

Firstsource Solutions UK Limited

Special Purpose Financial statements
together with the Independent Auditors' Report
for the year ended 31 March 2019

Firstsource Solutions UK Limited

Special Purpose Financial statements together with the Independent Auditors' Report

for the year ended 31 March 2019

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TO THE BOARD OF DIRECTORS
FIRSTSOURCE SOLUTIONS LIMITED

Report on the Special Purpose Standalone Financial Statements

Opinion

We have audited the accompanying Special Purpose Standalone Financial Statements of **Firstsource Solutions UK Limited** (the 'Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'Special Purpose Standalone Financial Statements'). The Special Purpose Standalone Financial Statements have been prepared by the Management of the Company for the limited purpose of facilitating the preparation of the consolidated financial statements of Firstsource Solutions Limited as at and for the year ended 31 March 2019 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 Companies Act, 2013 ('the Act').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Standalone Financial Statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, of its profit and total comprehensive income, its changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Special Purpose Standalone Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act ('SAs'). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Special Purpose Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code 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 Standalone Financial Statements.

Management's Responsibility for the Special Purpose Standalone 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 Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company 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 Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 Standalone 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 Standalone Financial Statements, Management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the Special Purpose Standalone 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 Standalone 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 Standalone 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 Company'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 standalone 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 Company to cease to continue as a going concern.

- 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 Standalone Financial Statements, including the disclosures, and whether the Special Purpose Standalone 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 Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Special Purpose Standalone 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 Standalone Financial Statements.

Basis of preparation

Without modifying our opinion, we draw attention to Note 1 to the Special Purpose Standalone Financial Statements, which describes the basis of preparation of the Special Purpose Standalone Financial Statements.

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 2019, 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)

Mumbai
27 June 2019

Firstsource Solutions UK Limited

Balance sheet

as at 31 March 2019

(Currency : In GBP)

	<i>Note</i>	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	4,715,281	4,243,308
Other intangible assets	3	1,244,323	1,877,065
Financial assets			
Investments	4	3,356,478	-
Loans	5	69,514,900	39,547,874
Other financial assets	6(i)	74,587	73,988
Other non-current assets	7(i)	21,221,741	19,652,651
Deferred tax assets (net)	10(i)	241,200	90,127
Total non-current assets		100,368,510	65,485,013
Current assets			
Financial assets			
Trade receivables	8	6,043,993	4,288,001
Cash and cash equivalents	9	106,804	7,758,761
Other financial assets	6(ii)	13,688,978	12,386,724
Other current assets	7(ii)	3,634,778	3,364,382
Total current assets		23,474,553	27,797,868
Total assets		123,843,063	93,282,881
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	2,834,672	2,834,672
Other equity	12	47,183,410	40,196,870
Total equity		50,018,082	43,031,542
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	13(i)	257,115	376,591
Total non-current liabilities		257,115	376,591
Current liabilities			
Financial liabilities			
Short-term borrowings	13(ii)	32,298,675	9,357,143
Trade payables		8,596,637	8,476,269
Other current financial liabilities	14	24,782,602	25,512,704
Provisions for employee benefits	15	1,297,555	891,839
Other current liabilities	16	4,846,263	4,059,954
Provision for Income tax, net	10(ii)	1,746,134	1,576,839
Total current liabilities		73,567,866	49,874,748
Total equity and liabilities		123,843,063	93,282,881

Significant accounting policies

2

The accompanying notes from 1 to 29 are an integral part of these special purpose 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

G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

27 June 2019

Rajesh Subramaniam

Director

Siddharth Parashar

Director

Firstsource Solutions UK Limited

Statement of profit and loss

for the year ended 31 March 2019

(Currency : In GBP)

