

Firstsource Solutions UK Limited

Financial statements
together with the Independent Auditors' Report
for the year ended 31 March 2017

Firstsource Solutions UK Limited

Financial statements together with the Independent Auditors' Report *for the year ended 31 March 2017*

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Independent Auditor's Report

To the Members of
Firstsource Solutions Ltd.

Report on the standalone financial statements

We have audited the accompanying standalone financial statements of Firstsource Solutions UK Limited ("the Company"), which comprise the balance sheet as at 31 March 2017, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

Management's responsibility for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk



Independent Auditors' Report (Continued)

Auditor's responsibility (Continued)

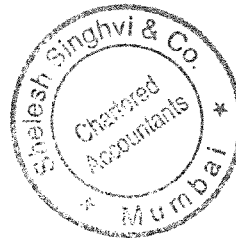
assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31 March 2017 and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year then ended.

Mumbai
5 May 2017



For **Shelesh Singhvi & Co.**

Chartered Accountants

Firm's Registration No: 014792C


Shelesh Singhvi

Partner

Membership No: 079817

Firstsource Solutions UK Limited

Balance sheet

as at 31 March 2017

		Amount in GBP		
	Note	31 March 2017	31 March 2016	1 April 2015
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,089,320	2,999,614	1,494,298
Capital work-in-progress		-	-	35,101
Other intangible assets	4	2,047,964	1,241,118	156,884
Financial assets				
Other financial assets	5(i)	35,676,365	44,182,490	49,552,495
Deferred tax assets (net)	9(i)	153,290	249,835	385,518
Total non-current assets		41,966,939	48,673,057	51,624,296
Current assets				
Financial assets				
Trade receivables	7	3,346,214	6,083,962	1,193,050
Cash and cash equivalents	8	864,595	1,246,885	3,281,901
Other financial assets	5(ii)	23,878,558	8,370,918	8,439,424
Other assets	6	2,913,574	869,184	932,485
Total current assets		31,002,941	16,570,949	13,846,860
Total assets		72,969,880	65,244,006	65,471,156
EQUITY AND LIABILITIES				
Equity				
Equity share capital	10	2,834,672	2,834,672	2,834,672
Other equity		33,858,310	25,402,105	17,661,643
Total equity		36,692,982	28,236,777	20,496,315
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Long-term borrowings	11(i)	289,248	700,192	-
Total non-current liabilities		289,248	700,192	-
Current liabilities				
Financial liabilities				
Short-term borrowings	11(ii)	382,512	354,075	20,591,737
Trade and other payables	12	2,989,118	2,191,488	1,989,046
Other financial liabilities	13	-	1,184,677	-
Provisions for employee benefits	14	1,094,631	372,432	389,326
Other liabilities	15	29,517,621	30,197,111	20,578,269
Provision for Income tax, net	9(ii)	2,003,768	2,007,254	1,426,463
Total current liabilities		35,987,650	36,307,037	44,974,841
Total equity and liabilities		72,969,880	65,244,006	65,471,156

Significant accounting policies

2

The accompanying notes from 1 to 28 are an integral part of these financial statements.

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**

Chartered Accountants

Firm's Registration No: 014792C



Shelesh Singhvi

Partner

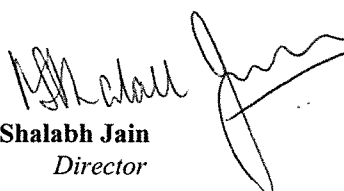
Membership No: 079817

Mumbai

May 5, 2017



For and on behalf of the Board of Directors


Shalabh Jain
Director


Robert Rome
Director

Firstsource Solutions UK Limited

Statement of profit and loss

for the year ended 31 March 2017

		Amount in GBP	
		Year ended	
	Note	31 March 2017	31 March 2016
INCOME			
Revenue from operations	16	132,906,239	106,492,150
Other income	17	2,081,632	1,853,983
Total income		134,987,871	108,346,133
EXPENSES			
Cost Of Sales		20,020,817	22,778,991
Employee benefits expense	18	88,223,698	63,470,827
Finance costs	19	384,261	203,729
Depreciation and amortization	4(i),(ii)	2,273,632	1,419,008
Other expenses	20	13,525,146	10,615,632
Total expenses		124,427,554	98,488,187
Profit before taxation		10,560,317	9,857,946
Tax expense			
Current tax		2,007,567	2,007,254
Previous year tax		-	(25,453)
Deferred tax		96,545	135,683
Profit for the year		8,456,205	7,740,462
Other comprehensive income		-	-
Total other comprehensive income for the year		8,456,205	7,740,462
Weighted average number of equity shares outstanding during the year			
Basic		2,834,672	2,834,672
Diluted		2,834,672	2,834,672
Earnings per equity share			
Basic and diluted Earnings per share		2.98	2.73
Diluted		2.98	2.73

