

Firstsource Solutions UK Limited

Special Purpose Consolidated Financial Statements
together with the Independent Auditor's Report
for the year ended 31 March 2020

Firstsource Solutions UK Limited

Special Purpose Consolidated Financial statements together with the Independent Auditor's Report *for the year ended 31 March 2020*

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Firstsource Solutions UK Limited

Consolidated balance sheet

as at 31 March 2020

(Currency: In GBP)

	Note	31 March 2020	31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	5,878,123	4,715,281
Right-of-use assets	4	9,571,117	-
Other intangible assets	5	564,290	1,244,323
Financial assets			
Investments	6	53,397,500	-
Loans	7	12,138,000	69,514,900
Other financial assets	8(i)	74,587	74,587
Other non-current assets	9(i)	16,693,800	20,056,560
Deferred tax assets (net)	12	336,510	241,200
Total non-current assets		98,653,927	95,846,851
Current assets			
Financial assets			
Trade receivables	10	10,533,529	6,043,993
Cash and cash equivalents	11	7,709,183	293,888
Other financial assets	8(ii)	13,247,276	13,688,978
Other current assets	9(ii)	5,047,345	4,805,107
Income tax assets (net)	12	593,786	-
Total current assets		37,131,119	24,831,966
Total assets		135,785,046	120,678,817
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	2,834,672	2,834,672
Other equity	14	43,891,632	47,166,435
Total equity		46,726,304	50,001,107
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	15(i)	-	257,115
Lease liabilities		7,993,693	-
Total non-current liabilities		7,993,693	257,115
Current liabilities			
Financial liabilities			
Short-term borrowings	15(ii)	48,749,092	29,124,075
Trade payables		2,199,948	2,157,964
Lease liabilities		2,499,344	-
Other financial liabilities	16	22,191,567	31,234,145
Provisions for employee benefits	17	987,846	1,297,555
Other current liabilities	18	4,435,663	4,846,263
Provision for Income tax, net	12	1,589	1,760,593
Total current liabilities		81,065,049	70,420,595
Total equity and liabilities		135,785,046	120,678,817

Significant accounting policies

The accompanying notes from 1 to 29 are an integral part of these special purpose consolidated financial statements.

As per our report of even date attached.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

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

For and on behalf of the Board of Directors of
Firstsource Solutions UK Limited

G.K. Subramaniam

Partner

Membership No: 109839

Siddharth Parashar
Director

Vipul Khanna
Director

Mumbai
9 July 2020

Sanjay Ponnappa
Director

Firstsource Solutions UK Limited

Consolidated statement of profit and loss

for the year ended 31 March 2020

(Currency: In GBP)

	Note	Year ended	
		31 March 2020	31 March 2019
INCOME			
Revenue from operations	19	156,044,601	168,266,683
Other income, net	20	2,118,451	2,764,189
Total income		158,163,052	171,030,872
EXPENSES			
Services Rendered to Business Associates and others		30,356,215	23,559,715
Employee benefits expenses	21	105,198,574	113,571,405
Finance costs	22	2,039,617	1,418,688
Depreciation and amortization	3, 4, 5	4,842,830	2,579,093
Other expenses	23	18,985,633	21,322,176
Total expenses		161,422,869	162,451,077
(Loss) / profit before tax		(3,259,817)	8,579,795
Tax expense			
Current tax	12	(625,626)	1,761,242
Deferred tax	12	47,018	(151,073)
(Loss) / profit for the year		(2,681,209)	6,969,626
Other comprehensive income			
<i>Items that will be reclassified subsequently to the statement of profit and loss</i>			
Exchange difference on translation of foreign operations		13,171	(61)
Total other comprehensive income / (loss), net of taxes		13,171	(61)
Total comprehensive (loss) / income for the year		(2,668,038)	6,969,565
Weighted average number of equity shares outstanding during the year			
Basic	27	2,834,672	2,834,672
Diluted	27	2,834,672	2,834,672
Earnings per equity share			
Basic		(0.95)	2.46
Diluted		(0.95)	2.46

Significant accounting policies

The accompanying notes from 1 to 29 are an integral part of these special purpose consolidated financial statements. As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

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

G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

9 July 2020

For and on behalf of the Board of Directors of
Firstsource Solutions UK Limited

Siddharth Parashar
Director

Vipul Khanna
Director

Sanjay Ponnappa
Director

Firstsource Solutions UK Limited
Consolidated statement of changes in equity
for the year ended 31 March 2020
(Currency: In GBP)

Equity share capital and other equity

	Attributable to owners of the company			Total
	Reserve and surplus			
	Equity share capital	Retained earnings	Foreign exchange translation reserve	
Balance as at 1 April 2019	2,834,672	47,166,496	(61)	50,001,107
Transition impact on adoption of Ind AS 116 (Refer Note 2.8)	-	(606,765)	-	(606,765)
Loss for the year	-	(2,681,209)	-	(2,681,209)
Foreign currency translation reserve			13,171	13,171
Balance at the end of 31 March 2020	2,834,672	43,878,522	13,110	46,726,304