	Note	31 March 2019	31 March 2018
INCOME			
Revenue from operations	17	168,266,683	158,164,335
Other income	18	2,764,197	1,602,048
Total income		171,030,880	159,766,383
EXPENSES			
Services Rendered to Business Associates and others		23,559,715	22,924,470
Employee benefits expense	19	113,571,405	108,906,631
Finance costs	20	1,419,848	689,844
Depreciation and amortisation	3	2,579,093	2,733,773
Other expenses	21	21,304,618	16,574,126
Total expenses		162,434,679	151,828,844
Profit before taxation		8,596,201	7,937,539
Tax expense			
Current tax	10(iii)	1,760,734	1,535,816
Deferred tax	10(iii)	(151,073)	63,163
Profit for the year		6,986,540	6,338,560
Other comprehensive income		-	-
Total comprehensive income for the year		6,986,540	6,338,560
Weighted average number of equity shares outstanding during the year			
Basic		2,834,672	2,834,672
Diluted		2,834,672	2,834,672
Earnings per equity share			
Basic and diluted Earnings per share		2.46	2.24
Diluted		2.46	2.24

Significant accounting policies

2

The accompanying notes from 1 to 29 are an integral part of these special purpose 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

G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

27 June 2019

Rajesh Subramaniam

Director

Siddharth Parashar

Director

Firstsource Solutions UK Limited

Statement of changes in equity

for the year ended 31 March 2019

(Currency : In GBP)

Equity share capital and other equity

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus Retained earnings	
Balance as at 1 April 2018	2,834,672	40,196,870	43,031,542
Profit for the year	-	6,986,540	6,986,540
Balance at the end of the 31 March 2019	2,834,672	47,183,410	50,018,082

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus Retained earnings	
Balance as at 1 April 2017	2,834,672	33,858,310	36,692,982
Profit for the year	-	6,338,560	6,338,560
Balance at the end of the 31 March 2018	2,834,672	40,196,870	43,031,542

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

G.K. Subramaniam

Partner

Membership No: 109839

27 June 2019

Rajesh Subramaniam

Director

Siddharth Parashar

Director

Firstsource Solutions UK Limited

Statement of cash flows

for the year ended 31 March 2019

(Currency : In GBP)

	<u>31 March 2019</u>	<u>31 March 2018</u>
<u>Cash flow from operating activities</u>		
Profit before tax	8,596,201	7,937,539
Adjustments for		
Depreciation and amortisation	2,579,093	2,733,773
Provision for doubtful debts written off	283,018	-
Foreign exchange (gain) / loss, net unrealised	-	(3,824)
Interest expense	1,419,848	689,844
Loss / (Gain) on sale of fixed assets	36,611	(29,521)
Interest income	(3,453,526)	(1,568,703)
Operating cash flow before changes in working capital	9,461,245	9,759,108
Changes in working capital		
Increase in trade receivables	(1,755,992)	(3,108,454)
Increase in loans and advances and other assets	(3,430,287)	(1,170,010)
Increase in liabilities and provisions	847,858	4,823,058
Net changes in working capital	(4,338,421)	544,594
Income taxes paid	(1,591,439)	(1,962,745)
Net cash generated from operating activities (A)	3,531,385	8,340,957
<u>Cash flow from investing activities</u>		
Interest income received	3,458,456	1,731,869
Purchase of property plant and equipment and intangible assets	(2,841,369)	(3,336,418)
Proceeds from sale of property plant and equipment and intangible asstes	-	823,124
Investment in Firstsource BPO Ireland Limited	(3,356,478)	-
Loan given to related party	(29,967,026)	(3,876,674)
Net cash used in investing activities (B)	(32,706,417)	(4,658,099)
<u>Cash flow from financing activities</u>		
Short term Borrowings (net)	22,941,532	3,857,143
Interest paid	(1,418,457)	(645,835)
Net cash generated from financing activities (C)	21,523,075	3,211,308
Net decrease / (increase) in cash and cash equivalents at the end of the year (A+B+C)	(7,651,957)	6,894,166
Cash and cash equivalents at the beginning of the year	7,758,761	864,595
Cash and cash equivalents at the end of the year	106,804	7,758,761

Firstsource Solutions UK Limited

Statement of cash flows (continued)

for the year ended 31 March 2019

(Currency : In GBP)

