

**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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# Firstsource Solutions UK Limited

## Balance sheet

as at 31 March 2017

	Note	Amount in GBP		
		31 March 2017	31 March 2016	1 April 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
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
<b>Financial assets</b>				
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
<b>Total non-current assets</b>		<b>41,966,939</b>	<b>48,673,057</b>	<b>51,624,296</b>
<b>Current assets</b>				
<b>Financial assets</b>				
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
<b>Total current assets</b>		<b>31,002,941</b>	<b>16,570,949</b>	<b>13,846,860</b>
<b>Total assets</b>		<b>72,969,880</b>	<b>65,244,006</b>	<b>65,471,156</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	10	2,834,672	2,834,672	2,834,672
Other equity		33,858,310	25,402,105	17,661,643
<b>Total equity</b>		<b>36,692,982</b>	<b>28,236,777</b>	<b>20,496,315</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
Long-term borrowings	11(i)	289,248	700,192	-
<b>Total non-current liabilities</b>		<b>289,248</b>	<b>700,192</b>	<b>-</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
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
<b>Total current liabilities</b>		<b>35,987,650</b>	<b>36,307,037</b>	<b>44,974,841</b>
<b>Total equity and liabilities</b>		<b>72,969,880</b>	<b>65,244,006</b>	<b>65,471,156</b>

### 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

	Note	Amount in GBP	
		Year ended	
		31 March 2017	31 March 2016
<b>INCOME</b>			
Revenue from operations	16	132,906,239	106,492,150
Other income	17	2,081,632	1,853,983
<b>Total income</b>		<b>134,987,871</b>	<b>108,346,133</b>
<b>EXPENSES</b>			
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
<b>Total expenses</b>		<b>124,427,554</b>	<b>98,488,187</b>
<b>Profit before taxation</b>		<b>10,560,317</b>	<b>9,857,946</b>
<b>Tax expense</b>			
Current tax		2,007,567	2,007,254
Previous year tax		-	(25,453)
Deferred tax		96,545	135,683
<b>Profit for the year</b>		<b>8,456,205</b>	<b>7,740,462</b>
<b>Other comprehensive income</b>		-	-
<b>Total other comprehensive income for the year</b>		<b>8,456,205</b>	<b>7,740,462</b>
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

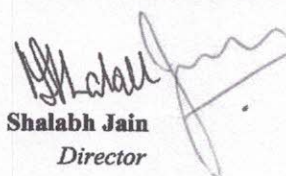
Membership No: 079817

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 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
<b>Balance at the end of the 31 March 2017</b>	<b>2,834,672</b>	<b>33,858,310</b>	<b>36,692,982</b>

(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
<b>Balance at the end of the 31 March 2016</b>	<b>2,834,672</b>	<b>25,402,105</b>	<b>28,236,777</b>

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

## Statement of cash flows

for the year ended 31 March 2017

	Amount in GBP	
	31 March 2017	31 March 2016
<b>Cash flow from operating activities</b>		
Profit before tax	10,560,317	9,857,946
<b>Adjustments for</b>		
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)
<b>Operating cash flow before changes in working capital</b>	<b>11,706,006</b>	<b>10,153,021</b>
<b>Changes in working capital</b>		
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
<b>Net changes in working capital</b>	<b>(7,001,031)</b>	<b>11,548,298</b>
Income taxes paid	(2,011,053)	(1,401,010)
<b>Net cash used in operating activities (A)</b>	<b>2,693,922</b>	<b>20,300,309</b>
<b>Cash flow from investing activities</b>		
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		
<b>Net cash (used in) / generated from investing activities (B)</b>	<b>(2,309,444)</b>	<b>(2,594,126)</b>
<b>Cash flow from financing activities</b>		
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)
<b>Net cash generated from financing activities (C)</b>	<b>(766,768)</b>	<b>(19,741,199)</b>
<b>Net decrease in cash and cash equivalents at the end of</b>	<b>(382,290)</b>	<b>(2,035,016)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,246,885</b>	<b>3,281,901</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>864,595</b>	<b>1,246,885</b>



# 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

## 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)
<b>Tangible assets</b>	
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
<b>Intangible assets</b>	
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 unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