	Attributable to owners of the company			Total
	Reserve and surplus			
	Equity share capital	Retained earnings	Foreign exchange translation reserve	
Balance as at 1 April 2018	2,834,672	40,196,870	-	43,031,542
Profit for the year	-	6,969,626	-	6,969,626
Foreign currency translation reserve	-	-	(61)	(61)
Balance at the end of 31 March 2019	2,834,672	47,166,496	(61)	50,001,107

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No: 117366W/W-100018

For and on behalf of the Board of Directors of
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G.K. Subramaniam
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Membership No: 109839

Siddharth Parashar
Director

Vipul Khanna
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Mumbai
9 July 2020

Sanjay Ponnappa
Director

Firstsource Solutions UK Limited

Consolidated statement of cash flows

for the year ended 31 March 2020

(Currency: In GBP)

	31 March 2020	31 March 2019
<u>Cash flow from operating activities</u>		
Net (loss) / profit before taxation	(3,259,817)	8,579,795
Adjustments for		
Depreciation and amortisation	4,842,830	2,579,093
Provision for doubtful debts / written off, net	-	283,018
Loss on sale of fixed assets, net	45,185	36,611
Foreign exchange loss / (gain), net unrealised	13,171	(61)
Finance costs	2,039,617	1,418,688
Interest income	(1,942,927)	(3,453,526)
Dividend income	-	-
Operating cash flow before changes in working capital	1,738,059	9,443,618
Changes in working capital		
Increase in trade receivables	(4,489,536)	(1,755,992)
Decrease / (increase) in loans and advances and other assets	3,960,160	(3,435,435)
(Decrease) / increase in liabilities and provisions	(9,486,431)	860,728
Net changes in working capital	(10,015,807)	(4,330,699)
Income taxes paid	(1,727,164)	(1,577,488)
Net cash (used in) / generated from operating activities (A)	(10,004,912)	3,535,431
<u>Cash flow from investing activities</u>		
Interest income received	1,942,927	3,458,456
Purchase of property plant and equipment and intangible assets	(3,942,579)	(2,841,369)
Investment in Firstsource Group USA, Inc	(53,397,500)	-
Proceeds from sale of property plant and equipment and intangible assets	79,068	-
Loan repaid by/ (given to) related party	57,376,900	(29,967,026)
Net cash generated from / (used in) investing activities (B)	2,058,816	(29,349,939)
<u>Cash flow from financing activities</u>		
Proceeds from short term borrowings	19,625,017	19,766,932
Interest paid	(2,033,051)	(1,417,297)
Repayment of lease liabilities	(2,230,575)	-
Net cash generated from financing activities (C)	15,361,391	18,349,635
Net increase / (decrease) in cash and cash equivalents at the end of the year	7,415,295	(7,464,873)
Cash and cash equivalents at the beginning of the year	293,888	7,758,761
Cash and cash equivalents at the end of the year	7,709,183	293,888

Notes to the cash flow statement

Cash and cash equivalents consist of cash on hand and balances with bank. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	31 March 2020	31 March 2019
Cash on hand	-	-
Balances with banks-		
in current accounts	7,709,183	293,888
Earmarked balances with banks held in trust	23,786	22,397
	7,732,969	316,285
Less: Current account balance held in trust for customers	(23,786)	(22,397)
Cash and cash equivalents	7,709,183	293,888

Firstsource Solutions UK Limited

Consolidated statement of cash flows

for the year ended 31 March 2020

(Currency: In GBP)

Reconciliation of liabilities from financing activities for the year ended 31 March 2020

Particulars	As at 31 March 2019	Proceeds	Repayment	As at 31 March 2020
Short Term Borrowings	29,124,075	19,625,017	-	48,749,092
Total Liabilities from financing activities	29,124,075	19,625,017	-	48,749,092

Reconciliation of liabilities from financing activities for the year ended 31 March 2019

Particulars	As at 31 March 2018	Proceeds	Repayment	As at 31 March 2019
Short Term Borrowings	9,357,143	19,766,932	-	29,124,075
Total Liabilities from financing activities	9,357,143	19,766,932	-	29,124,075

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

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

For and on behalf of the Board of Directors of

Firstsource Solutions UK Limited

G.K. Subramaniam

Partner

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Siddharth Parashar

Director

Vipul Khanna

Director

Mumbai

9 July 2020

Sanjay Ponnappa

Director

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

1 Company overview

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

Basis of Preparation and Statement of compliance

These special purpose consolidated financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values and the provisions of the Companies Act, 2013 (the 'Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

These special purpose consolidated financial statements have been prepared for the limited purpose of facilitating the preparation of the consolidated financial statements of Firstsource Solutions Limited, the Holding Company, as at and for the year ended March 31, 2020 in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP') and to assist Firstsource Solutions Limited, the Holding Company, to comply with the requirements of section 129(3) of the Act.

These special purpose consolidated financial statements were approved by the Board of Directors of Firstsource Solutions Limited, the Holding Company, and authorised for issue on 26 May 2020.