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 2019	31 March 2018
Cash on hand	-	-
Balances with banks		
- in current accounts	106,804	7,758,761
Cash and cash equivalents	<u>106,804</u>	<u>7,758,761</u>

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

Particulars	As at 31		Repayment	As at 31 March
	March 2018	Proceeds		2019
Short Term Borrowings	9,357,143	22,941,532	-	32,298,675
Total Liabilities from financing activities	9,357,143	22,941,532	-	32,298,675

Reconciliation of liabilities from financing activities for the year ended 31 March, 2018

Particulars	As at 31		Repayment	As at 31 March
	March 2017	Proceeds		2018
Short Term Borrowings	5,500,000	3,857,143	-	9,357,143
Total Liabilities from financing activities	5,500,000	3,857,143	-	9,357,143

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

G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

27 June 2019

**Rajesh
Subramaniam**
Director

**Siddharth
Parashar**
Director

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2019

(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 Company 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 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 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, 2019 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 financial statements were approved by the Board of Directors of Firstsource Solutions Limited, the Holding Company, and authorised for issue on 6 May 2019.

2 Significant accounting policies

2.1 Use of estimates

The preparation of the special purpose 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 2.1.1.

2.1.1 Critical accounting estimates

a. Income taxes

The Company'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 Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2.2 Revenue recognition

Effective 1 April 2018, the Company 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 Company.

The Company, 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 Company 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 Company 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.

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2019

(Currency : In GBP)

2 Significant accounting policies (continued)

2.2 Revenue recognition (continued)

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 Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

2.3 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.

2.4 Impairment

a. Financial assets

The Company 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 Company 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.

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2019

(Currency : In GBP)

2 Significant accounting policies (continued)

2.4 Impairment (continued)

b. Non-financial assets (continued)

Property, plant and equipment and Intangible Assets (continued)

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.

2.5 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 Company 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 Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

2.6 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..

2.7 Leases

Finance lease

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

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

Operating lease

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

2.8 Foreign Currency transactions

Functional currency

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

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2019

(Currency : In GBP)

2 Significant accounting policies (continued)

2.8 Foreign Currency transactions (continued)

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.

2.9 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.

2.10 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

2.11 Financial instruments

2.11.1 Initial recognition

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

2.11.2 Classification and Subsequent Measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

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

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 Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2019

(Currency : In GBP)

2 Significant accounting policies (continued)

2.11 Financial instruments (continued)

2.11.2 Classification and Subsequent Measurement (continued)

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 company after deducting all of its liabilities. Equity instruments are recognised by the Company 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.

2.11.3 De-recognition of financial instruments

The Company de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from the Company's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

2.11.4 Fair value of financial instrument

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

2.12 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.13 Onerous contracts

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

2.14 Recent accounting pronouncements

Ind AS 116 Leases:

On 30 March, 2019, Ministry of Corporate Affairs has notified Ind AS 116 'Leases', Ind AS 116 will replace the existing leases standard Ind AS 17 'Leases and related interpretations'. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure for leases for both parties to a contract, i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Ind AS 116 also contains enhanced disclosure requirement for lessees. Ind AS 116 substantially carries forward the lessor accounting requirement in Ind AS 17. The effective date for adoption of Ind AS 116 is annual periods beginning on or after 1 April 2019 and permits two possible methods of transition; (a) Full retrospective - retrospectively adjusting each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and error or (b) Modified retrospective - retrospectively, with cumulative effect of initially applying the standard recognised at the date of initial application. The Company is currently evaluating the effect of Ind AS 116 on the financial statements.

Firstsource Solutions UK Limited

Notes to the financial statements

for the year ended 31 March 2019

(Currency : In GBP)

2 Significant accounting policies (continued)

2.14 Recent accounting pronouncements (continued)

Amendment to Ind AS 12 Income taxes

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12 'Income Taxes' in connection with accounting for dividend distribution taxes. The effective date of application of this amendment is annual periods beginning on or after 1 April 2019. This amendment clarifies that an entity shall recognise the income tax consequences of dividends in the Statement of Profit and Loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The effect of application of this amendment on the financial statements is expected to be insignificant.