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





## 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)

#### 2.13.1 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	
<b>Gross block (at deemed cost)</b>							
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
<b>As at 31 March 2017</b>	<b>2,444,169</b>	<b>3,128,200</b>	<b>3,619,284</b>	<b>6,887,243</b>	<b>16,078,896</b>	<b>3,817,856</b>	<b>19,896,752</b>
<b>Accumulated depreciation / amortization</b>							
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
<b>As at 31 March 2017</b>	<b>1,811,659</b>	<b>2,869,254</b>	<b>2,591,528</b>	<b>4,717,136</b>	<b>11,989,577</b>	<b>1,769,892</b>	<b>13,759,469</b>
<b>Net block</b>							
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	
<b>Gross block (at deemed cost)</b>							
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	-	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>2,033,854</b>	<b>2,868,140</b>	<b>2,929,210</b>	<b>5,626,800</b>	<b>13,458,004</b>	<b>2,359,149</b>	<b>15,817,153</b>
<b>Accumulated depreciation / amortization</b>							
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	-	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>1,505,897</b>	<b>2,848,249</b>	<b>2,203,647</b>	<b>3,900,598</b>	<b>10,458,391</b>	<b>1,118,031</b>	<b>11,576,422</b>
<b>Net block</b>							
As at 31 March 2016	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
<b>5) Other financial assets</b>			
<b>(i) Other non-current financial assets</b>			
<b>Related Party</b>			
Loan to Group Company	35,671,200	44,088,627	49,455,117
<b>Others</b>			
Deposits	-	65,988	65,988
Prepaid expenses	-	1,587	31,390
Accrued Interest on Finance Lease	5,165	26,288	-
	<b>35,676,365</b>	<b>44,182,490</b>	<b>49,552,495</b>
<b>(ii) Other current financial assets</b>			
<b>Related party</b>			
Accrued Interest	168,096	133,484	42,675
<b>Others</b>			
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
	<b>23,878,558</b>	<b>8,370,918</b>	<b>8,439,424</b>
Financial assets carried at amortised cost	<b>59,554,923</b>	<b>52,553,408</b>	<b>57,991,919</b>
<b>6) Other assets</b>			
<b>Other current assets</b>			
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
	<b>2,913,574</b>	<b>869,184</b>	<b>932,485</b>
<b>7) Trade receivables</b>			
<i>(Unsecured)</i>			
Considered doubtful	1,571	-	22,865
	<b>1,571</b>	<b>-</b>	<b>22,865</b>
Less: Impairment allowance	(1,571)	-	(22,865)
	<b>-</b>	<b>-</b>	<b>-</b>
Considered good	3,346,214	6,083,962	1,193,050
	<b>3,346,214</b>	<b>6,083,962</b>	<b>1,193,050</b>





**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 in current accounts	17,333	-	-
	<b>864,595</b>	1,246,293	3,280,110
	<b>881,928</b>	1,246,885	3,281,901
Less: Current account balance held in trust for customers	17,333	-	-
	<b>864,595</b>	1,246,885	3,281,901

**9) Taxation**

(i) **Deferred tax asset on account of:**

Difference between tax and book value of fixed assets  
 Deffered Tax Assets

153,290	249,835	385,518
<b>153,290</b>	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
<b>2,003,768</b>	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
<b>10) Share capital</b>			
<b>Authorised</b>			
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>
<b>Issued, subscribed and paid-up</b>			
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
<b>12) Trade Payables</b>			
Trade Payables	2,989,118	2,191,488	1,989,046
	<b>2,989,118</b>	<b>2,191,488</b>	<b>1,989,046</b>
<b>13) Other financial liabilities</b>			
Book credit in bank account		1,184,677	-
	-	<b>1,184,677</b>	-
<b>14) Provision for employee benefits</b>			
<b>Non-current</b>			
Compensated absences	1,094,631	372,432	389,326
	<b>1,094,631</b>	<b>372,432</b>	<b>389,326</b>
<b>15) Other liabilities</b>			
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
	<b>29,517,621</b>	<b>30,197,111</b>	<b>20,578,269</b>





**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
<b>16) Revenue from operations</b>		
Sale of services	132,906,239	106,492,150
	<u>132,906,239</u>	<u>106,492,150</u>
<b>17) Other income</b>		
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>
<b>18) Employee benefits expense</b>		
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>
<b>19) Finance cost</b>		
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
<b>20) Other expenses</b>		
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
	<b>13,525,146</b>	<b>10,615,632</b>





**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
<b>Financial assets</b>					
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
<b>Total</b>	<b>63,765,732</b>	<b>-</b>	<b>-</b>	<b>63,765,732</b>	<b>63,765,732</b>
<b>Financial liabilities</b>					
Borrowings	671,760	-	-	671,760	671,760
Trade and other payables	2,989,118	-	-	2,989,118	2,989,118
<b>Total</b>	<b>3,660,878</b>	<b>-</b>	<b>-</b>	<b>3,660,878</b>	<b>3,660,878</b>

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
<b>Financial assets</b>					
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
<b>Total</b>	<b>59,884,255</b>	<b>-</b>	<b>-</b>	<b>59,884,255</b>	<b>59,884,255</b>
<b>Financial liabilities</b>					
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
<b>Total</b>	<b>4,430,432</b>	<b>-</b>	<b>-</b>	<b>4,430,432</b>	<b>4,430,432</b>

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
<b>Financial assets</b>					
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
<b>Total</b>	<b>62,466,870</b>	<b>-</b>	<b>-</b>	<b>62,466,870</b>	<b>62,466,870</b>
<b>Financial liabilities</b>					
Borrowings	20,562,138	-	-	20,562,138	20,562,138
Trade and other payables	1,989,046	-	-	1,989,046	1,989,046
<b>Total</b>	<b>22,551,184</b>	<b>-</b>	<b>-</b>	<b>22,551,184</b>	<b>22,551,184</b>

**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
<b>As at 31 March 2017</b>	
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
	1,074,810
<b>As at 31 March 2016</b>	
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
	2,254,100

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
<b>As at 31 March 2017</b>			
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
	697,423	25,663	671,760
<b>As at 31 March 2016</b>			
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
	1,115,398	61,131	1,054,267





**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*  
 Shelesh Singhvi  
 Partner  
 Membership No: 079817  
 Mumbai  
 May 5, 2017



For and on behalf of the Board of Directors

*Shalabh Jain*  
 Shalabh Jain  
 Director

*Robert Rome*  
 Robert Rome  
 Director