Significant accounting policies

2

The accompanying notes from 1 to 28 are an integral part of these financial statements.

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**

Chartered Accountants

Firm's Registration No: 014792C

Shelesh Singhvi

Partner

Membership No: 079817

Mumbai

May 5, 2017



For and on behalf of the Board of Directors

Shalabh Jain

Director

Robert Rome

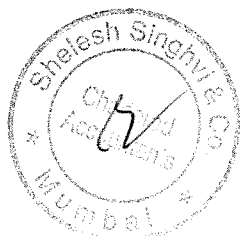
Director

Firstsource Solutions UK Limited

Statement of cash flows

for the year ended 31 March 2017

	Amount in GBP	
	31 March 2017	31 March 2016
<u>Cash flow from operating activities</u>		
Profit before tax	10,560,317	9,857,946
Adjustments for		
Depreciation and amortisation	2,273,632	1,419,008
Provision for doubtful debts written off / (written back)	1,571	(22,865)
Foreign exchange (gain) / loss, net unrealised	346,965	74,534
Interest expense	384,261	203,729
Interest income	(1,860,740)	(1,379,331)
Operating cash flow before changes in working capital	11,706,006	10,153,021
Changes in working capital		
Decrease / (increase) in trade receivables	2,736,177	(4,868,047)
Decrease / (increase) in loans and advances and other assets	(9,392,870)	5,427,278
(Decrease) / Increase in liabilities and provisions	(344,338)	10,989,067
Net changes in working capital	(7,001,031)	11,548,298
Income taxes paid	(2,011,053)	(1,401,010)
Net cash used in operating activities (A)	2,693,922	20,300,309
<u>Cash flow from investing activities</u>		
Interest and dividend income received	1,860,740	1,379,331
Purchase of property plant and equipment and capital advances given	(4,170,184)	(3,973,457)
Sale of fixed assets		
Net cash (used in) / generated from investing activities (B)	(2,309,444)	(2,594,126)
<u>Cash flow from financing activities</u>		
Proceeds/(Repayment) of Short term Borrowings	28,437	(20,237,662)
Proceeds/(Repayment) from Long term borrowings	(410,944)	700,192
Interest paid	(384,261)	(203,729)
Net cash generated from financing activities (C)	(766,768)	(19,741,199)
Net decrease in cash and cash equivalents at the end of	(382,290)	(2,035,016)
Cash and cash equivalents at the beginning of the year	1,246,885	3,281,901
Cash and cash equivalents at the end of the year	864,595	1,246,885



Firstsource Solutions Limited

Statement of cash flows (Continued)

for the year ended 31 March 2017

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

	31 March 2017	31 March 2016
Cash on hand	-	592
Balances with banks		
- in current accounts	864,595	1,246,293
Cash and cash equivalents	<u>864,595</u>	<u>1,246,885</u>

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**

Chartered Accountants

Firm's Registration No: 014792C

Shelesh Singhvi

Partner

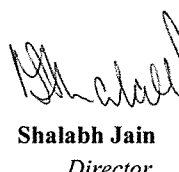
Membership No: 079817

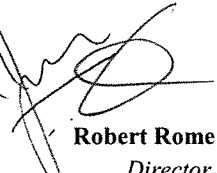
Mumbai

May 5, 2017



For and on behalf of the Board of Directors


Shalabh Jain
Director


Robert Rome
Director

Firstsource Solutions UK Limited

Statement of changes in equity

for the year ended 31 March 2017

B. Equity share capital and other equity

(Amount in GBP)

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus	
		Retained earnings	
Balance as at 1 April 2016	2,834,672	25,402,105	28,236,777
Profit for the period		8,456,205	8,456,205
Balance at the end of the 31 March 2017	2,834,672	33,858,310	36,692,982