The list of entities with percentage holding is as below:

Entities	Country of incorporation and other particulars	Percentage of holding by voting rights	Year of consolidation
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Argentina.	99.98%	2006-2007
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Ireland.	100%	2011-2012

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

2 Significant accounting policies

2.1 Basis of consolidation

These Consolidated financial statements are prepared in accordance with the principles and procedures prescribed under Ind AS 110 –'consolidated Financial Statements' for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances or transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. Non controlling interest represent part of net profit or loss and net assets of subsidiaries that are not directly or indirectly owned or controlled by the Group and is excluded. The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group. Associates are entities over which the Group has significant influence but not control. Significant influence is the right to participate in the financial and operating key decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under this method, the investment in associate is carried in the balance sheet at cost plus post acquisition charges in the Group's share of net assets of the associate, less any provisions for impairment. The consolidated statement of profit and loss reflects the Group's share of the results of operations after tax (net of dividend received) of the associate.

Non-controlling interests are measured at their proportionate share of the acquiree's net identifiable assets at the date of balance sheet. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through this power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2.2 Use of estimates

The preparation of the special purpose consolidated 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

a. Income taxes

The Group's major tax jurisdiction is United Kingdom. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.6.

b. Property, plant and equipment and Intangible Assets

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

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

2 Significant accounting policies (continued)

2.2 Use of estimates (continued)

2.2.1 Critical accounting estimates (continued)

c. Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116 and identification of lease requires significant judgement. Ind AS 116 additionally requires lessees to determine the lease term as the non-cancellable period of lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Group makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Group considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to the Group's operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in the future periods is reassessed to ensure the lease term reflects the current economic circumstances.

2.3 Revenue recognition

Effective 1 April 2018, the Group has applied Ind AS 115 'Revenue from contracts with customers', using the cumulative catch-up transition method, which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. The adoption of the standard did not have any material impact to the financial statements of the Group.

The Group, in its contracts with customers, promises to transfer distinct services rendered in the form of customer management and transaction processing services.

Each distinct service, results in a simultaneous benefit to the corresponding customer. Also, the Group has an enforceable right to payment from the customer for the performance completed to date. Revenue from unit price based contracts is measured by multiplying the units of output delivered with the agreed transaction price per unit while in case of time and material based contracts, revenue is the product of the efforts expended and the agreed transaction price per unit. The Group continually reassesses the estimated discounts, rebates, price concessions, refund, credits, incentives, performance bonuses, etc., (variable consideration) against each performance obligation each reporting period and recognises changes to estimated variable consideration as changes to the transaction price (i.e. revenue) of the applicable performance obligation.

Deferred contract costs are upfront costs incurred for the contract accounted as non-financial assets amortised over the term of the contract.

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

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

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

2 Significant accounting policies (continued)

2.4 Property, plant and equipment and Intangible Assets

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

Asset category	Useful life (in years)
Tangible assets	
Computers*	2 – 4
Service equipment*	2 – 5
Furniture and fixtures*	2 – 5
Office equipment*	2 – 5
Leasehold improvements	Lease term or 5 years, whichever is shorter
Intangible assets	
Software*	2 – 4

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

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

2.5 Impairment

a. Financial assets

The Group recognises loss allowances using the expected credit loss ('ECL') model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. A default on a financial asset is when there is a significant increase in the credit risk which is evaluated based on the business environment. The assets are written off when the Group is certain about the non-recovery.

b. Non-financial assets

Property, plant and equipment and Intangible Assets

Property, plant and equipments and Intangible assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit ('CGU') to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

2 Significant accounting policies (continued)

2.6 Employee benefits

Defined contribution plans

Contributions payable to the social security and other employee related contributions as required under the United Kingdom Law are charged to the statement of profit and loss in the period in which they accrue as per local regulations.

Compensated absences

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

Employees of the Group are entitled to compensated absences to be utilised within one calendar year. The employees receive cash compensation at termination of employment for the unutilised accrued compensated absence. The Group records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

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 recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of the current tax credit and unused tax losses can be recognised.

2.8 Leases

Transition

Effective 1 April 2019 (date of initial application), the Group has adopted the Indian Accounting Standard 116 on Leases (Ind AS 116), notified by the Ministry of Corporate Affairs, which replaces the existing lease standard Indian Accounting Standard 17 on Leases (Ind AS 17). The Group has applied the standard to all lease contracts existing on 1 April 2019 retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to Retained Earnings at the date of initial application. The Group has not restated comparative information. On transition for operating leases, the Group recognised a lease liability GBP 9,607,386 measured at the present value of the remaining lease payments and a Right-of-use asset of GBP 8,858,293 at its carrying value, as if the standard had been applied since commencement of respective lease, discounted using the incremental borrowing rate as at 1 April 2019 (UK: 5 %). The cumulative effect on transition adjusted in retained earnings is GBP 606,765 (net of deferred tax of GBP 142,328). On transition for finance leases, the Group has identified the carrying amount of the lease asset of GBP 244,138 included in property, plant and equipment as the carrying amount of the Right-of-use asset and the liability of GBP 257,115 and GBP 241,038 accounted in Borrowings and Other Financial Liabilities (current) respectively as the lease liability under Ind AS 116. The Group has elected certain practical expedients on initial transition: (a) to apply Ind AS 116 to contracts that were previously identified as leases under Ind AS 17 on the date of initial application without any reassessment; (b) apply a single discount rate to a portfolio of leases with reasonably similar characteristics and in similar environment; (c) relied on its assessment whether leases are onerous applying Indian Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets (Ind AS 37) immediately before the date of initial application as an alternate to performing an impairment review; (d) excluded initial direct costs from measurement of right-of-use asset at the date of initial application (e) elected not to apply the requirements of the standard to leases for which the lease term end within twelve months of the date of initial application and accounted for those as short term leases (f) used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Group has accordingly modified its accounting policy on Leases as follows:

The Group enters into contract as a lessee for assets taken on lease. The Group at the inception of a contract assesses whether the contract contains a lease by conveying the right to control the use of an identified asset for a period of time in exchange for consideration.

