

Firstsource Solutions UK Limited

Special Purpose Consolidated Financial Statements
together with the Independent Auditor's Report
as at and for the year ended 31 March 2021

Firstsource Solutions UK Limited

Special Purpose Consolidated Financial statements together with the Independent Auditor's Report *as at and for the year ended 31 March 2021*

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Deloitte Haskins & Sells LLP

of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Special Purpose Consolidated Financial Statements.

Management's Responsibility for the Special Purpose Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Special Purpose Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance including consolidated other comprehensive loss, consolidated changes in equity and consolidated cash flows of the Group in accordance with Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Consolidated Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Special Purpose Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte Haskins & Sells LLP

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Special Purpose Consolidated Financial Statements, including the disclosures, and whether the Special Purpose Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Special Purpose Consolidated Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Special Purpose Consolidated Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our audit work; and (ii) to evaluate the effect of any identified misstatements in the Special Purpose Consolidated Financial Statements.

Basis of preparation

We draw attention to Note 1 to the Special Purpose Consolidated Financial Statements, which describes the basis of preparation of the Special Purpose Consolidated Financial Statements. Our opinion is not modified in respect of this matter.

Restriction on Distribution and Use

Our report is intended solely for the information and use of the Board of Directors of Firstsource Solutions Limited for the preparation of their consolidated financial statements for the year ended and as at 31 March 2021, and compliance with the requirements of Section 129(3) as aforesaid and is not intended to be and should not be used by anyone other than the specified parties.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

G. K. SUBRAMANIAM
Partner
(Membership No. 109839)
(UDIN :21109839AAAAKF9273)

Mumbai
1 July 2021

Firstsource Solutions UK Limited

Consolidated balance sheet

as at 31 March 2021

(Currency: In GBP)

	Note	31 March 2021	31 March 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	9,353,127	5,878,123
Right-of-use assets	4	11,674,453	9,571,117
Other intangible assets	5	330,708	564,290
Financial assets			
Investments	6	53,397,500	53,397,500
Loans	7	-	12,138,000
Other financial assets	8(i)	65,988	74,587
Other non-current assets	9(i)	12,931,802	16,693,800
Deferred tax assets (net)	12	176,036	336,510
Total non-current assets		87,929,614	98,653,927
Current assets			
Financial assets			
Trade receivables	10	7,179,470	10,533,529
Cash and cash equivalents	11	6,877,871	7,709,183
Other financial assets	8(ii)	15,785,291	13,247,276
Other current assets	9(ii)	4,607,526	5,047,345
Income tax assets (net)	12	648,500	593,786
Total current assets		35,098,658	37,131,119
Total assets		123,028,272	135,785,046
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	2,834,672	2,834,672
Other equity	14	42,851,472	43,891,632
Total equity		45,686,144	46,726,304
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	15(i)	7,500,000	-
Lease liabilities		10,798,327	7,993,693
Total non-current liabilities		18,298,327	7,993,693
Current liabilities			
Financial liabilities			
Short-term borrowings	15(ii)	4,063,404	48,749,092
Trade payables		2,746,381	2,199,948
Lease liabilities		1,932,188	2,499,344
Other financial liabilities	16	29,265,714	22,191,567
Provisions for employee benefits	17	2,261,296	987,846
Other current liabilities	18	18,774,818	4,435,663
Provision for Income tax, net	12	-	1,589
Total current liabilities		59,043,801	81,065,049
Total equity and liabilities		123,028,272	135,785,046

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

1 July 2021

Sanjay Ponnappa

Director

Firstsource Solutions UK Limited

Consolidated statement of profit and loss

for the year ended 31 March 2021

(Currency: In GBP)

		Year ended	
	Note	31 March 2021	31 March 2020
INCOME			
Revenue from operations	19	150,235,534	156,044,601
Other income, net	20	122,120	2,118,451
Total income		150,357,654	158,163,052
EXPENSES			
Services Rendered to Business Associates and others		28,111,906	30,356,215
Employee benefits expenses	21	99,823,195	105,198,574
Finance costs	22	1,731,386	2,039,617
Depreciation and amortization	3, 4, 5	4,979,774	4,842,830
Other expenses	23	16,676,237	18,985,633
Total expenses		151,322,498	161,422,869
Loss before tax		(964,844)	(3,259,817)
Tax expense			
Current tax	12	(83,266)	(625,626)
Deferred tax	12	160,474	47,018
Loss for the year		(1,042,052)	(2,681,209)
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		1,892	13,171
Total other comprehensive income, net of taxes		1,892	13,171
Total comprehensive income for the year		(1,040,160)	(2,668,038)
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		(0.37)	(0.95)
Diluted		(0.37)	(0.95)