(Amount in GBP)

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus	
		Retained earnings	
Balance as at 1 April 2016	2,834,672	17,661,643	20,496,315
Profit for the year	-	7,740,462	7,740,462
Balance at the end of the 31 March 2016	2,834,672	25,402,105	28,236,777

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**

Chartered Accountants

Firm's Registration No: 014792C

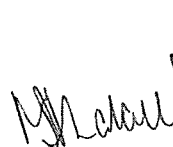
Shelesh Singhvi

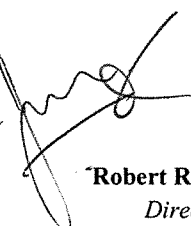
Partner

Membership No: 079817



For and on behalf of the Board of Directors


Shalabh Jain
Director


Robert Rome
Director

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2017

1 Company overview

Firstsource Solutions UK Limited ('the Company') was incorporated under the laws of the United Kingdom on 23 May 2000. The Company provides contact center and transaction processing services for customers in the financial services and telecommunications industry. The Company is a wholly owned subsidiary of Firstsource Solutions Limited ('FSL') incorporated under the laws of India.

2 Significant accounting policies

2.1 Statement of compliance

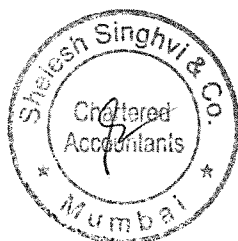
The Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 - First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Reconciliations and description of the effects of the transition have been summarized in Note 3.

In accordance with the notification dated February 16, 2015, issued by the Ministry of Corporate Affairs, the Ultimate Holding Company has adopted Indian Accounting Standards (IND AS) notified under Sec 133 read with Rule 4A of the Company (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Companies Act, 2013 (Collectively, IND AS), with effect from April 1, 2016 and is required to prepare its financial statements in accordance with Ind AS for the year ended March 31, 2017. Accordingly as per the requirements of Section 129(3) of the Act, these financial statements of the Company has been prepared in the same form and manner as that of its Ultimate Holding Company.

The financial statements the Company have been prepared under the historical cost convention, on accrual basis of accounting principles generally accepted in India. The Balance Sheet and Statement of profit and loss of the Company has been drawn up in the country of its incorporation (United Kingdom) in the terms of Great Britain Pound ('GBP').

2.2 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 2.2.1.



Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.3 Use of estimates

2.3.1 Critical accounting estimates

Property, plant and equipment

The charge in respect of periodic depreciation 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.

2.4 Revenue recognition

Revenue from operations comprises debt collection services to major credit card issuers and banks and is billed in accordance with the contractual terms specified in the respective.

Customer contracts. Revenue from fixed fee based service contracts is recognized on achievement of performance milestones specified in the customer contracts.

Unbilled receivables represent costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

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

Interest income is recognized using the time proportion method, based on the underlying interest rates.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the property, plant and equipment. Depreciation on fixed assets is provided pro-rata to the period of use based on management's best estimate of useful lives of the assets as summarized below:

Asset category	Useful life (in years)
Tangible assets	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers*	2 – 4
Service equipment*	2 – 5
Furniture and fixtures*	2 – 5
Office equipment*	2 – 5
Vehicles	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 methods, useful lives and residual values are reviewed periodically at the end of each financial year.

The Company has elected to apply fair value method on transition for Leasehold improvements as permitted under Ind AS 16 - Property, plant and equipments.



Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.6 Impairment

a. Financial assets

The Company recognizes 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

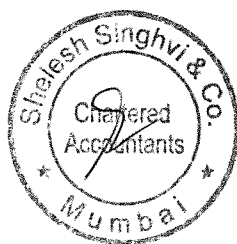
i Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment 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 CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized 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 recognized for the asset in prior years.

2.7 Foreign Currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is, recognized in the statement of profit and loss. Foreign currency denominated assets and liabilities other than fixed assets at year end are translated at the year end exchange rates and the resulting net gain or loss is recognized in the statement of profit and loss. Non Monetary assets are carried at historical cost.



Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.8 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period 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 recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. The tax liability is computed on a consolidated basis and hence the tax liabilities for the company have been included in the financial statements of the parent company ie Firstsource Group USA, Inc.