Ind AS 12 Appendix C Uncertainty Over Income Tax Treatments

On 30 March, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C Uncertainty Over Income Tax Treatments with effective date for adoption for annual periods beginning on or after 1 April 2019. This appendix requires companies to determine the probability of the relevant tax authority accepting each tax treatment or group of tax treatments that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, The effect of adoption of the Appendix on the financial statements is expected to be insignificant.

Amendment to Ind AS 19 Employee Benefits

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19 'Employee Benefits' which requires an entity to use updated assumptions to determine service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in the Statement of Profit and Loss as part of past service cost or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the assets ceiling. The effective date of application of this amendment is annual periods beginning on or after 1 April 2019. The effect of application of this amendment on the financial statements is expected to be insignificant.

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

as at 31 March 2019
(Currency: In GBP)

3) **Property, plant and equipment and Intangible assets**

Particulars	Tangible Asset				Intangible Asset		Grand Total	
	Computers	Service equipments	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total		Software
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	4,617,387	21,838,732
Additions / adjustments during the year	363,752	99,936	131,730	349,135	1,249,279	2,193,832	261,103	2,454,935
Deletions during the year	(1,494)	(52,017)	(258,557)	(144,311)	(934,956)	(1,391,335)	(5,455)	(1,396,790)
As at 31 March 2019	2,914,943	3,155,450	1,564,995	2,282,064	8,106,390	18,023,842	4,873,035	22,896,877
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	2,740,322	15,718,359
Charge for the year	299,451	69,993	159,965	254,424	901,415	1,685,248	89,384	2,579,093
On deletions / adjustments during the year	(1,494)	(49,903)	(256,666)	(144,311)	(902,350)	(1,354,724)	(5,455)	(1,360,179)
As at 31 March 2019	2,335,290	2,893,179	1,330,844	1,532,610	5,216,638	13,308,561	3,628,712	16,937,273
Net block								
As at 31 March 2019	579,653	262,271	234,151	749,454	2,889,752	4,715,281	1,244,323	5,959,604
As at 31 March 2018	515,352	234,442	264,277	654,743	2,574,494	4,243,308	1,877,065	6,120,373

Net Block of Computers and Software as at 31 March 2019 includes assets on Finance lease amounting to GBP 106,481 and 464,801 respectively.

Particulars	Tangible Asset				Intangible Asset		Grand Total	
	Computers	Service equipments	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total		Software
Gross block								
As at 1 April 2017	2,444,169	3,128,200	1,779,958	1,839,326	6,887,243	16,078,896	3,817,856	19,896,752
Additions / adjustments during the year	172,718	158,285	50,172	1,019,837	1,260,950	2,661,962	848,504	3,510,466
Deletions during the year	(64,202)	(178,954)	(138,308)	(781,923)	(356,126)	(1,519,513)	(48,973)	(1,568,486)
As at 31 March 2018	2,552,685	3,107,531	1,691,822	2,077,240	7,792,067	17,221,345	4,617,387	21,838,732
Accumulated depreciation / amortization								
As at 1 April 2017	1,811,659	2,869,254	1,388,897	1,202,631	4,717,136	11,989,577	1,769,892	13,759,469
Charge for the year	289,818	83,653	176,956	307,380	856,563	1,714,370	1,019,403	2,733,773
On deletions / adjustments during the year	(64,144)	(79,818)	(138,308)	(87,514)	(356,126)	(725,910)	(48,973)	(774,883)
As at 31 March 2018	2,037,333	2,873,089	1,427,545	1,422,497	5,217,573	12,978,037	2,740,322	15,718,359
Net block								
As at 31 March 2018	515,352	234,442	264,277	654,743	2,574,494	4,243,308	1,877,065	6,120,373
As at 31 March 2017	632,510	258,946	391,061	636,695	2,170,107	4,089,319	2,047,964	6,137,283

Net Block of Computers and Software as at 31 March 2018 includes assets on Finance lease amounting to GBP 84,088 and 624,201 respectively.
Net Block of Furnitures and Fixtures and Improvements to leasehold properties as at 31 March 2018 includes assets on Finance lease amounting to GBP 86,222 and 107,474 respectively.