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
1 July 2021

Sanjay Ponnappa
Director

Firstsource Solutions UK Limited
Consolidated statement of changes in equity
as at and for the year ended 31 March 2021
(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 2020	2,834,672	43,878,522	13,110	46,726,304
Loss for the year	-	(1,042,052)	-	(1,042,052)
Foreign currency translation reserve	-	-	1,892	1,892
Balance at the end of 31 March 2021	2,834,672	42,836,470	15,002	45,686,144

	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	-	(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

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
1 July 2021

Sanjay Ponnappa
Director

Firstsource Solutions UK Limited

Consolidated statement of cash flows

for the year ended 31 March 2021

(Currency: In GBP)

	31 March 2021	31 March 2020
<u>Cash flow from operating activities</u>		
Net loss before taxation	(964,844)	(3,259,817)
Adjustments for		
Depreciation and amortisation	4,979,774	4,842,830
Allowance for expected credit loss / bad debts written off, net	26,244	-
Loss on sale of fixed assets, net	1,520	45,185
Foreign exchange loss, net unrealised	1,892	13,171
Finance costs	1,731,386	2,039,617
Interest income	(118,343)	(1,942,927)
Operating cash flow before changes in working capital	5,657,629	1,738,059
Changes in working capital		
Decrease / (increase) in trade receivables	3,327,815	(4,489,536)
Decrease in loans and advances and other assets	1,286,500	3,960,160
Increase / (decrease) in liabilities and provisions	15,567,638	(9,486,431)
Net changes in working capital	20,181,953	(10,015,807)
Income taxes refund / (paid)	26,963	(1,727,164)
Net cash generated from / (used in) operating activities (A)	25,866,545	(10,004,912)
<u>Cash flow from investing activities</u>		
Interest income received	118,343	1,942,927
Purchase of property plant and equipment and intangible assets	(5,270,339)	(3,942,579)
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 related party	12,138,000	57,376,900
Net cash generated from investing activities (B)	6,986,004	2,058,816
<u>Cash flow from financing activities</u>		
(Repayment) / Proceeds from short term borrowings	(44,685,688)	19,625,017
Proceeds from long term borrowings	15,000,000	-
Interest paid	(1,565,839)	(2,033,051)
Repayment of lease liabilities	(2,432,334)	(2,230,575)
Net cash (used in) / generated from financing activities (C)	(33,683,861)	15,361,391
Net (decrease) / increase in cash and cash equivalents at the end of the year (A+B+C)	(831,312)	7,415,295
Cash and cash equivalents at the beginning of the year	7,709,183	293,888
Cash and cash equivalents at the end of the year	6,877,871	7,709,183

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 2021	31 March 2020
Cash on hand	-	-
Balances with banks-		
in current accounts	6,877,871	7,709,183
Earmarked balances with banks held in trust	29,077	23,786
	6,906,948	7,732,969
Less: Current account balance held in trust for customers	(29,077)	(23,786)
Cash and cash equivalents	6,877,871	7,709,183

Firstsource Solutions UK Limited

Consolidated statement of cash flows

for the year ended 31 March 2021

(Currency: In GBP)

Reconciliation of liabilities from financing activities for the year ended 31 March 2021

Particulars	As at 31 March 2020	Proceeds	Repayment	As at 31 March 2021
Short Term Borrowings	48,749,092	-	(44,685,688)	4,063,404
Long Term Borrowings	-	15,000,000	-	15,000,000
Total Liabilities from financing activities	48,749,092	15,000,000	(44,685,688)	19,063,404

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

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

1 July 2021

Sanjay Ponnappa

Director

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

as at and for the year ended 31 March 2021

(Currency : In GBP)

1 Company overview

Firstsource Solutions UK Limited ('the Company') was incorporated under the laws of the United Kingdom on 23 May 2000. The Company provides contact center and transaction processing services for customers in the financial services and telecommunications industry. The 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, 2021 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.

The financial information based on which these special purpose financial statements are prepared were approved by the Board of Directors of Firstsource Solutions Limited, the Holding Company on 11 May 2021.

The list of entities with percentage holding is as below:

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

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

as at and for the year ended 31 March 2021

(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

as at and for the year ended 31 March 2021

(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

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

as at and for the year ended 31 March 2021

(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.

