79,242	-
Deferred taxes	-	-
Income tax expense	14,79,242	-

(iii) A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

	Year ended 31 March 2019	Year ended 31 March 2018
Profit before Income Taxes	6,14,485	54,07,269
Enacted tax rates in Sri Lanka	28.00%	28.00%
Computed expected tax expense	1,72,056	15,14,035
Income Exempt from Tax	4,75,800	(15,14,035)
Previous years tax adjustments	8,31,386	-
Income tax expense	14,79,242	-

4) Cash and cash equivalents

	Year ended 31 March 2019	Year ended 31 March 2018
in current accounts	5,24,58,475	10,52,55,446
	<u>5,24,58,475</u>	<u>10,52,55,446</u>

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

as at 31 March 2019

(Amount in LKR)

31 March 2019 31 March 2018

5) Share capital

Authorised

9,221,040 (31 March 2018: 9,221,040) Equity Shares of LKR 1 each

92,21,040 92,21,040

92,21,040 92,21,040

Issued, subscribed and paid-up

4,610,520 (31 March 2018: 9,221,040) Equity Shares of LKR 1 each

46,10,520 92,21,040

46,10,520 92,21,040

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	92,21,040	92,21,040	92,21,040	92,21,040
Buyback of Equity Shares	(46,10,520)	(46,10,520)	-	-
At the end of the year	46,10,520	46,10,520	92,21,040	92,21,040

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
Firstsource Solutions Limited	34,11,785	74.00%	68,23,570	74.00%
Dialog Axiata PLC	11,98,735	26.00%	23,97,470	26.00%

c) During the year ended 31 March 2019, the Board of Directors of the company approved buy back of 50% of the equity shares by the owners which has been given effect to.

d) Rights, preferences and restrictions attached to equity shares

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

6) Other equity

Securities premium

At the commencement of the year

9,74,78,960 9,74,78,960

Less: Adjustment for Buy back of Equity Shares

(4,89,63,722) -

At the end of the year

4,85,15,238 9,74,78,960

Retained earnings

At the commencement of the year

49,66,577 (4,40,692)

Add: Net profit for the year

(8,64,757) 54,07,269

At the end of the year

41,01,820 49,66,577

Total other equity

5,26,17,058 10,24,45,537

Firstsource-Dialog Solutions (Private) Limited
Notes to the financial statements (continued)

for the year ended 31 March 2019

(Amount in LKR)

	Year ended	
	31 March 2019	31 March 2018
7) Other income		
Interest income	23,13,772	29,69,235
	23,13,772	29,69,235
8) Other expenses		
Legal and professional fees	15,77,836	8,53,183
Connectivity, Information and Communication Expenses	4,386	2,930
Bank administration charges	42,355	10,530
Provision reversal (no longer required)	-	(33,04,677)
Miscellaneous expenses	74,710	-
	16,99,287	(24,38,034)

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

for the year ended 31 March 2019

(Amount in LKR)

9) 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					
Cash and cash equivalents	5,24,58,475	-	-	5,24,58,475	5,24,58,475
Total	5,24,58,475	-	-	5,24,58,475	5,24,58,475
Financial liabilities					
Trade payables	7,66,690	-	-	7,66,690	7,66,690
Total	7,66,690	-	-	7,66,690	7,66,690

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					
Cash and cash equivalents	10,52,55,446	-	-	10,52,55,446	10,52,55,446
Total	10,52,55,446	-	-	10,52,55,446	10,52,55,446
Financial liabilities					
Trade payables	4,80,000	-	-	4,80,000	4,80,000
Total	4,80,000	-	-	4,80,000	4,80,000

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

9) Financial instruments (continued)

II Financial risk management:

a) Market Risk

The Company operates in Sri Lanka and there are no major transactions outside Sri Lanka. Hence, there is no significant foreign exchange risk for the Company.

b) Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Nil and Nil as of 31 March 2019 and 31 March 2018 respectively. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business.

c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 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	7,66,690	-	4,80,000	-

Firstsource Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

for the year ended 31 March 2019

(Amount in LKR)

10) 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	CESEC Ventures Limited (formerly known as RP-SG Business Process Services Limited)
Holding Company	Firstsource Solutions Limited
Fellow Subsidiaries	Kolkata Games and Sports Pvt Ltd Quest Properties India Limited Metromark Green Commodities Pvt. Ltd Guiltfree Industries Limited Bowlopedia Restaurants India Limited Apricot Foods Private Limited Firstsource Group USA Inc. Firstsource Transaction Services LLC Firstsource Solution UK Limited Firstsource Process Management Services Limited Medassist Holding, LLC Firstsource Advantage LLC One Advantage LLC Firstsource BPO Ireland Limited Firstsource Business Process Services LLC Firstsource Solutions USA LLC Sourcepoint Fulfillment Services, Inc (formerly known as ISGN Fulfillment Services, Inc) Sourcepoint Inc. (formerly know as ISGN Solutions, Inc.) ISGN Fulfillment Agency LLC
Entity having significant influence	Dialog Axiata PLC
Key Managerial Personnel	Badrinath Bharadwaj Dinesh Jain
Directors	Dinesh Jain Supun Weerasinghe Sandra De Zoysa Deepak Kolambar Badrinath Bharadwaj

Name of the related party	Description	Transaction value during year ended Amount		Receivable / (Payable) at Amount	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Firstsource Solutions Limited	Buy back of shares	3,96,44,941	-	-	-
Dialog Axiata PLC	Buy back of shares	1,39,29,301	-	-	-

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

for the year ended 31 March 2019

(Amount in LKR)

11) 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 Firstsource Solutions Limited (the Holding Company).

12) Computation for calculating basic and diluted earnings per share

	For the year ended	
	31 March 2019	31 March 2018
Number of shares considered as basic weighted average shares outstanding	66,94,728	92,21,040
Number of shares considered as weighted average shares and potential shares outstanding	66,94,728	92,21,040
Net profit after tax attributable to shareholders	(8,64,757)	54,07,269
Net profit after tax for diluted earnings per share	(8,64,757)	54,07,269

13) Capital and other commitments and contingent liabilities

The Company has no capital commitments as at the balance sheet date (31 March 2018 Nil) and there are no contingent liabilities as at the balance sheet date (31 March 2018 Nil).

14) Long-term contracts

The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and assessed that there is no provision required under any law / Accounting Standards for material foreseeable losses on such long term contracts in the books of account.

15) 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 of

G.K. Subramaniam
Partner
Membership No: 109839
27 June 2019
Mumbai

Dinesh Jain
Director

Badrinath Bharadwaj
Director