Firstsource Solutions UK Limited

Notes to the financial statements (*continued*)

as at 31 March 2019

(Currency : In GBP)

	<u>31 March 2019</u>	<u>31 March 2018</u>
4) Investments		
Non Current		
Unquoted		
Investments carried at cost (Investment in equity instruments of Subsidiaries)		
1 (31 March 2018 : Nil) fully paid up common stock of Euro 1 each of Firstsource BPO Ireland Limited	3,356,478	-
	<u>3,356,478</u>	<u>-</u>
<p>During the year ended March 31, 2019, Firstsource Solutions UK Limited made an investment in Firstsource BPO Ireland Limited at fair value, and became the 100% shareholder for Firstsource BPO Ireland Limited.</p>		
5) Loans		
Loan to Group Company	69,514,900	39,547,874
	<u>69,514,900</u>	<u>39,547,874</u>
6) Other financial assets		
(i) Other non-current financial assets		
Others		
Deposits	74,587	73,988
	<u>74,587</u>	<u>73,988</u>
(ii) Other current financial assets		
Related party		
Accrued Interest	-	4,930
Advances to Related Parties	40,407	1,254,601
Others		
Unbilled revenues	13,648,571	11,127,193
	<u>13,688,978</u>	<u>12,386,724</u>
7) Other assets		
(i) Other non-current assets		
Unexpired rebate from customer	6,602,563	6,859,230
Deferred contract cost	14,505,031	11,904,630
Prepaid expenses	114,147	888,791
	<u>21,221,741</u>	<u>19,652,651</u>
(ii) Other current assets		
Deferred contract cost	2,260,380	1,936,111
Prepaid expenses	1,228,867	1,398,758
Other advances	145,531	29,513
	<u>3,634,778</u>	<u>3,364,382</u>
8) Trade receivables		
(<i>Unsecured</i>)		
Considered doubtful	1,571	1,571
	<u>1,571</u>	<u>1,571</u>
Less: Impairment allowance	(1,571)	(1,571)
	<u>-</u>	<u>-</u>
Considered good	6,043,993	4,288,001
	<u>6,043,993</u>	<u>4,288,001</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 parties, refer note 22.

Firstsource Solutions UK Limited

Notes to the financial statements (*continued*)

as at 31 March 2019

(Currency : In GBP)

	31 March 2019	31 March 2018
9) Cash and cash equivalents		
Cash on hand	-	-
Balances with banks		
- in current accounts	106,804	7,758,761
Earmarked balances with banks held in trust	22,397	19,038
	129,201	7,777,799
Less: Current account balance held in trust for customers	(22,397)	(19,038)
	106,804	7,758,761
10) Taxation		
(i) Deferred tax asset on account of:		
Depreciation and Amortisation	241,200	90,127
	241,200	90,127
(ii) Income tax Liability		
Provision for Income tax net of advance tax	1,746,134	1,576,839
	1,746,134	1,576,839

(iii) **Income tax expense**

Income tax expense in the Statement of Profit and loss comprises:

	Year ended 31 March 2019	Year ended 31 March 2018
Current taxes	1,760,734	1,535,816
Deferred taxes	(151,073)	63,163
Income tax expense	1,609,661	1,598,979

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 2019	31 March 2018
Profit before income taxes	8,596,201	7,937,539
Enacted tax rates in United Kingdom	19.00%	19.00%
Computed expected tax expense	1,633,278	1,508,132
Effect of change in tax rates	11,653	13,849
Expenses not deductible for tax purposes	44,594	100,222
Others	-	555
Previous years tax adjustments	(79,864)	(23,779)
Income tax expense	1,609,661	1,598,979

