

Firstsource-Dialog Solutions (Private) Limited

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

Firstsource-Dialog Solutions (Private) Limited

Financial statements together with the Independent Auditors' Report

for the year ended 31 March 2017

Contents

Independent auditors' report

Balance sheet

Statement of profit and loss

Statement of changes in equity

Cash flow statement

Notes to the financial statements

Independent 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-Dialog Solutions (Private) 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 ended on that date..

Mumbai
5 May 2017

For **Shelesh Singhvi & Co.**
Chartered Accountants
Firm's Registration No: 014792C




Shelesh Singhvi
Partner
Membership No: 079817

Firstsource-Dialog Solutions (Private) Limited

Balance sheet

as at 31 March 2017

	Note	Amount in LKR		
		31 March 2017	31 March 2016	1 April 2015
ASSETS				
Non-current assets				
Property, plant and equipment	4	-	9,667,430	11,297,426
Other intangible assets	4	-	5,387,582	3,167,425
Financial assets				
Other financial assets	5(i)	68,750	568,750	608,750
Income tax assets (net)	8	6,594,209	5,419,406	4,131,506
Total non-current assets		6,662,959	21,043,168	19,205,107
Current assets				
Financial assets				
Trade receivables	6	33,581,947	77,658,817	97,738,654
Cash and cash equivalents	7	91,769,464	90,814,426	41,685,341
Other financial assets	5(ii)	1,066,464	18,209,927	17,087,894
Total current assets		126,417,875	186,683,170	156,511,889
Total assets		133,080,834	207,726,338	175,716,996
EQUITY AND LIABILITIES				
Equity				
Equity share capital	9	106,700,000	106,700,000	106,700,000
Other equity		(440,692)	63,779,287	28,036,448
Total equity		106,259,308	170,479,287	134,736,448
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Provisions for employee benefits	12	-	8,159,179	6,575,061
Total non-current liabilities		-	8,159,179	6,575,061
Current liabilities				
Financial liabilities				
Trade and other payables	10	13,709,267	10,606,126	14,435,106
Other Liabilities	11	4,863,339	5,664,350	2,582,634
Other liabilities	13	8,248,920	12,817,396	17,387,747
Total current liabilities		26,821,526	29,087,872	34,405,487
Total equity and liabilities		133,080,834	207,726,338	175,716,996

Significant accounting policies

The accompanying notes from 1 to 24 are an integral part of these financial statements.

As per our report of even date attached

For SHELESH SINGHVI & CO.

Chartered Accountants

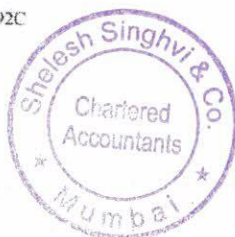
Firm's Registration No: 014792C

Shelesh Singhvi
Partner

Membership No: 079817

May 5, 2017

Mumbai



For and on behalf of the Board of Directors

Dinesh Jain
Dinesh Jain
Director

Badrinath Bharadwaj
Badrinath Bharadwaj
Director

Firstsource-Dialog Solutions (Private) Limited

Statement of profit and loss

for the year ended 31 March 2017

	Note	Amount in LKR	
		Year ended	
		31 March 2017	31 March 2016
INCOME			
Revenue from services		408,614,649	499,718,367
Other income	14	5,647,494	2,211,540
Total income		414,262,143	501,929,907
EXPENSES			
Employee benefits expense	15	282,267,596	275,875,823
Depreciation and amortization	4	6,872,371	7,812,742
Other expenses	16	188,279,536	182,498,503
Total expenses		477,419,503	466,187,068
Profit before taxation		(63,157,360)	35,742,839
Tax expense			
Current tax		1,062,619	-
Profit for the year		(64,219,979)	35,742,839
Total other comprehensive income for the year		(64,219,979)	35,742,839
Weighted average number of equity shares outstanding during the year			
Basic		10,670,000	10,670,000
Diluted		10,670,000	10,670,000
Earnings per equity share			
Basic and diluted Earnings per share		(6.02)	3.35
Diluted		(6.02)	3.35

Significant accounting policies

2

The accompanying notes from 1 to 24 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

May 5, 2017

Mumbai

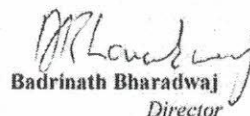


For and on behalf of the Board of Directors



Dinesh Jain

Director



Badrinath Bharadwaj

Director

Firstsource-Dialog Solutions (Private) Limited

Statement of changes in equity

for the year ended 31 March 2017

Equity share capital and other equity

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus	
		Retained earnings	
Balance as at 1 April 2016	106,700,000	63,779,287	170,479,287
Profit for the period		(64,219,979)	(64,219,979)
Balance at the end of the 31 March 2017	106,700,000	(440,692)	106,259,308