A Right-of-use asset is recognised representing its right to use the underlying asset for the lease term at the lease commencement date except in case of short term leases with a term of twelve months or less and low value leases which are accounted as an operating expense on a straight line basis over the lease term. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the conditions required by the terms and conditions of the lease, a provision for costs are included in the related Right-of-use asset. The Right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The Right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

2 Significant accounting policies (continued)

2.8 Leases (continued)

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease and if that rate cannot be readily determined the Group uses the incremental borrowing rate in the country of domicile of the leases. The lease payments shall include fixed payments, variable lease payments, where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Obligation under finance lease are secured by way of hypothecation of underlying fixed assets taken on lease. Lease payments have been disclosed under cash flow from financing activities.

Certain lease arrangements includes the option to extend or terminate the lease before the end of the lease term. Right-to-use assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. The lease liabilities are remeasured with a corresponding adjustment to the related Right-of-use asset if the Group changes its assessment whether it will exercise an extension or a termination option.

2.9 Foreign Currency transactions

Functional currency

The functional currency of the Group is the Great Britain Pound (GBP).

Transactions and Translations

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

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

2.10 Earnings per equity share

The basic earnings per equity share is computed by dividing the net profit or loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti-dilutive.

2.11 Provisions and contingencies

The Group 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 consolidated 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.

2.12 Financial instruments

2.12.1 Initial recognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

2.12.2 Classification and Subsequent Measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

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

ii) Financial assets at amortised cost

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

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

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

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

for the year ended 31 March 2020

(Currency : In GBP)

2 Significant accounting policies (continued)

2.12 Financial instruments (continued)

2.12.2 Classification and Subsequent Measurement (continued)

2.12.2.a Non-derivative financial instruments(continued)

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

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

v) Financial liabilities

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

vi) Equity instruments

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

b) Share capital

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

2.12.3 De-recognition of financial instruments

The Group 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 Group's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

2.12.4 Fair value of financial instrument

In determining the fair value of its financial instrument, the Group uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realised. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

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 Group are segregated.

2.14 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

2.15 Estimation of uncertainties relating to the global health pandemic from COVID-19

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables, unbilled revenues, investments and intangible assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts and consensus estimates from market sources on the expected future performance of the Group. The Group has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered, net of provisions established.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

3 Property, plant and equipment

	Property , plant and equipment					
	Computers	Service equipment	Furniture and fixture	Office equipment	Leasehold Improvements	Total
Gross block						
As at 1 April 2019	2,914,943	3,155,450	1,564,995	2,282,064	8,106,390	18,023,842
Additions / adjustments during the year	674,280	38,903	72,351	230,556	2,481,532	3,497,622
Reclassified on account of adoption of Ind AS 116	(116,633)	(82,952)	-	-	-	(199,585)
Deletions during the year	-	(3,602)	-	-	(1,205,018)	(1,208,620)
As at 31 March 2020	3,472,590	3,107,799	1,637,346	2,512,620	9,382,904	20,113,259
Accumulated depreciation / amortization						
As at 1 April 2019	2,335,290	2,893,179	1,330,844	1,532,610	5,216,638	13,308,561
Charge for the year	502,043	68,481	78,889	281,622	1,095,099	2,026,134
Reclassified on account of adoption of Ind AS 116	(10,152)	(5,037)	-	-	-	(15,189)
On deletions / adjustments during the year	-	(1,582)	-	-	(1,082,788)	(1,084,370)
As at 31 March 2020	2,827,181	2,955,041	1,409,733	1,814,232	5,228,949	14,235,136
Net block						
As at 31 March 2020	645,409	152,758	227,613	698,388	4,153,955	5,878,123
As at 31 March 2019	579,653	262,271	234,151	749,454	2,889,752	4,715,281

	Property , plant and equipment					
	Computers	Service equipment	Furniture and fixture	Office equipment	Leasehold Improvements	Total
Gross block						
As at 1 April 2018	2,552,685	3,107,531	1,691,822	2,077,240	7,792,067	17,221,345
Additions / adjustments during the year	363,752	99,936	131,730	349,135	1,249,279	2,193,832
Deletions during the year	(1,494)	(52,017)	(258,557)	(144,311)	(934,956)	(1,391,335)
As at 31 March 2019	2,914,943	3,155,450	1,564,995	2,282,064	8,106,390	18,023,842
Accumulated depreciation / amortization						
As at 1 April 2018	2,037,333	2,873,089	1,427,545	1,422,497	5,217,573	12,978,037
Charge for the year	299,451	69,993	159,965	254,424	901,415	1,685,248
On deletions	(1,494)	(49,903)	(256,666)	(144,311)	(902,350)	(1,354,724)
As at 31 March 2019	2,335,290	2,893,179	1,330,844	1,532,610	5,216,638	13,308,561
Net block						
As at 31 March 2019	579,653	262,271	234,151	749,454	2,889,752	4,715,281
As at 31 March 2018	515,352	234,442	264,277	654,743	2,574,494	4,243,308