The Group reviews its carrying value of investments in unquoted equity on an annual basis when there is an indication of other than temporary impairment in the carrying value of its investments. The carrying value of investment is written down to its recoverable amount.

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

as at and for the year ended 31 March 2021

(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

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

as at and for the year ended 31 March 2021

(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.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

as at and for the year ended 31 March 2021

(Currency : In GBP)

2 Significant accounting policies (continued)

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.

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 instruments

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.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements

as at and for the year ended 31 March 2021

(Currency : In GBP)

2 Significant accounting policies (continued)

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, including but not limited to its assessment of liquidity and going concern assumption, carrying amounts of receivables, unbilled revenues, intangible assets and impact on leases. Based on current indicators of future global economic conditions and internal sources of available information, the Group expects the carrying amount of the assets will be recovered, net of provisions established. The impact of the pandemic related to COVID-19 may be different from that presently estimated and would be recognised in the financial statements when material changes to economic conditions arise or are anticipated.

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2021

(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 2020	3,472,590	3,107,799	1,637,346	2,512,620	9,382,904	20,113,259
Additions / adjustments during the year	1,222,004	134,481	105,272	421,683	3,850,540	5,733,980
Deletions during the year	(195,081)	(324,474)	(123,358)	(670,172)	(331,220)	(1,644,305)
As at 31 March 2021	4,499,513	2,917,806	1,619,260	2,264,131	12,902,224	24,202,934
Accumulated depreciation / amortization						
As at 1 April 2020	2,827,181	2,955,041	1,409,733	1,814,232	5,228,949	14,235,136
Charge for the year	384,452	69,550	109,208	305,756	1,388,490	2,257,456
On deletions / adjustments during the year	(194,523)	(324,474)	(123,352)	(669,216)	(331,220)	(1,642,785)
As at 31 March 2021	3,017,110	2,700,117	1,395,589	1,450,772	6,286,219	14,849,807
Net block						
As at 31 March 2021	1,482,403	217,689	223,671	813,359	6,616,005	9,353,127
As at 31 March 2020	645,409	152,758	227,613	698,388	4,153,955	5,878,123

	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	-	(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

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2021

(Currency: In GBP)

4 Leases

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

	Opening Balance as at 1 April 2020	Addition during the year ended 31 March 2021	Deletions during the year ended 31 March 2021	Depreciation for the year ended 31 March 2021	Net Carrying value as at 31 March 2021
Leasehold properties	9,373,859	4,669,812	194,575	2,256,504	11,592,592
Service equipment	160,616	-	-	92,298	68,318
Software	36,642	-	-	23,099	13,543
	9,571,117	4,669,812	194,575	2,371,901	11,674,453

Rent includes expense towards low value leases assets amounting to GBP 150,003 and common area maintenance charges for leased properties amounting to GBP 695,697 during the year ended 31 March 2021.

	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
Vehicles	-	-	-	-	-
	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 2021

(Currency: In GBP)

5 Other intangible assets

	Software	Total
Gross block		
As at 1 April 2020	4,809,007	4,809,007
Additions	116,835	116,835
Deletions during the year	(106,128)	(106,128)
As at 31 March 2021	4,819,714	4,819,714
Accumulated depreciation / amortization		
As at 1 April 2020	4,244,717	4,244,717
Charge for the year	350,417	350,417
Deletions during the year	(106,128)	(106,128)
As at 31 March 2021	4,489,006	4,489,006
Net block		
As at 31 March 2021	330,708	330,708
As at 31 March 2020	564,290	564,290

	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)
Deletions during the year	(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

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2021

(Currency: In GBP)

	31 March 2021	31 March 2020
6 Investments		
Non-current		
Unquoted		
Investment in equity instruments		
Investments carried at cost		
38,556 (31 March 2020: 38,556) fully paid-up non voting common stock of USD 1 each of Firstsource Group USA Inc.	53,397,500	53,397,500
	53,397,500	53,397,500

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 2021

(Currency: In GBP)