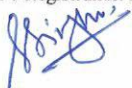
Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus	
		Retained earnings	
Balance as at 1 April 2016	106,700,000	28,036,448	134,736,448
Profit for the year	-	35,742,839	35,742,839
Balance at the end of the 31 March 2016	106,700,000	63,779,287	170,479,287

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

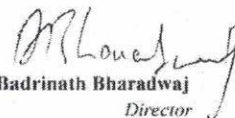


For and on behalf of the Board of Directors



Dinesh Jain

Director



Badrinath Bharadwaj

Director

Firstsource-Dialog Solutions (Private) Limited

Statement of cash flows

for the year ended 31 March 2017

	Amount in LKR	
	31 March 2017	31 March 2016
<u>Cash flow from operating activities</u>		
Profit before tax	(63,157,360)	35,742,839
Adjustments for		
Depreciation and amortisation	6,872,371	7,812,742
Loss/(Profit) on Sales of Fixed Asset	(4,007,942)	(56,025)
Interest and dividend income	(1,639,552)	(2,155,515)
Operating cash flow before changes in working capital	(61,932,483)	41,344,041
Changes in working capital		
Decrease in trade receivables	44,076,870	20,079,837
Decrease/(increase) in loans and advances and other assets	17,643,463	(1,082,032)
Decrease in liabilities and provisions	(10,425,525)	(3,733,497)
Net changes in working capital	51,294,808	15,264,308
Income taxes paid	(2,237,422)	(1,287,900)
Net cash used in operating activities (A)	(12,875,097)	55,320,449
<u>Cash flow from investing activities</u>		
Interest and dividend income received	1,639,552	2,155,515
Purchase of property plant and equipment and capital advances given	(3,814,403)	(8,402,904)
Sale of fixed assets	16,004,986	56,025
Net cash (used in) / generated from investing activities (B)	13,830,135	(6,191,364)
<u>Cash flow from financing activities</u>		
Net cash generated from financing activities (C)	-	-
Net decrease in cash and cash equivalents at the end of the year (A+B+C)	955,038	49,129,085
Cash and cash equivalents at the beginning of the year	90,814,426	41,685,341
Cash and cash equivalents at the end of the year	91,769,464	90,814,426



Firstsource-Dialog Solutions (Private) 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 balance sheet amounts:

	Amount in LKR	
	31 March 2017	31 March 2016
Cash on hand	-	-
Balances with banks	-	-
- Book credit in trust accounts	-	-
- in deposit accounts	91,769,464	90,814,426
Cash and cash equivalents	<u>91,769,464</u>	<u>90,814,426</u>

As per our report of even date attached.

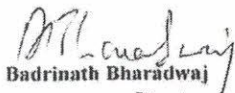
For **SHELESH SINGHVI & CO.**
Chartered Accountants
 Firm's Registration No: 014792C


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



For and on behalf of the Board of Directors


Dinesh Jain
Director


Badrinath Bharadwaj
Director

Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2017

1 Company overview

Firstsource Solutions Ltd. (FSL) acquired 74% stake in Dialog Business Services (Private) Limited (DBS), a company incorporated in Srilanka on 13 May 2011 from Dialog Axiata PLC (DAP). On the same day, the Company infused additional capital. Against the investment, the company has acquired all the Fixed Assets of DBS. These assets were transferred by DAP to DBS by way of an asset purchase agreement on April 29, 2011. FSL renamed the acquired entity as Firstsource Dialog Solutions (Private) Ltd on 6th June 2011.

2 Significant accounting policies

2.1 Basis of Preparation and Statement of compliance with IND AS

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 (Sri Lanka) in the terms of Sri lankan rupee ('LKR').

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.

2.2.1 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.

2.3 Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognized on completion of the related services 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.



Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.4 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	
Goodwill on acquired assets	5 years or estimated useful life, whichever is shorter
Domain name	3
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.

2.5 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.

2.6 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-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.7 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 Company profits are exempted under Board of Investments (BOI) regulations for 7 years. In this regard, the Company recognises deferred taxes in respect of those originating timing differences which reverse after the tax holiday period resulting in tax consequences. Timing differences which originate and reverse within the tax holiday period do not result in tax consequence and, therefore, no deferred taxes are recognised in respect of the same

2.8 Employee benefits

Employees are eligible for Employee's Provident Fund contributions and Employee's Trust Fund contributions in line with respective statutes and regulations.

2.9 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.

2.10 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.

2.11 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.



Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.12 Financial instruments

2.12.1 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.

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.

2.12.2 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.

2.12.3 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.



Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements

for the year ended 31 March 2017

2 Significant accounting policies (continued)

2.12.3 Financial instruments (continued)

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

2.13 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.

2.14 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-Dialog Business Solutions Pvt.Ltd. 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.



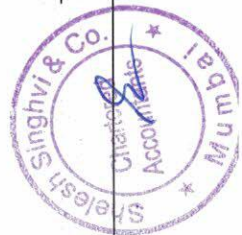
Firstsource-Dialog Solutions (Private) Limited
Notes to the financial statements (continued)
as at 31 March 2017

4) **Property, plant and equipment**

Particulars	Amounts in LKR							Grand Total	
	Computers	Service equipments	Office furniture and equipment	Leasehold	Total	Software	Network		Total
Gross block (at deemed cost)									
As at 1 April 2016	21,506,807	25,691,253	7,358,557	14,241,259	68,797,876	14,961,545	18,355,310	33,316,855	102,114,731
Additions / adjustments during the year	-	2,216,044	781,601	-	2,997,645	816,758	-	816,758	3,814,403
Deletions during the year	21,506,807	27,907,297	8,140,158	14,241,259	71,795,521	15,778,303	18,355,310	34,133,613	105,929,134
As at 31 March 2017	-	-	-	-	-	-	-	-	-
Accumulated depreciation / amortization									
As at 1 April 2016	18,838,732	18,935,189	7,122,449	14,234,076	59,130,446	9,879,948	18,049,325	27,929,273	87,059,719
Charge for the year	1,618,699	2,650,262	218,883	7,183	4,495,027	2,105,417	271,927	2,377,344	6,872,371
On deletions / adjustments during the year	20,457,431	21,585,451	7,341,332	14,241,259	63,625,473	11,985,365	18,321,252	30,306,617	93,932,090
As at 31 March 2017	-	-	-	-	-	-	-	-	-
Net block									
As at 31 March 2017	-	-	-	-	-	-	-	-	-
As at 31 March 2016	2,668,075	6,756,064	236,108	7,183	9,667,430	5,081,597	305,985	5,387,582	15,055,012

4) **Property, plant and equipment (continued)**

Particulars	Tangible Asset				Intangible Asset			Grand Total
	Computers	Service equipments	Office furniture and equipment	Leasehold	Total	Software	Network	
Gross block (at deemed cost)								
As at 1 April 2015	20,039,897	24,117,573	7,585,336	14,241,259	65,984,065	9,612,733	18,355,310	27,968,042
Additions / adjustments during the year	1,466,910	1,573,680	13,501	-	3,054,091	5,348,813	-	5,348,813
Deletions during the year	-	-	240,280	-	240,280	-	-	-
As at 31 March 2016	21,506,807	25,691,253	7,358,557	14,241,259	68,797,876	14,961,545	18,355,310	33,316,855
Accumulated depreciation / amortization								
As at 1 April 2015	16,643,153	16,643,833	7,173,111	14,226,542	54,686,639	7,145,169	17,655,448	24,800,617
Charge for the year	2,195,579	2,291,356	189,617	7,534	4,684,086	2,734,779	393,877	3,128,656
On deletions / adjustments during the year	-	-	240,279	-	240,279	-	-	-
As at 31 March 2016	18,838,732	18,935,189	7,122,449	14,234,076	59,130,446	9,879,948	18,049,325	27,929,273
Net block								
As at 31 March 2016	2,668,075	6,756,064	236,108	7,183	9,667,430	5,081,597	305,985	5,387,582
As at 31 March 2015	3,396,744	7,473,740	412,225	14,717	11,297,426	2,467,564	699,862	3,167,425



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

as at 31 March 2017

	Amount in LKR		
	31 March 2017	31 March 2016	1 April 2015
5) Other financial assets			
(i) Other non-current financial assets			
Others			
Deposits	68,750	568,750	608,750
	<u>68,750</u>	<u>568,750</u>	<u>608,750</u>
(ii) Other current financial assets			
Other advances	787,667	990,574	446,930
Prepaid expenses	278,797	17,219,353	16,640,964
	<u>1,066,464</u>	<u>18,209,927</u>	<u>17,087,894</u>
Financial assets carried at amortised cost	<u>1,135,214</u>	<u>18,778,677</u>	<u>17,696,644</u>
6) Trade receivables			
<i>(Unsecured)</i>			
Considered doubtful	-	-	77,107,099
	-	-	<u>77,107,099</u>
Less: Impairment allowance	-	-	(77,107,099)
	-	-	-
Considered good	33,581,947	77,658,817	97,738,654
	<u>33,581,947</u>	<u>77,658,817</u>	<u>97,738,654</u>
7) Cash and cash equivalents			
Cash on hand	-	-	-
Balances with banks			
in current accounts	-	-	-
in deposit accounts	91,769,464	90,814,426	41,685,341
	<u>91,769,464</u>	<u>90,814,426</u>	<u>41,685,341</u>
Less: Current account balance held in trust for customers	-	-	-
	<u>91,769,464</u>	<u>90,814,426</u>	<u>41,685,341</u>
8) Taxation			
Advance tax and tax deducted at source (net)	6,594,209	5,419,406	4,131,506
	<u>6,594,209</u>	<u>5,419,406</u>	<u>4,131,506</u>



Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

as at 31 March 2017

Amount in LKR
31 March 2017 31 March 2016 1 April 2015

9) Share capital

Authorised

10,670,000 (31 March 2016: 10,670,000) Equity Shares of LKR 1 each

106,700,000 106,700,000 106,700,000

106,700,000 106,700,000 106,700,000

Issued, subscribed and paid-up

10,670,000 (31 March 2016: 10,670,000) Equity Shares of LKR 1 each

106,700,000 106,700,000 106,700,000

106,700,000 106,700,000 106,700,000

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	10,670,000	10,670,000	10,670,000	10,670,000	10,670,000	10,670,000
At the end of the year	10,670,000	10,670,000	10,670,000	10,670,000	10,670,000	10,670,000

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.	7,895,800	74.00%	7,895,800	74.00%	7,895,800	74.00%
Dialog axiata PLC	2,774,200	26.00%	2,774,200	26.00%	2,774,200	26.00%

c) Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity 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-Dialog Solutions (Private) Limited**Notes to the financial statements (continued)**

as at 31 March 2017

	Amount in LKR		
	31 March 2017	31 March 2016	1 April 2015
10) Trade Payables			
Trade Payables	13,709,267	10,606,126	14,435,106
	<u>13,709,267</u>	<u>10,606,126</u>	<u>14,435,106</u>
11) Other Financial Liabilities			
Book Credit in Bank Account	4,863,339	5,664,350	2,582,634
	<u>4,863,339</u>	<u>5,664,350</u>	<u>2,582,634</u>
12) Provision for employee benefits			
Non-current			
Gratuity	-	8,159,179	6,575,061
	<u>-</u>	<u>8,159,179</u>	<u>6,575,061</u>
13) Other liabilities			
(i) Statutory Dues			
Value added tax	3,325,423	4,551,820	6,360,621
Economic Service charge payable	399,789	280,201	452,282
Stamp duty payable	34,400	28,600	28,100
Employee Provident fund	3,755,865	2,537,286	2,992,429
Employee Trust fund	563,380	380,593	448,864
PAYE	170,063	119,833	307,292
(ii) Other Dues			
Unbilled Revenue	-	1,771,783	4,334,623
Creditors for capital goods	-	-	384,949
Employee related payable	-	3,147,280	2,078,585
	<u>8,248,920</u>	<u>12,817,396</u>	<u>17,387,745</u>



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

for the year ended 31 March 2017

	Amount in LKR	
	Year ended	
	31 March 2017	31 March 2016
14) Other income		
Interest income	1,639,552	2,155,515
Profit / (Loss) on sale / write off of fixed assets, net	4,007,942	56,025
	<u>5,647,494</u>	<u>2,211,540</u>
15) Employee benefits expense		
Salaries and wages	247,353,922	241,409,476
Contribution to provident and other funds	20,253,909	21,677,214
Staff welfare expenses	14,659,765	12,789,133
	<u>282,267,596</u>	<u>275,875,823</u>
16) Other expenses		
Rent	81,487,860	80,253,196
Repairs, maintenance and upkeep	15,013,461	13,308,998
Insurance	9,471,144	10,210,627
Rates and taxes	3,001,200	63,192
Legal and professional fees	4,349,275	3,518,552
Audit Fees	200,000	200,000
Car and other hire charges	27,900,216	22,312,778
Connectivity charges	3,523,598	3,462,625
Donation	2,060	
Information and communication expenses	2,875,582	2,744,610
Membership & Registration fees	81,610	375,909
Recruitment and training expenses	586,420	2,118,087
Meeting and seminar expenses	18,005	9,827
Marketing and Support Services	18,443	23,813
Electricity, water and power consumption	36,922,459	40,293,737
Travel and conveyance	911,852	849,785
Computer expenses	383,304	1,186,435
Printing and stationery	1,114,312	1,185,288
Books Periodicals,Subscriptions	610	7,060
Bank administration charges	137,895	118,310
Gain/(Loss) on Foreign Exchange	53,383	15,589
Miscellaneous expenses	226,847	240,085
	<u>188,279,536</u>	<u>182,498,503</u>