4 Leases

The details of Right-to-use assets held by the Group are as follows:

	Opening Balance as at 1 April 2019	Addition during the year ended 31 March 2020	Deletions during the year ended 31 March 2020	Depreciation for the year ended 31 March 2020	Net Carrying value as at 31 March 2020
Leasehold properties	8,746,111	2,644,257	-	2,016,509	9,373,859
Service equipment	296,579	-	26,185	109,778	160,616
Software	59,741	-	-	23,099	36,642
	9,102,431	2,644,257	26,185	2,149,386	9,571,117

Rent includes expense towards short term lease payments amounting to GBP 540,181, expense towards low value leases assets amounting to GBP 38,121 and common area maintenance charges for leased properties amounting to GBP 966,305 during the year ended 31 March 2020.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

5 Other intangible assets

	Software	Total
Gross block		
As at 1 April 2019	4,873,035	4,873,035
Additions	47,021	47,021
Reclassified on account of adoption of Ind AS 116	(65,437)	(65,437)
Deletions during the year	(45,612)	(45,612)
As at 31 March 2020	4,809,007	4,809,007
Accumulated depreciation / amortization		
As at 1 April 2019	3,628,712	3,628,712
Charge for the year	667,310	667,310
Reclassified on account of adoption of Ind AS 116	(5,696)	(5,696)
On deletions	(45,609)	(45,609)
As at 31 March 2020	4,244,717	4,244,717
Net block		
As at 31 March 2020	564,290	564,290
As at 31 March 2019	1,244,323	1,244,323

	Software	Total
Gross block		
As at 1 April 2018	4,617,387	4,617,387
Additions	261,103	261,103
Deletions during the year	(5,455)	(5,455)
As at 31 March 2019	4,873,035	4,873,035
Accumulated depreciation / amortization		
As at 1 April 2018	2,740,322	2,740,322
Charge for the year	893,845	893,845
Deletions during the year	(5,455)	(5,455)
As at 31 March 2019	3,628,712	3,628,712
Net block		
As at 31 March 2019	1,244,323	1,244,323
As at 31 March 2018	1,877,065	1,877,065

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

	31 March 2020	31 March 2019
6 Investments		
Non-current		
Unquoted		
Investments carried at cost (Investment in equity instruments)		
38,556 (31 March 2019: Nil) fully paid-up non voting common stock of USD 1 each of Firstsource Group USA Inc.	<u>53,397,500</u>	-
	<u><u>53,397,500</u></u>	<u>-</u>

During the year ended March 31, 2020, Firstsource Solutions UK Limited made an investment in Firstsource Group USA Inc. at fair value, and became the 15 % shareholder for Firstsource Group USA Inc. (The shares are non voting)

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

	31 March 2020	31 March 2019
7 Loans		
Loan to Group Company	12,138,000	69,514,900
	<u>12,138,000</u>	<u>69,514,900</u>
8 Other financial assets		
(i) Other non-current financial assets		
Deposits	74,587	74,587
	<u>74,587</u>	<u>74,587</u>
(ii) Other current financial assets		
Unbilled Revenues	13,227,863	13,648,571
Advances to Related Parties	19,413	40,407
	<u>13,247,276</u>	<u>13,688,978</u>
9 Other assets		
(i) Other non-current assets		
Unexpired rebate from customer	3,951,283	5,437,382
Capital Advances	397,936	-
Prepaid expenses	100,252	114,147
Deferred contract cost	12,244,329	14,505,031
	<u>16,693,800</u>	<u>20,056,560</u>
(ii) Other current assets		
Unexpired rebate from customer	1,486,099	1,165,181
Prepaid expenses	1,175,151	1,228,867
Other advances	125,715	150,679
Deferred contract cost	2,260,380	2,260,380
	<u>5,047,345</u>	<u>4,805,107</u>
10 Trade receivables		
<i>(Unsecured)</i>		
Considered doubtful	1,571	1,571
Less : Allowance for doubtful debts	<u>(1,571)</u>	<u>(1,571)</u>
Considered good	<u>10,533,529</u>	<u>6,043,993</u>
	<u>10,533,529</u>	<u>6,043,993</u>

a) Trade receivables are non-interest bearing.

b) No trade or other receivables are due from directors or other officers of the Company, either severally or jointly.

c) For receivables from related party refer note 25

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

31 March 2020 31 March 2019

11 Cash and cash equivalents

Cash on hand	-	-
Balances with banks - in current accounts	7,709,183	293,888
Earmarked balances with banks held in trust	23,786	22,397
	<u>7,732,969</u>	<u>316,285</u>
Less: Current account balance held in trust for customers	(23,786)	(22,397)
	<u><u>7,709,183</u></u>	<u><u>293,888</u></u>