	31 March 2021	31 March 2020
7 Loans		
Loan to Group Company	-	12,138,000
	<u>-</u>	<u>12,138,000</u>
8 Other financial assets		
(i) Other non-current financial assets		
Deposits	65,988	74,587
	<u>65,988</u>	<u>74,587</u>
(ii) Other current financial assets		
Unbilled Revenues	15,784,474	13,227,863
Advances to Related Parties	817	19,413
	<u>15,785,291</u>	<u>13,247,276</u>
9 Other assets		
(i) Other non-current assets		
Unexpired rebate from customer	2,840,738	3,951,283
Capital Advances	12,035	397,936
Prepaid expenses	95,084	100,252
Deferred contract cost	9,983,945	12,244,329
	<u>12,931,802</u>	<u>16,693,800</u>
(ii) Other current assets		
Unexpired rebate from customer	1,110,266	1,486,099
Prepaid expenses	1,164,651	1,175,151
Other advances	72,229	125,715
Deferred contract cost	2,260,380	2,260,380
	<u>4,607,526</u>	<u>5,047,345</u>
10 Trade receivables		
<i>(Unsecured)</i>		
Considered doubtful	26,244	1,571
Less : Allowance for expected credit loss	<u>(26,244)</u>	<u>(1,571)</u>
	-	-
Considered good	7,179,470	10,533,529
	<u>7,179,470</u>	<u>10,533,529</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 2021

(Currency: In GBP)

31 March 2021 31 March 2020

11 Cash and cash equivalents

Cash on hand	-	-
Balances with banks - in current accounts	6,877,871	7,709,183
Earmarked balances with banks held in trust	29,077	23,786
	<u>6,906,948</u>	<u>7,732,969</u>
Less: Current account balance held in trust for customers	(29,077)	(23,786)
	<u>6,877,871</u>	<u>7,709,183</u>

12 Taxation

31 March 2021

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	193,869	-	(176,408)	17,461
Lease Liabilities	142,641	-	15,934	158,575
	<u>336,510</u>	-	<u>(160,474)</u>	<u>176,036</u>

31 March 2020

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	241,200	-	(47,331)	193,869
Lease Liabilities	-	142,328.00	313.00	142,641
	<u>241,200</u>	<u>142,328.00</u>	<u>(47,018)</u>	<u>336,510</u>

	31 March 2021	31 March 2020
Income tax assets (net)	648,500	593,786
Provision for tax (net)	-	1,589
	<u>648,500</u>	<u>592,197</u>

Income tax expense

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

	Year ended	
	31 March 2021	31 March 2020
Current tax	(83,266)	(625,626)
Deferred tax	160,474	47,018
Income tax expense	<u>77,208</u>	<u>(578,608)</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 2021	31 March 2020
Profit before income taxes	(964,844)	(3,259,817)
Enacted tax rates in United Kingdom	19%	19%
Computed expected tax expense	(183,320)	(619,365)
Expenses not deductible for tax purposes	194,547	120,437
Effect of change in tax rates	(998)	(1,458)
Others	4,447	(4,927)
Previous years tax adjustments	62,532	(73,295)
Income tax expense	<u>77,208</u>	<u>(578,608)</u>

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2021

(Currency: In GBP)

31 March 2021 31 March 2020

13 Share capital

Authorised

2,834,672 (31 March 2020: 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 2020: 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 2021		31 March 2020	
	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 2021		31 March 2020	
	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 2021 31 March 2020

14 Other equity

Retained earnings

At the commencement of the year	43,878,522	47,166,496
Add : Transition impact on adoption of Ind AS 116	-	(606,765.00)
Add: Net (loss) / profit for the year	(1,042,052)	(2,681,209)
At the end of the year	<u>42,836,470</u>	<u>43,878,522</u>

Foreign exchange translation reserve

At the commencement of the year	13,110	(61)
Add: Movement during the year	1,892	13,171
At the end of the year	<u>15,002</u>	<u>13,110</u>

Total other equity

	<u>42,851,472</u>	<u>43,891,632</u>
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Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at 31 March 2021

(Currency: In GBP)

31 March 2021

31 March 2020

15 Borrowings

(i) Long-term borrowings

Unsecured

Loan from Bank (refer note 'a')

7,500,000 -

7,500,000 -

a) Loan from bank carry interest in the range of 2%- 4% for a period of 2 years repayable in equal quarterly instalments starting from September 2021.

(ii) Short-term borrowings

Unsecured

Line of credit from banks (refer note 'b')

4,063,404 48,749,092

4,063,404 48,749,092

b) Line of credit from banks carries floating interest rate in the range of 1.00% to 5.50%., these are working capital lines.