2.9 Employee benefits

Defined contribution plans

Contributions payable to the social security, medicare and other employee related contributions as required under the United Kingdom Law are charged to the statement of profit and loss.

Other long-term employee benefits

Compensated absences

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

Where employees of the Company are entitled to compensated absences, the employees can carry-forward a portion of the unutilized accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilized 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 as at the balance sheet date.

2.10 Leases

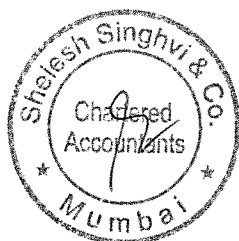
Finance lease

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

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

Operating lease

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



Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.11 Earnings per equity share

The basic earnings per equity share is computed by dividing the net profit or loss for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period. 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.

2.12 Provisions and contingencies

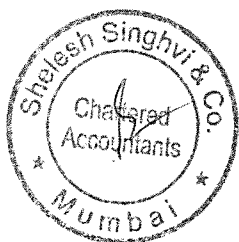
The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present 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.

2.13 Financial instruments

2.13.1 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 Significant accounting policies (continued)

2.13 Financial instruments (continued)

2.13.1 Initial recognition (continued)

a) Non-derivative financial instruments

i) Cash and cash equivalents

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

2.13.2 Classification and subsequent measurement

i) Financial assets at amortised cost

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

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

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

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

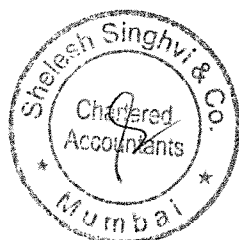
Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through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

iv) Financial liabilities

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

v) Equity instruments

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



Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

2.13.3 Share capital

Ordinary shares

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

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.

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.

2.14 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.

2.15 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.

3) First-time adoption of Ind AS

These financial statements of Firstsource Solutions UK Limited for the year ended 31 March 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standard, with 1 April 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2017 and the comparative information. There is no transitional impact on the Balance Sheet and Statement of Profit and loss account.



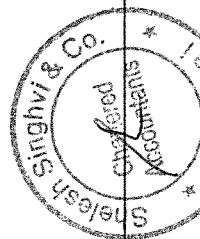
Firstsource Solutions UK Limited
Notes to the financial statements (continued)
as at 31 March 2017

4) Property, plant and equipment

Particulars	Tangible Asset				Intangible Asset		Grand Total
	Computers	Service equipments	Office furniture and equipment	Leasehold	Total	Software	
Gross block (at deemed cost)							
As at 1 April 2016	2,033,854	2,868,140	2,929,210	5,626,800	13,458,004	2,359,149	15,817,153
Additions / adjustments during the year	527,050	356,935	743,125	1,723,195	3,350,305	1,498,704	4,849,009
Deletions during the year	116,735	96,875	53,051	462,752	729,413	39,997	769,410
As at 31 March 2017	2,444,169	3,128,200	3,619,284	6,887,243	16,078,896	3,817,856	19,896,752
Accumulated depreciation / amortization							
As at 1 April 2016	1,505,897	2,848,249	2,203,647	3,900,598	10,458,391	1,118,031	11,576,422
Charge for the year	316,126	27,445	392,587	868,551	1,604,709	668,923	2,273,632
On deletions / adjustments during the year	10,364	6,440	4,706	52,013	73,523	17,062	90,585
As at 31 March 2017	1,811,659	2,869,254	2,591,528	4,717,136	11,989,577	1,769,892	13,759,469
Net block	1,605,199						
As at 31 March 2017	632,511	258,947	1,027,755	2,170,107	4,089,320	2,047,964	6,137,284
As at 31 March 2016	527,958	19,892	725,562	1,726,202	2,999,614	1,241,118	4,240,732

4) Property, plant and equipment (continued)