12 Taxation

31 March 2020

Taxation	Opening balance	Transition impact on adoption of Ind AS 116	Recognised in Profit and loss	Closing Balance
Deferred tax asset on account of:				
Property, plant and equipment and intangibles	241,200	-	(47,331)	193,869
Lease Liabilities	-	142,328	313	142,641
	<u>241,200</u>	<u>142,328</u>	<u>(47,018)</u>	<u>336,510</u>

31 March 2019

Taxation	Opening balance	Transition impact on adoption of Ind AS 116	Recognised in Profit and loss	Closing Balance
Deferred tax assets on account of:				
Property, plant and equipment and intangibles	90,127	-	151,073	241,200
	<u>90,127</u>	<u>-</u>	<u>151,073</u>	<u>241,200</u>

31 March 2020 31 March 2019

Income tax assets (net)	593,786	-
Provision for tax (net)	1,589	1,760,593
	<u>592,197</u>	<u>1,760,593</u>

Income tax expense

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

Year ended

31 March 2020 31 March 2019

Current tax	(625,626)	1,761,242
Deferred tax	47,018	(151,073)
Income tax expense	<u><u>(578,608)</u></u>	<u><u>1,610,169</u></u>

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

	Year ended	
	31 March 2020	31 March 2019
Profit before income taxes	(3,259,817)	8,579,795
Enacted tax rates in United Kingdom	19%	19%
Computed expected tax expense	(619,365)	1,630,161
Expenses not deductible for tax purposes	120,437	48,174
Effect of change in tax rates	(1,458)	11,653
Others	(4,927)	-
Previous years tax adjustments	(73,295)	(79,819)
Income tax expense	<u><u>(578,608)</u></u>	<u><u>1,610,169</u></u>

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

31 March 2020 31 March 2019

13 Share capital

Authorised

2,834,672 (31 March 2019: 2,834,672) Equity Shares of GBP 1 each	2,834,672	2,834,672
	<u>2,834,672</u>	<u>2,834,672</u>

Issued, subscribed and paid-up

2,834,672 (31 March 2019: 2,834,672) Equity Shares of GBP 1 each	2,834,672	2,834,672
	<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 2020		31 March 2019	
	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
At the end of the year	2,834,672	2,834,672	2,834,672	2,834,672

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

	31 March 2020		31 March 2019	
	Number of shares	% of total shares	Number of shares	% of total shares
Firstsource Solutions Limited	2,834,672	100.00%	2,834,672	100.00%

c) Rights, preferences and restrictions attached to equity shares

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

31 March 2020 31 March 2019

14 Other equity

Retained earnings

At the commencement of the year	47,166,496	40,196,870
Add : Transition impact on adoption of Ind AS 116 (Refer Note 2.8)	(606,765)	-
Add: Net (loss) / profit for the year	<u>(2,681,209)</u>	<u>6,969,626</u>
At the end of the year	43,878,522	47,166,496

Foreign exchange translation reserve

At the commencement of the year	(61)	-
Add: Movement during the year	<u>13,171</u>	<u>(61)</u>
At the end of the year	13,110	(61)

Total other equity

	<u>43,891,632</u>	<u>47,166,435</u>
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Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2020

(Currency: In GBP)

	31 March 2020	31 March 2019
15 Borrowings		
(i) Long-term borrowings		
<i>Unsecured</i>		
Finance lease obligation	-	257,115
	<u>-</u>	<u>257,115</u>
(ii) Short-term borrowings		
<i>Unsecured</i>		
Line of credit from banks	48,749,092	29,124,075
	<u>48,749,092</u>	<u>29,124,075</u>
16 Other financial liabilities		
Other current financial liabilities		
Book credit in bank account	39,690	179,095
Interest accrued but not due on borrowings	26,303	19,737
Payable to related parties	15,695,193	24,342,732
Employee benefits payable	6,430,381	6,451,543
Current Maturities of long-term borrowings :		
Finance lease obligation	-	241,038
	<u>22,191,567</u>	<u>31,234,145</u>
17 Provision for employee benefits		
Current		
Compensated absences	987,846	1,297,555
	<u>987,846</u>	<u>1,297,555</u>
18 Other liabilities		
Other current liabilities		
Indirect Tax Payable	4,385,666	4,666,482
Statutory Dues	49,997	179,781
	<u>4,435,663</u>	<u>4,846,263</u>

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2020

(Currency: In GBP)

Year ended
31 March 2020 31 March 2019

19 Revenue from operations

Sale of services	156,044,601	168,266,683
	<u>156,044,601</u>	<u>168,266,683</u>

The Group provides contact centre and transaction processing services for customers in the financial services and telecommunications industry in the UK geography only.

Revenues in excess of invoicing are classified as contract assets (which is referred as unbilled revenues). Changes in contract assets are directly attributable to revenue recognised based on the accounting policy defined and the invoicing done during the year. Applying the practical expedient as given in Ind AS 115, the Group has not disclosed the remaining performance obligation related disclosures as the revenue recognised corresponds directly with the value to the customer of the Group's performance completed to date.