Firstsource Solutions UK Limited

Notes to the financial statements (*continued*)

as at 31 March 2019

(Currency : In GBP)

	<u>31 March 2019</u>	31 March 2018
11) 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 2019		31 March 2018	
	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 2019		31 March 2018	
	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

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

	31 March 2019	31 March 2018
12) Other equity		
Retained earnings		
At the commencement of the year	40,196,870	33,858,310
Add: Net profit for the year	6,986,540	6,338,560
At the end of the year	<u>47,183,410</u>	<u>40,196,870</u>
Total other equity	<u>47,183,410</u>	<u>40,196,870</u>

Firstsource Solutions UK Limited

Notes to the financial statements (*continued*)

as at 31 March 2019

(Currency : In GBP)

	<u>31 March 2019</u>	<u>31 March 2018</u>
13) Borrowings		
(i) Long-term borrowings		
<i>Unsecured</i>		
Non-current maturities of finance lease obligations		
Finance lease obligation (refer note below)	257,115	376,591
	<u>257,115</u>	<u>376,591</u>
Finance lease obligation carries interest in the range of 1.64% - 3.10% for a period of 36 months from December 2017 to November 2021, repayable in quarterly installments.		
(ii) Short-term borrowings		
<i>Unsecured</i>		
Loan from Group Company	3,174,600	-
Line of credit from banks	29,124,075	9,357,143
	<u>32,298,675</u>	<u>9,357,143</u>
14) Other Current Financial Liabilities		
Current maturities of finance lease obligation	241,038	507,996
Interest accrued but not due on borrowings	19,737	18,346
Payable to related parties	24,342,732	24,983,309
Book credit in bank account	179,095	-
Foreign Currency Forwards	-	3,053
	<u>24,782,602</u>	<u>25,512,704</u>
15) Provision for employee benefits		
Current		
Compensated absences	1,297,555	891,839
	<u>1,297,555</u>	<u>891,839</u>
16) Other liabilities		
Indirect Tax Payable	4,666,482	3,912,415
Statutory Dues	179,781	147,539
	<u>4,846,263</u>	<u>4,059,954</u>

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

for the year ended 31 March 2019

(Currency : In GBP)

<u>31 March 2019</u>	<u>31 March 2018</u>
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17) Revenue from operations

Sale of services	168,266,683	157,399,702
Other operating Income	-	764,633
	<u>168,266,683</u>	<u>158,164,335</u>

The Company 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 Company has not disclosed the remaining performance obligation related disclosures as the revenue recognised corresponds directly with the value to the customer of the Company's performance completed to date.

18) Other income

(Loss) / Gain on foreign exchange	(652,718)	3,824
Interest income	3,453,526	1,568,703
(Loss) / Gain on sale / disposal of fixed assets	(36,611)	29,521
	<u>2,764,197</u>	<u>1,602,048</u>

19) Employee benefits expense

Salaries and wages	103,710,010	100,324,725
Contribution to social security and other benefits	9,060,660	8,001,433
Staff welfare expenses	800,735	580,473
	<u>113,571,405</u>	<u>108,906,631</u>

20) Finance cost

Interest expense	1,419,848	689,844
	<u>1,419,848</u>	<u>689,844</u>

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

for the year ended 31 March 2019

(Currency : In GBP)

	<u>31 March 2019</u>	<u>31 March 2018</u>
21) Other expenses		
Rent	3,622,881	3,510,024
Allocated Corporate Cost	2,699,942	1,644,277
Marketing and support fees	2,537,236	757,545
Repairs, maintenance and upkeep	2,104,015	1,861,156
Travel and conveyance	1,484,586	1,261,409
Computer expenses	1,407,032	1,205,640
Connectivity, Information and Communication Expenses	1,394,579	1,422,527
Rates and taxes	1,337,747	1,357,867
Recruitment and training expenses	1,177,964	881,382
Legal and professional fees	975,713	668,417
Electricity, water and power consumption	935,497	794,300
Car and other hire charges	561,784	135,887
Insurance	343,291	618,348
Provision for doubtful debts, net	283,018	-
Bank administration charges	271,811	288,929
Printing and stationery	154,564	100,747
Miscellaneous expenses	12,958	65,671
	<u>21,304,618</u>	<u>16,574,126</u>