16 Other financial liabilities

Other current financial liabilities

Book credit in bank account

416,135 39,690

Interest accrued but not due on borrowings

191,850 26,303

Payable to related parties

13,740,076 15,695,193

Employee benefits payable

7,417,653 6,430,381

Current Maturities of loan from banks

7,500,000 -

29,265,714 22,191,567

17 Provision for employee benefits

Current

Compensated absences

2,261,296 987,846

2,261,296 987,846

18 Other liabilities

Other current liabilities

Indirect Tax Payable

10,287,784 4,385,666

Statutory Dues

54,349 49,997

Advance from customers

8,432,685 -

18,774,818 4,435,663

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2021

(Currency: In GBP)

Year ended
31 March 2021 31 March 2020

19 Revenue from operations

Sale of services	150,235,534	156,044,601
	150,235,534	156,044,601

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	118,343	1,942,927
Foreign exchange gain, net	5,297	220,709
Loss on sale of fixed assets, net	(1,520)	(45,185)
	122,120	2,118,451

21 Employee benefits expenses

Salaries and wages	90,062,231	95,695,057
Contribution to pension and other funds	8,833,984	8,676,513
Staff welfare expenses	926,980	827,004
	99,823,195	105,198,574

22 Finance costs

Interest expense on borrowings	1,214,190	1,568,085
Interest expense on leased liabilities	517,196	471,532
	1,731,386	2,039,617

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

for the year ended 31 March 2021

(Currency: In GBP)

	Year ended	
	31 March 2021	31 March 2020
23 Other expenses		
Marketing and support fees	2,703,913	2,682,378
Repairs, maintenance and upkeep	2,840,251	2,030,401
Allocated Corporate Cost	2,491,890	2,683,375
Connectivity, information and communication expenses	1,130,527	1,668,434
Computer expenses	1,781,446	1,619,107
Rent	845,700	1,544,607
Travel and conveyance	294,532	1,410,052
Recruitment and training expenses	981,992	1,365,368
Rates and taxes	1,097,607	1,161,400
Electricity, water and power consumption	821,216	1,032,381
Legal and professional fees	810,979	828,355
Insurance	452,132	364,808
Bank administration charges	194,098	240,562
Car and other hire charges	129,216	148,983
Printing and stationery	38,416	139,305
Allowance for expected credit loss / bad debts written off, net	26,244	-
Miscellaneous expenses	36,078	66,117
	16,676,237	18,985,633

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at and for the year ended 31 March 2021

(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 2021 were as follows:

	Amortised cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	7,179,470	-	-	7,179,470	7,179,470
Cash and cash equivalents	6,877,871	-	-	6,877,871	6,877,871
Other financial assets	15,851,279	-	-	15,851,279	15,851,279
Total	29,908,620	-	-	29,908,620	29,908,620
Financial liabilities					
Borrowings	11,563,404	-	-	11,563,404	11,563,404
Lease liabilities	12,730,515	-	-	12,730,515	12,730,515
Other financial liability	29,265,714	-	-	29,265,714	29,265,714
Trade Payables	2,746,381	-	-	2,746,381	2,746,381
Total	56,306,014	-	-	56,306,014	56,306,014

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

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 2021:

	As of			
	31 March 2021	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)

as at and for the year ended 31 March 2021

(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 2020:

	Fair value measurement at end of the reporting period using			
	As of 31 March 2020	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). 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 2021:

	USD	Euro
Total financial assets	-	-
Total financial liabilities	-	-

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

	USD	Euro
Total financial assets	15,000,000	-
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 Nil for the year ended 31 March 2021 (31 March 2020: GBP 606,900).

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Notes to the special purpose consolidated financial statements (Continued)

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(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 7,179,470 as at 31 March 2021 (31 March 2020 : GBP 10,533,529) and unbilled revenue amounting to GBP 15,784,474 as at 31 March 2021 (31 March 2020 : GBP 13,227,863). 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 2021	31 March 2020
Revenue from top five customers	95.69%	93.86%

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

Particulars	31 March 2021	31 March 2020
Less than one year	2,416,621	2,974,791
One to five years	8,272,959	5,694,326
More than five years	4,148,417	3,658,128
Total	14,837,997	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 2021. The Group shall revise the lease term when there is a change in the facts and circumstances.