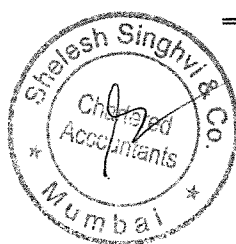
Particulars	Tangible Asset				Intangible Asset		Grand Total
	Computers	Service equipments	Office furniture and equipment	Leasehold	Total	Software	
Gross block (at deemed cost)							
As at 1 April 2015	1,444,917	2,853,730	2,385,068	4,306,772	10,990,486	818,110	11,808,596
Additions / adjustments during the year	588,938	14,411	544,142	1,320,028	2,467,519	1,541,039	4,008,558
Deletions during the year	-	-	-	-	-	-	-
As at 31 March 2016	2,033,854	2,868,140	2,929,210	5,626,800	13,458,004	2,359,149	15,817,153
Accumulated depreciation / amortization							
As at 1 April 2015	1,290,998	2,814,769	1,951,971	3,438,450	9,496,188	661,226	10,157,414
Charge for the year	214,899	33,479	251,676	462,148	962,203	456,805	1,419,008
On deletions / adjustments during the year	-	-	-	-	-	-	-
As at 31 March 2016	1,505,897	2,848,249	2,203,647	3,900,598	10,458,391	1,118,031	11,576,422
Net block	527,958	19,892	725,562	1,726,202	2,999,614	1,241,118	4,240,732
As at 31 March 2015	153,919	38,961	433,096	868,322	1,494,298	156,884	1,651,182



Firstsource Solutions UK Limited
Notes to the financial statements (continued)

as at 31 March 2017

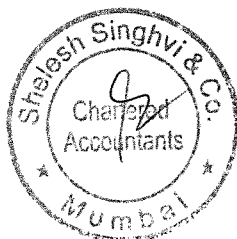
	Amount in GBP		
	31 March 2017	31 March 2016	1 April 2015
5) Other financial assets			
(i) Other non-current financial assets			
Related Party			
Loan to Group Company	35,671,200	44,088,627	49,455,117
Others			
Deposits	-	65,988	65,988
Prepaid expenses	-	1,587	31,390
Accrued Interest on Finance Lease	5,165	26,288	-
	35,676,365	44,182,490	49,552,495
(ii) Other current financial assets			
Related party			
Accrued Interest	168,096	133,484	42,675
Others			
Advance from customer	11,300,000	-	-
Receivable held in Trust	17,333	-	-
Accrued Interest on Finance Lease	20,498	34,843	-
Unbilled receivables	12,372,631	8,202,591	8,396,749
	23,878,558	8,370,918	8,439,424
Financial assets carried at amortised cost	59,554,923	52,553,408	57,991,919
6) Other assets			
Other current assets			
Other advances	133,772	120,566	3,831
Prepaid expenses	2,648,531	701,229	890,033
Loans and advances to employees	131,271	47,389	38,621
	2,913,574	869,184	932,485
7) Trade receivables			
<i>(Unsecured)</i>			
Considered doubtful	1,571	-	22,865
	1,571	-	22,865
Less: Impairment allowance	(1,571)	-	(22,865)
	-	-	-
Considered good	3,346,214	6,083,962	1,193,050
	3,346,214	6,083,962	1,193,050



Firstsource Solutions UK Limited
Notes to the financial statements (continued)

as at 31 March 2017

	Amount in GBP		
	31 March 2017	31 March 2016	1 April 2015
8) Cash and cash equivalents			
Cash on hand	-	592	1,791
Balances with banks			-
Balance in Trust accounts	17,333	-	-
in current accounts	864,595	1,246,293	3,280,110
	881,928	1,246,885	3,281,901
Less: Current account balance held in trust for customers	17,333	-	-
	864,595	1,246,885	3,281,901
9) Taxation			
(i) Deferred tax asset on account of:			
Difference between tax and book value of fixed assets			
Deferred Tax Assets	153,290	249,835	385,518
	153,290	249,835	385,518
(ii) Income tax Liability			
Provision for Income tax net of advance tax	2,003,768	2,007,254	1,426,463
	2,003,768	2,007,254	1,426,463



Firstsource Solutions UK

Notes to the financial statements (continued)

as at 31 March 2017

	Amount in GBP		
	31 March 2017	31 March 2016	1 April 2015
10) Share capital			
Authorised			
2,834,672 (31 March 2016: 2,834,672) Equity Shares of GBP 1 each	2,834,672	2,834,672	2,834,672
	<u>2,834,672</u>	<u>2,834,672</u>	<u>2,834,672</u>
Issued, subscribed and paid-up			
2,834,672 (31 March 2016: 2,834,672) Equity Shares of GBP 1 each	2,834,672	2,834,672	2,834,672
	<u>2,834,672</u>	<u>2,834,672</u>	<u>2,834,672</u>

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	2,834,672	2,834,672	2,834,672	2,834,672	2,834,672	2,834,672
At the end of the year	2,834,672	2,834,672	2,834,672	2,834,672	2,834,672	2,834,672

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	% of total shares	Number of shares	% of total shares	Number of shares	% of total shares
Firstsource Solutions Ltd.	2,834,672	100.00%	2,834,672	100.00%	2,834,672	100.00%

c) **Rights, preferences and restrictions**

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.