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

for the year ended 31 March 2019

(Currency : In GBP)

22) Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2019 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	Firstsource BPO Ireland Limited Firstsource Solutions S.A.
Fellow Subsidiaries	Kolkata Games and Sports Pvt Ltd Quest Properties India Limited Metromark Green Commodities Pvt. Ltd Guiltfree Industries Limited Bowlopedia Restaurants India Limited 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
Directors	Rajesh Subramaniam Robert Rome Siddharth Parashar Sean Canning Pratip Chaudhuri Richard Staggs

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended		Receivable / (Payable) at	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Firstsource Solutions Limited	Receipt of Services	-	589,229		
	Recovery of expenses	124,248	136,996		
	Services rendered to business associates and others	23,559,715	22,924,470		
	Reimbursement of expenses	3,354,162	2,476,345		
	Receivable / (Payable)			(23,700,887)	(24,983,309)
Firstsource Group USA Inc	Reimbursement of expenses	3,655,824	15,375,585		
	Recovery of expense	1,245,145	19,450,263		
	Loan given	33,372,900	14,832,300		
	Recovery of loan	7,671,600	6,709,850		
	Interest income	3,453,526	1,463,103		
	Loan outstanding			69,514,900	39,547,874
	Receivable / (Payable)			(641,844)	1,252,118
Firstsource BPO Ireland Ltd	Loan taken	3,174,600	-		
	Investment in equity shares	3,356,478	-		
	Interest expense	1,160	-		
	Loan outstanding			(3,174,600)	-
Medassist Holdings Inc	Reimbursement of expenses				
	Recovery of expense	76,450	-		
	Receivable / (Payable)			39,743	-
Firstsource Transaction Services LLC	Reimbursement of expenses				
	Recovery of expense	-	500		
	Receivable / (Payable)			-	500
Firstsource Advantage LLC	Reimbursement of expenses	883	2,142		
	Recovery of expense	55,549	52,374		
	Receivable / (Payable)			664	1,983

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

for the year ended 31 March 2019

(Currency : In GBP)

23) Financial instruments

I. Financial instruments by category:

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

	Amortized 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	106,804	-	-	106,804	106,804
Loans	69,514,900	-	-	69,514,900	69,514,900
Other financial assets	13,763,565	-	-	13,763,565	13,763,565
Total	89,429,262	-	-	89,429,262	89,429,262
Financial liabilities					
Borrowings	32,555,790	-	-	32,555,790	32,555,790
Trade payables	8,596,637	-	-	8,596,637	8,596,637
Other financial liabilities	24,782,602	-	-	24,782,602	24,782,602
Total	65,935,029	-	-	65,935,029	65,935,029

The carrying value and fair value of financial instruments by categories as of 31 March 2018 were as follows:

	Amortized cost	FVTPL	FVOCI	Total Carrying Amount	Total Fair Value
Financial assets					
Trade receivables	4,288,001	-	-	4,288,001	4,288,001
Cash and cash equivalents	7,758,761	-	-	7,758,761	7,758,761
Loans	39,547,874	-	-	39,547,874	39,547,874
Other financial assets	12,460,712	-	-	12,460,712	12,460,712
Total	64,055,348	-	-	64,055,348	64,055,348
Financial liabilities					
Borrowings	9,733,734	-	-	9,733,734	9,733,734
Trade payables	8,476,269	-	-	8,476,269	8,476,269
Other financial liabilities	25,509,651	3,053	-	25,512,704	25,512,704
Total	43,719,654	3,053	-	43,722,707	43,722,707

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 31 March 2019:

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

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

	As of 31 March 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in equity instruments	-	-	-	-
Total	-	-	-	-
Derivative financial instruments - foreign currency forward contract	3,053	-	3,053	-

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

III Financial risk management:

Financial risk factors:

a) Market risk

The Company operates in the United Kingdom and there are no major transactions outside the United Kingdom, hence there is no significant operational risk for the company. The Company has given a loan to related party in foreign currency (USD) and taken a loan from related party in foreign currency (Euro). The exchange rate amongst these currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of operations may be affected as the GBP / Euro fluctuates against these currencies.