20 Other income, net

Interest income	1,942,927	3,453,526
Foreign exchange gain/(loss), net	220,709	(652,726)
Loss on sale of fixed assets, net	(45,185)	(36,611)
	<u>2,118,451</u>	<u>2,764,189</u>

21 Employee benefits expenses

Salaries and wages	95,695,057	103,710,010
Contribution to provident and other funds	8,676,513	9,060,660
Staff welfare expenses	827,004	800,735
	<u>105,198,574</u>	<u>113,571,405</u>

22 Finance costs

Interest expense on borrowings	1,568,085	1,418,688
Interest expense on leased liabilities	471,532	-
	<u>2,039,617</u>	<u>1,418,688</u>

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2020

(Currency: In GBP)

	Year ended	
	31 March 2020	31 March 2019
23 Other expenses		
Marketing and support fees	2,682,378	2,537,236
Repairs, maintenance and upkeep	2,030,401	2,104,015
Allocated Corporate Cost	2,683,375	2,699,942
Connectivity, information and communication expenses	1,668,434	1,394,579
Computer expenses	1,619,107	1,407,032
Rent	1,544,607	3,622,881
Travel and conveyance	1,410,052	1,484,586
Recruitment and training expenses	1,365,368	1,177,964
Rates and taxes	1,161,400	1,337,747
Electricity, water and power consumption	1,032,381	935,497
Legal and professional fees	828,355	976,111
Insurance	364,808	343,291
Bank administration charges	240,562	271,849
Car and other hire charges	148,983	561,784
Printing and stationery	139,305	154,567
Allowance for doubtful debts / bad debts written off, net	-	283,018
Miscellaneous expenses	66,117	30,077
	18,985,633	21,322,176
	18,985,633	21,322,176

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2020

(Currency: In GBP)

24 Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as at 31 March 2020 were as follows:

	Amortised cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	10,533,529	-	-	10,533,529	10,533,529
Cash and cash equivalents	7,709,183	-	-	7,709,183	7,709,183
Other financial assets	13,321,863	-	-	13,321,863	13,321,863
Loan	12,138,000	-	-	12,138,000	12,138,000
Total	43,702,575	-	-	43,702,575	43,702,575
Financial liabilities					
Borrowings	48,749,092	-	-	48,749,092	48,749,092
Lease liabilities	10,493,037	-	-	10,493,037	10,493,037
Other financial liability	22,191,567	-	-	22,191,567	22,191,567
Trade Payables	2,199,948	-	-	2,199,948	2,199,948
Total	83,633,644	-	-	83,633,644	83,633,644

The carrying value and fair value of financial instruments by categories as at 31 March 2019 were as follows:

	Amortised cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	6,043,993	-	-	6,043,993	6,043,993
Cash and cash equivalents	293,888	-	-	293,888	293,888
Other financial assets	13,763,565	-	-	13,763,565	13,763,565
Loan	69,514,900	-	-	69,514,900	69,514,900
Total	89,616,346	-	-	89,616,346	89,616,346
Financial liabilities					
Borrowings	29,381,190	-	-	29,381,190	29,381,190
Other financial liability	31,234,145	-	-	31,234,145	31,234,145
Trade Payables	2,157,964	-	-	2,157,964	2,157,964
Total	62,773,300	-	-	62,773,300	62,773,300

II. Fair value hierarchy:

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

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

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

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

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as at 31 March 2020:

	As of			
	31 March 2020	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	-	-	-	-
Total	-	-	-	-
Derivative financial instruments - foreign currency forward contract	-	-	-	-

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2020

(Currency: In GBP)

24 Financial instruments (Continued)

II. Fair value hierarchy: (Continued)

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as at 31 March 2019:

	As of 31 March 2019	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	-	-	-	-
Total	-	-	-	-
Derivative financial instruments - foreign currency forward contract	-	-	-	-

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

III. Financial risk management:

Financial risk factors:

a) Market risk

The Group operates in the United Kingdom and there are no major transactions outside the United Kingdom, hence there is no significant operational risk for the Group. The Group has given a loan to related party in foreign currency (USD). Loan taken from related party in Euro was there in last year but repaid in current year. The exchange rate amongst these currencies has changed substantially in recent years and may fluctuate substantially in the future.

The following table analyzes foreign currency risk as of 31 March 2020:

	USD	Euro
Total financial assets	15,000,000	-
Total financial liabilities	-	-

The following table analyses foreign currency risk as of 31 March 2019:

	USD	Euro
Total financial assets	91,000,000	-
Total financial liabilities	-	-

5% appreciation / depreciation of the respective foreign currencies with respect to functional currency of Firstsource Group USA Inc. would result in increase / decrease in the Group's profit before tax approximately GBP 606,900 for the year ended 31 March 2020 (31 March 2019: GBP 3,475,893).

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2020

(Currency: In GBP)

24 Financial instruments (Continued)

III. Financial risk management (continued):

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 10,533,529 as at 31 March 2020 (31 March 2019 : GBP 6,043,993) and unbilled revenue amounting to GBP 13,227,863 as at 31 March 2020 (31 March 2019 : GBP 13,648,571). Credit risk has always been managed by the Group by continuously monitoring the credit worthiness of customers to which the Group grants credit terms in the normal course of business. Expected credit losses are accounted on financial assets based on the measurement criteria as defined in the policy. A default on a financial asset is when there is a significant increase in the credit risk which is evaluated based on the business environment.