Firstsource Solutions UK Limited

Notes to the financial statements (continued)

as at 31 March 2017

Amount in GBP

31 March 2017 31 March 2017 01 April 2015

11) Borrowings

(i) Long-term borrowings

Unsecured

Non-current maturities of finance lease obligations

Finance lease obligation - (refer note 'a')

289,248 700,192 -

289,248 700,192 -

- a The finance lease carries interest at the rate of 4.02% for 36 months, repayable in Quarterly installments from the date of its origination

(ii) Short-term borrowings

Secured

Working Capital Demand Loan

- - 20,277,000

Unsecured

Finance lease obligation

382,512 354,075 285,138

Interest accrued but not due on borrowings

- - 29,599

382,512 354,075 20,591,737

Borrowings carried at amortised cost (excluding accrued interest)

671,760 1,054,267 20,562,138

The working capital demand loan carries interest in the range of @ LIBOR + 300 bps to LIBOR + 350 bps. The loan is a revolving facility to be renewed every year. The loan is secured against charge on all current assets, non-current assets and fixed assets of FSL-UK and guarantee given by Firstsource.



Firstsource Solutions UK Limited
Notes to the financial statements (continued)
as at 31 March 2017

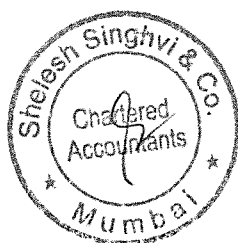
		Amount in GBP		
		31 March 2017	31 March 2016	1 April 2015
12) Trade Payables				
Trade Payables		2,989,118	2,191,488	1,989,046
		2,989,118	2,191,488	1,989,046
13) Other financial liabilities				
Book credit in bank account			1,184,677	-
		-	1,184,677	-
14) Provision for employee benefits				
Non-current				
Compensated absences		1,094,631	372,432	389,326
		1,094,631	372,432	389,326
15) Other liabilities				
Amount payable to subsidiary		23,082,438	22,322,772	13,184,730
Value added tax		4,314,937	2,863,771	2,175,635
Statutory Dues - Employee Related		68,844	151,697	1,026,159
Employee benefits payable		1,697,008	2,197,565	99,048
Creditors for capital goods		38,779	2,071,236	2,000,000
Income received in advance		315,615	590,070	2,092,697
		29,517,621	30,197,111	20,578,269



Firstsource Solutions UK Limited
Notes to the financial statements (continued)

for the year ended 31 March 2017

		Amount in GBP	
		Year ended	
		31 March 2017	31 March 2016
16) Revenue from operations			
Sale of services		132,906,239	106,492,150
		<u>132,906,239</u>	<u>106,492,150</u>
17) Other income			
Gain/(Loss) on Foreign Exchange	(346,965)		(74,534)
Interest income	1,860,740		1,379,331
Profit / (Loss) on sale / write off of fixed assets, net	75,652		-
Grant Income	492,205		549,186
	<u>2,081,632</u>		<u>1,853,983</u>
18) Employee benefits expense			
Salaries and wages	80,906,934		58,538,891
Contribution to statutory and other funds	6,395,793		4,373,807
Staff welfare expenses	920,971		558,129
	<u>88,223,698</u>		<u>63,470,827</u>
19) Finance cost			
Interest expense	384,261		203,729
	<u>384,261</u>		<u>203,729</u>



Firstsource Solutions UK Limited
Notes to the financial statements (continued)
for the year ended 31 March 2017