Total current liabilities are in excess of total current assets. Payables to Holding Company is not expected to be called for settlement until external liabilities are settled. Further the Company has unutilized lines of credit.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2021 and 31 March 2020:

	31 March 2021		31 March 2020	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	2,746,381	-	2,199,948	-
Other borrowings	4,063,404	7,500,000	48,749,092	-
Lease liabilities	1,932,188	10,798,327	2,499,344	7,993,693
Other financial liabilities	29,265,714	-	22,191,567	-

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (continued)

as at and for the year ended 31 March 2021

(Currency : In GBP)

25 Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2021 are summarized below:

Ultimate Holding Company	RPSG Ventures Limited (formerly known as CESC Ventures Limited) (Change in name w.e.f. 19 January 2021)
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 Private Limited Quest Properties India Limited Herbolab India Private Limited Metromark Green Commodities Private Limited Guilfree Industries Limited Bowlopedia Restaurants India Limited RPSG Resources Private Limited (formerly known as Accurate Commedeal Private Limited) Apricot Foods Private Limited RP - SG Ventures Advisory LLP RP SG Unique Advisory LLP APA Services Private Limited Rubberwood Sports Private Limited ATK Mohun Bagan Private Limited Aakil Nirman LLP Firstsource Group USA Inc. Firstsource Advantage LLC Firstsource Health Plans and Healthcare Services, LLC (formerly known as Firstsource Transaction Services LLC) (Change in name w.e.f. 01 October 2020) Firstsource Dialog Solutions (Private) Ltd. Firstsource Business Process Services LLC Firstsource Solutions USA LLC (formerly known as MedAssist LLC) Firstsource Process Management Services Limited One Advantage LLC Medassist Holding LLC Sourcepoint Fulfillment Services, Inc (formerly known as ISGN Fulfillment Services, Inc) Sourcepoint Inc. (formerly know as ISGN Solutions, Inc.) ISGN Fulfillment Agency, LLC (ceased w.e.f. 24 June 2019) PatientMatters, LLC (PM) (acquired on 22 December 2020) Medical Advocacy Services for Healthcare, Inc (MASH) (acquired on 22 December 2020) Kramer Technologies LLC (KT) (acquired on 22 December 2020)
Trust controlled by Ultimate Holding Company	RP-Sanjiv Goenka Group CSR Trust (RPSG CSR Trust)
Directors	Charles Richard Vernon Staggs Vipul Khanna 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 2021	31 March 2020	31 March 2021	31 March 2020
Firstsource Solutions Limited	Recovery of expenses	293,401	211,128	-	-
	Services rendered to business associates and others	27,817,822	30,356,215	-	-
	Reimbursement of expenses	2,993,852	3,023,815	-	-
	Payable	-	-	(13,384,798)	(14,961,680)
Firstsource Group USA Inc	Reimbursement of expenses	95,578	106,717	-	-
	Recovery of expense	1,290	19,440	-	-
	Loan given	-	-	-	-
	Recovery of loan	11,453,000	62,154,540	-	-
	Investment in equity shares	-	53,397,500	-	-
	Interest income	118,343	1,942,927	-	-
	Loan outstanding	-	-	-	12,138,000
Payable	-	-	(127,621)	(733,512)	
Medassist Holdings Inc	Reimbursement of expenses	-	14,808	-	-
	Recovery of expense	-	102,479	-	-
	Receivable	-	-	-	15,603
Firstsource Health Plans and Healthcare Services, LLC	Reimbursement of expenses	-	-	-	-
	Recovery of expense	817	-	-	-
	Receivable	-	-	817	-
Firstsource Advantage LLC	Reimbursement of expenses	2,030	2,305	-	-
	Services rendered to business associates and others	294,084	-	-	-
	Recovery of expense	125,545	57,943	-	-
	(Payable) / Receivable	-	-	(227,657)	3,810

Firstsource Solutions UK Limited

Notes to the special purpose consolidated financial statements (Continued)

as at and for the year ended 31 March 2021

(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 2021	31 March 2020
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	(1,042,052)	(2,681,209)
Net profit after tax for diluted earnings per share	(1,042,052)	(2,681,209)

28 Capital and other commitments and contingent liabilities

The Group has capital commitments of GBP 1,517,439 against which advances paid are GBP 12,035 (31 March 2020: GBP 1,936,947) as at the balance sheet date. There are no contingent liability as at the balance sheet date. (31 March 2020: GBP Nil).

29 Subsequent events

The Group evaluated subsequent events from the balance sheet date through 1 July 2021 and determined there are no material items to report.

As per our report of even date attached.

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

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

G.K. Subramaniam
Partner
Membership No: 109839

Siddharth Parashar
Director

Vipul Khanna
Director

Mumbai
1 July 2021

Sanjay Ponnappa
Director