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

	USD	Euro
Total financial assets	91,000,000	-
Total financial liabilities	-	3,700,000

The following table analyses foreign currency risk as of 31 March 2018:

	USD	Euro
Total financial assets	56,000,000	-
Total financial liabilities	-	-

5% appreciation / depreciation of the respective foreign currencies with respect to functional currency of Firstsource Group USA Inc. and Firstsource BPO Ireland Limited would result in increase / decrease in the Group's profit before tax approximately GBP 3,317,159 for the year ended 31 March 2019 (31 March 2018: GBP 1,977,394).

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 6,043,993 and GBP 4,288,001 as of 31 March 2019 and 31 March 2018 respectively and unbilled revenues amounting to GBP 13,648,571 and GBP 11,127,193 as of 31 March 2019 and 31 March 2018 respectively. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business.

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

	Year ended	
	31 March 2019	31 March 2018
Revenue from top five customers	86.04%	92.71%

Firstsource Solutions UK Limited
Notes to the Financial Statements (continued)

for the year ended 31 March 2019

III Financial risk management (continued)

c) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2019 and 31 March 2018:

	31 March 2019		31 March 2018	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	8,596,637	-	8,476,269	-
Borrowings	32,298,675	257,115	9,357,143	376,591
Other Financial Liabilities	24,782,602	-	25,512,704	-

24) Leases

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under cancellable operating leases for the year ended 31 March 2019 aggregated to GBP 678,825 (31 March 2018: GBP 437,080).Expenses under non cancellable operating leases for the year ended 31 March 2019 is GBP 1,988,649 (31 March 2019: GBP 1,420,473)

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

	As at 31 March 2019	As at 31 March 2018
Amount payable within one year from the balance sheet date	1,361,300	1,945,019
Amount payable in the period between one year and five years	897,740	1,624,053
	2,259,040	3,569,072

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2019 are as follows:

Finance lease

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2019			
Amount payable within one year from the balance sheet date	248,960	7,922	241,038
Amount payable in the period between one year and five years	260,962	3,847	257,115
	509,922	11,769	498,153
As at 31 March 2018			
Amount payable within one year from the balance sheet date	539,577	31,581	507,996
Amount payable in the period between one year and five years	422,807	46,216	376,591
	962,384	77,797	884,587

Firstsource Solutions UK Limited
Notes to the financial statements (continued)
for the year ended 31 March 2019
(Currency : In GBP)

25) Segment reporting

As per Ind AS 108 - Operating Segment, if a financial report contains both consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108 - Operating Segment has been given in the consolidated financial statements of Firstsource Solutions Limited ('the Holding Company').

26) Computation for calculating basic and diluted earnings per share

	For year ended	
	31 March 2019	31 March 2018
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	6,986,540	6,338,560
Net profit after tax for diluted earnings per share	6,986,540	6,338,560

27) Capital and other commitments and contingent liabilities

The Company has capital commitments of GBP 820,841 (31 March 2018: GBP 18,471) as at the balance sheet date. There are no contingent liability as at the balance sheet date. (31 March 2018: GBP Nil).

28) Long-term contracts

The Company has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the period end, the Company has reviewed and assessed that there is no provision required under any law / Accounting Standards for material foreseeable losses on such long term contracts in the books of account.

29) Subsequent events

The Company evaluated subsequent events from the balance sheet date through 27 June 2019 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

G.K. Subramaniam
Partner
Membership No: 109839
Mumbai
27 June 2019

Rajesh Subramaniam
Director

Siddharth Parashar
Director