	Amount in GBP	
	Year ended	
	31 March 2017	31 March 2016
20) Other expenses		
Rent (refer Note 22)	2,698,769	2,402,711
Repairs, maintenance and upkeep	1,244,048	682,752
Insurance	390,276	344,203
Rates and taxes	960,892	594,030
Legal and professional fees	1,130,339	1,144,413
Car and other hire charges	206,974	159,570
Connectivity charges	577,280	341,512
Information and communication expenses	448,691	474,745
Recruitment and training expenses	1,173,977	864,521
Meeting and seminar expenses	635,438	374,841
Electricity, water and power consumption	385,802	236,166
Travel and conveyance	1,220,548	1,233,678
Computer expenses	594,092	466,332
Printing and stationery	144,236	114,745
Payment to auditors		
- as audit fees	30,950	20,060
- as reimbursement of expenses	6,750	5,500
Periodicals & Subscriptions	42,861	22,254
Provision for doubtful debts/ written off/ (written back), net	1,571	(22,865)
Common Corporate Cost	1,358,224	1,009,646
Bank administration charges	247,236	129,687
Charitable Contribution	1,090	5,189
Miscellaneous expenses	25,102	11,942
	13,525,146	10,615,632



Firstsource Solutions UK Limited
Notes to the financial statements (continued)
for the year ended 31 March 2017

21) Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2017 are summarized below:

Ultimate Holding Company	Firstsource Solutions Ltd
Fellow Subsidiaries	Firstsource Group USA Inc. Firstsource BPO Ireland Limited Firstsource Advantage LLC Medassist Holding Inc Firstsource Transaction Services LLC Firstsource Dialog Solutions (Private) Ltd. Firstsource Business Process Services LLC Firstsource Solutions USA LLC (earlier known as MedAssist LLC) Firstsource Process Management Services Limited (earlier known as Anunta Tech Infrastructure Services Limited) One Advantage LLC Medassist Holding LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc. ISGN Fulfillment Agency, LLC
Fellow Associate	Nanobi Data and Analytics Private Limited
Directors	Rajesh Subramaniam Robert Rome

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended** Amount in GBP		Receivable / (Payable) at GBP	
		31 March 2017	31 March 2016	31 March 2017	31 March 2016
Firstsource Solutions Limited	Receipt of Services	5,233,896	4,885,436		
	Recovery of expenses	196,196	32,512		
	Cost of sales	20,020,817	22,778,991		
	Reimbursement of expenses	1,032,759	2,361,206		
	Receivable / (Payable)			(13,479,143)	(19,239,529)
Firstsource Group USA Inc	Reimbursement of expenses	28,160,592	3,211,601		
	Recovery of expense	892,471	557,795		
	Loan given	17,000,206	26,086,624		
	Recovery of loan	25,417,633	30,056,833		
	Interest income	1,860,740	1,379,331		
	Loan outstanding			35,671,200	44,088,627
	Receivable / (Payable)			(9,649,404)	(3,128,080)
Firstsource BPO Ireland Ltd	Reimbursement of expenses	6,203	-		
	Loan given		96,198		
	Recovery of loan		96,198		
	Recovery of expense				
	Receivable / (Payable)			6,203	
Firstsource Advantage LLC	Reimbursement of expenses	63,257			
	Recovery of expense	57,705	44,838		
	Receivable / (Payable)			39,906	44,837

The Holding Company has issued stock options to few employees of the Company, cost of GBP 76,194 related to the Company has been accounted in the consolidated financial statement of Firstsource Solutions Limited.



Firstsource Solutions UK Limited
Notes to the financial statements (continued)
for the year ended 31 March 2017

22) Financial instruments

I. Financial instruments by category:

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	3,346,214	-	-	3,346,214	3,346,214
Cash and cash equivalents	864,595	-	-	864,595	864,595
Other financial assets	59,554,923	-	-	59,554,923	59,554,923
Total	63,765,732	-	-	63,765,732	63,765,732
Financial liabilities					
Borrowings	671,760	-	-	671,760	671,760
Trade and other payables	2,989,118	-	-	2,989,118	2,989,118
Total	3,660,878	-	-	3,660,878	3,660,878

The carrying value and fair value of financial instruments by categories as of 31 March 2016 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	6,083,962	-	-	6,083,962	6,083,962
Cash and cash equivalents	1,246,885	-	-	1,246,885	1,246,885
Other financial assets	52,553,408	-	-	52,553,408	52,553,408
Total	59,884,255	-	-	59,884,255	59,884,255
Financial liabilities					
Borrowings	1,054,267	-	-	1,054,267	1,054,267
Other financial liability	1,184,677	-	-	1,184,677	1,184,677
Trade and other payables	2,191,488	-	-	2,191,488	2,191,488
Total	4,430,432	-	-	4,430,432	4,430,432