The following table gives details in respect of percentage of revenues generated from top five customers:

	Year ended	
	31 March 2020	31 March 2019
Revenue from top five customers	93.86%	86.04%

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The following are contractual maturities of Lease Liabilities on an undiscounted basis as at 31 March 2020:

Particulars	Amount
Less than one year	2,974,791
One to five years	5,694,326
More than five years	3,658,128
Total	12,327,245

Future cash outflows in respect of certain leasehold properties to which the Group is potentially exposed as a lessee that are not reflected in the measurement of the lease liabilities include exposures from options of extension and termination. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Management has considered all relevant facts and circumstances that create an economic incentive for the Group as a lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease as at 31 March 2020. The Group shall revise the lease term when there is a change in the facts and circumstances.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2020 and 31 March 2019:

	31 March 2020		31 March 2019	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	2,199,948	-	2,157,964	-
Other borrowings	48,749,092	-	29,124,075	257,115
Lease liabilities	2,499,344	7,993,693	-	-
Other financial liabilities	22,191,567	-	31,234,145	-

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (continued)

for the year ended 31 March 2020

(Currency : In GBP)

25 Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2020 are summarized below:

Ultimate Holding Company	CESC Ventures Limited (formerly known as RP-SG Business Process Services Limited)
Holding Company	Firstsource Solutions Limited
Subsidiaries wherein control exists	The related parties where control exists are subsidiaries as referred to in Note 1 to the consolidated financial statements.
Fellow Subsidiaries	Kolkata Games and Sports Pvt Ltd Quest Properties India Limited Herbolab India Pvt Ltd Metromark Green Commodities Pvt. Ltd Guiltfree Industries Limited Bowlopedia Restaurants India Limited Accurate Commodeal Pvt Ltd Apricot Foods Private Limited Firstsource Group USA Inc. Firstsource Advantage LLC Firstsource Transaction Services LLC Firstsource Dialog Solutions (Private) Ltd. Firstsource Business Process Services LLC Firstsource Solutions USA LLC (earlier known as MedAssist LLC) Firstsource Process Management Services Limited One Advantage LLC Medassist Holding LLC Sourcepoint Fulfillment Services, Inc Sourcepoint Inc. ISGN Fulfillment Agency, LLC (ceased w.e.f. 24th June 2019)
Trust controlled by Ultimate Holding Company	RP-Sanjiv Goenka Group CSR Trust (RPSG CSR Trust)
Directors	Charles Richard Vernon Stagg Vipul Khanna (appointed w.e.f. 2nd August 2019) Rajesh Subramaniam (resigned w.e.f. 31st July 2019) Sanjay Ponnappa Siddharth Parashar

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended		Receivable / (Payable) at	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
Firstsource Solutions Limited	Recovery of expenses	211,128	124,248		
	Services rendered to business associates and others	30,356,215	23,559,715		
	Reimbursement of expenses	3,023,815	3,354,162		
	Receivable / (Payable)			(14,961,680)	(23,700,887)
Firstsource Group USA Inc	Reimbursement of expenses	106,717	3,655,824		
	Recovery of expense	19,440	1,245,145		
	Loan given	-	33,372,900		
	Recovery of loan	62,154,540	7,671,600		
	Investment in equity shares	53,397,500	-		
	Interest income	1,942,927	3,453,526		
	Loan outstanding			12,138,000	69,514,900
	Receivable / (Payable)			(733,512)	(641,844)
Medassist Holdings Inc	Reimbursement of expenses	14,808	-		
	Recovery of expense	102,479	76,450		
	Receivable / (Payable)			15,603	39,743
Firstsource Advantage LLC	Reimbursement of expenses	2,305	883		
	Recovery of expense	57,943	55,549		
	Receivable / (Payable)			3,810	664

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2020

(Currency: In GBP)

26 Segment reporting

As per Ind AS 108 - Operating Segments ('Ind AS 108'), 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 consolidated financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108 has been given in the consolidated financial statements of Firstsource Solutions Limited (the Holding Company).

27 Computation for calculating basic and diluted earnings per share

	Year ended	
	31 March 2020	31 March 2019
Number of shares considered as basic weighted average shares outstanding	2,834,672	2,834,672
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	(2,681,209)	6,969,626
Net profit after tax for diluted earnings per share	(2,681,209)	6,969,626

28 Capital and other commitments and contingent liabilities

The Group has capital commitments of GBP 1,936,947 against which advances paid are GBP 397,936 (31 March 2019: GBP 820,841) as at the balance sheet date. There are no contingent liability as at the balance sheet date. (31 March 2019: GBP Nil).

29 Subsequent events

The Group evaluated subsequent events from the balance sheet date through 9 July 2020 and determined there are no material items to report.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

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

G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

9 July 2020

**For and on behalf of the Board of Directors of
Firstsource Solutions UK Limited**

**Siddharth Parashar
Director**

**Vipul Khanna
Director**

**Sanjay Ponnappa
Director**