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

for the year ended 31 March 2017

17) 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	33,581,947	-	-	33,581,947	33,581,947
Cash and cash equivalents	91,769,464	-	-	91,769,464	91,769,464
Other financial assets	1,135,214	-	-	1,135,214	1,135,214
Total	126,486,625	-	-	126,486,625	126,486,625
Financial liabilities					
Trade and other payables	13,709,267	-	-	13,709,267	13,709,267
Book Credit in Bank Account	4,863,339	-	-	4,863,339	4,863,339
Total	18,572,606	-	-	18,572,606	18,572,606

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	77,658,817	-	-	77,658,817	77,658,817
Cash and cash equivalents	90,814,426	-	-	90,814,426	90,814,426
Other financial assets	18,778,677	-	-	18,778,677	18,778,677
Total	187,251,920	-	-	187,251,920	187,251,920
Financial liabilities					
Trade and other payables	10,606,126	-	-	10,606,126	10,606,126
Book Credit in Bank Account	5,664,350	-	-	5,664,350	5,664,350
Total	16,270,476	-	-	16,270,476	16,270,476

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	97,738,654	-	-	97,738,654	97,738,654
Cash and cash equivalents	41,685,341	-	-	41,685,341	41,685,341
Other financial assets	17,696,644	-	-	17,696,644	17,696,644
Total	157,120,639	-	-	157,120,639	157,120,639
Financial liabilities					
Trade and other payables	14,435,106	-	-	14,435,106	14,435,106
Book Credit in Bank Account	2,582,634	-	-	2,582,634	2,582,634
Total	17,017,740	-	-	17,017,740	17,017,740



17) **Financial instruments (continued)**

II Financial risk management:

a) 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 LKR 33,581,947, LKR 77,658,817 and LKR 977,38,654 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.

b) 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	13,709,267	-	10,606,126	-	14,435,106	-
Book Credit in Bank Account	4,863,339		5,664,350		2,582,634	

18) Leases

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under non cancellable operating leases for the year ended 31 March 2017 aggregated to LKR 81,487,860 (31 March 2016: LKR 80,253,196). Expenses under cancellable operating lease is Nil.

	Amount in LKR	
	As at 31 March 2017	As at 31 March 2016
Amount due within one year from the balance sheet	-	13,581,308



Firstsource-Dialog Solutions (Private) Limited

Notes to the financial statements (continued)

Notes to the Financial Statements (continued)

19) Related party transactions

Details of related parties for the year ended 31 March 2017 are summarized below:

Ultimate Holding Company	Firstsource Solutions Ltd
Holding Company	Firstsource Group USA Inc.
Fellow Subsidiary Companies	MedAssist Holding, Inc., Firstsource Advantage LLC Firstsource Solutions USA LLC (earlier known as MedAssist LLC) Firstsource Solution UK Limited Firstsource Process Management Services Limited Firstsource BPO Ireland Limited Firstsource Business Process Services LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc. One Advantage LLC
Directors	Dinesh Jain Dr. Hans. Wijayasuriya Shalabh Jain Badrinath Bharadwaj

There are no related party transactions during the year.



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

for the year ended 31 March 2017

20) 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 Company.

21) 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	106,700,000	106,700,000
Add: Effect of potential issue of shares/ stock options *	-	-
Number of shares considered as weighted average shares and potential shares outstanding	106,700,000	106,700,000
Net profit after tax attributable to shareholders	(64,219,979)	35,742,839
Net profit after tax for diluted earnings per share	(64,219,979)	35,742,839

* Not considered when anti-dilutive

22) Capital and other commitments and contingent liabilities

The company has no capital commitments as at the balance sheet date (31.03.2016 LKR 1,048,900). There are no contingent liabilities as at the balance sheet date.

23) 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.

24) Subsequent events

The Board of directors at its meeting held on 5 May 2017 approved the financial statements of the company for the year ended 31 March 2017. 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.

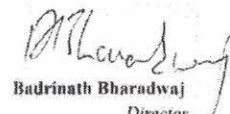
For **SHELESH SINGHVI & CO.**
 Chartered Accountants
 Firm's Registration No. 014792C

Shelesh Singhvi
 Partner
 Membership No. 079817
 May 5, 2017
 Mumbai



For and on behalf of the Board of Directors of


 Dinesh Jain
 Director


 Badrinath Bharadwaj
 Director