The carrying value and fair value of financial instruments by categories as of 1 April 2015 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	1,193,050	-	-	1,193,050	1,193,050
Cash and cash equivalents	3,281,901	-	-	3,281,901	3,281,901
Other financial assets	57,991,919	-	-	57,991,919	57,991,919
Total	62,466,870	-	-	62,466,870	62,466,870
Financial liabilities					
Borrowings	20,562,138	-	-	20,562,138	20,562,138
Trade and other payables	1,989,046	-	-	1,989,046	1,989,046
Total	22,551,184	-	-	22,551,184	22,551,184

II Financial risk management:

Financial risk factors:

The Company operates in the UK and there is no major transactions outside the UK, so there is no major market risk for the Company.

a) Market risk

The Company operates in the UK and there is no major transactions outside the UK, so there is no major market risk for the Company.

b) Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to GBP 3,346,214, GBP 6,083,962 and GBP 1,193,050 as of 31 March 2017, 31 March 2016 and 1 April 2015 respectively and unbilled revenue amounting to GBP 12,372,631, GBP 8,202,591 and GBP 8,396,749 as of 31 March 2017, 31 March 2016 and 1 April 2015, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom and other locations. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business.



Firstsource Solutions UK Limited
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

II Financial risk management (continued)

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 2017, 31 March 2016 and 1 April 2015:

	31 March 2017		31 March 2016		01 April 2015	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	2,989,118	-	2,191,488	-	1,989,046	-
Other borrowings	-	671,760	-	1,054,267	-	20,562,138
Book credit in bank account	-	-	1,184,677	-	-	-

23) 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 cancellable operating leases for the year ended 31 March 2017 aggregated to GBP 220,981 (31 March 2016: GBP 1,235,793).Expenses under non cancellable operating leases for the year ended 31 March 2017 is GBP 2,254,384 (31 March 2016: GBP 1,079,533)

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

	Amount in GBP
As at 31 March 2017	
Amount payable within one year from the balance sheet date	671,003
Amount payable in the period between one year and five years	403,807
	<u>1,074,810</u>
As at 31 March 2016	
Amount payable within one year from the balance sheet date	777,759
Amount payable in the period between one year and five years	1,476,341
	<u>2,254,100</u>

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2017 are as follows:

Finance lease

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2017			
Amount payable within one year from the balance sheet date	403,010	20,498	382,512
Amount payable in the period between one year and five years	294,413	5,165	289,248
	<u>697,423</u>	<u>25,663</u>	<u>671,760</u>
As at 31 March 2016			
Amount payable within one year from the balance sheet date	388,918	34,843	354,075
Amount payable in the period between one year and five years	726,480	26,288	700,192
	<u>1,115,398</u>	<u>61,131</u>	<u>1,054,267</u>



Firstsource Solutions UK Limited
Notes to the financial statements (continued)
for the year ended 31 March 2017

24) 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 Ultimate Holding Company.

25) Computation for calculating diluted earnings per share

	For year ended	
	31 March 2017	31 March 2016
Number of shares considered as basic weighted average shares outstanding	2,834,672	2,834,672
Add: Effect of potential issue of shares/ stock options *	-	-
Number of shares considered as weighted average shares and potential shares outstanding	2,834,672	2,834,672
Net profit after tax attributable to shareholders	8,456,205	7,740,462
Net profit after tax for diluted earnings per share	8,456,205	7,740,462
* Not considered when anti-dilutive		

26) Capital and other commitments and contingent liabilities

The Company has capital commitments of GBP 358,553 (31 March 2016: GBP 64,330) as at the balance sheet date. There are no contingent liability as at the balance sheet date. (31 March 2016: Nil)

27) Long-term contracts

The Company has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the period 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.

28) Subsequent events

The Company evaluated subsequent events from the balance sheet date through 5 May 2017 and determined there are no material items to report.

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**

Chartered Accountants

Firm's Registration No: 014792C

Shelesh Singhvi

Partner

Membership No: 079817

Mumbai

May 5, 2017



For and on behalf of the Board of Directors

(Signature)
Shalabh Jain
Director

(Signature)
Robert Rome
Director