

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
FIRSTSOURCE SOLUTIONS LIMITED**

Report on the Special Purpose Financial Statements

Opinion

We have audited the accompanying Special Purpose Financial Statements of **Firstsource Group USA, Inc.** (the 'Company'), which comprise the Balance Sheet as at 31 March 2022, 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 Financial Statements'). The Special Purpose Financial Statements have been prepared by the Management of the Company 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 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 2022, of its loss and total comprehensive loss, 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 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 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 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 Financial Statements.

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Management's Responsibility for the Special Purpose 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 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 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose 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 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 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 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 Financial Statements, including the disclosures, and whether the Special Purpose 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 Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Special Purpose 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 Financial Statements.

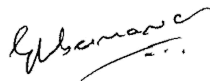
Basis of preparation

We draw attention to Note 1 to the Special Purpose Financial Statements, which describes the basis of preparation of the Special Purpose 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 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: 22109839ALYNVV5540)

Mumbai
30 June 2022

Firstsource Group USA, Inc.

Special Purpose Financial Statements
together with the Independent Auditor's Report
as at and for the year ended 31 March 2022

Firstsource Group USA, Inc.

Special Purpose Financial Statements together with the Independent Auditor's Report

as at and for the year ended 31 March 2022

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Firstsource Group USA, Inc.

Balance sheet

as at 31 March 2022

(Currency : In US Dollar)

	Note	31 March 2022	31 March 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3	11,258	52,445
Other intangible assets	4	67,286	9,417
Financial assets			
Investments	5	455,356,797	392,297,835
Other non-current assets	7(i)	10,146	-
Total non-current assets		455,445,487	392,359,697
Current assets			
Financial assets			
Trade receivables	8		
Billed		2,455,600	3,846,763
Unbilled		1,695,897	344,204
Cash and cash equivalents	9	26,163	759,988
Other financial assets	6	50,025,968	10,739,260
Other current assets	7(ii)	2,302,707	2,045,992
Total current assets		56,506,335	17,736,207
Total assets		511,951,822	410,095,904
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	257,039	257,035
Other equity	12	274,081,543	279,550,455
Total equity		274,338,582	279,807,494
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	13(i)	35,500,000	-
Other financial liabilities	14(i)	17,457,575	21,234
Deferred Tax Liabilities (net)	10	15,208,131	8,982,837
Total non-current liabilities		68,165,706	9,004,071
Current liabilities			
Financial liabilities			
Short-term borrowings	13(ii)	65,971,359	54,133,885
Trade payables	15	444,835	3,539,559
Other financial liabilities	14(ii)	102,134,506	62,786,864
Provisions for employee benefits	16	167,199	219,343
Other current liabilities	17	172,002	103,428
Provision for tax (net)	10	557,633	501,260
Total current liabilities		169,447,534	121,284,339
Total equity and liabilities		511,951,822	410,095,904

Significant accounting policies

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



G.K. Subramaniam

Partner

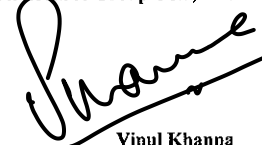
Membership No: 109839

Mumbai

30 June 2022

For and on behalf of the Board of Directors

Firstsource Group USA, Inc.



Vipul Khanna

Director



Arjun Mitra
Director

Pratip Chaudhuri
Director

Firstsource Group USA, Inc.

Statement of profit and loss

for the year ended 31 March 2022

(Currency : In US Dollar)

		Year ended	
	Note	31 March 2022	31 March 2021
INCOME			
Revenue from operations	18	17,062,102	13,384,157
Other income, net	19	336,263	405,318
Total income		17,398,365	13,789,475
EXPENSES			
Service Rendered by Business Associate and Others (refer note 24)		995,852	2,628,618
Employee benefits expenses	20	9,116,093	8,454,041
Finance costs	21	1,967,797	1,263,266
Depreciation and amortization expense	3, 4	24,674	37,822
Other expenses	22	4,324,875	3,265,698
Total expenses		16,429,291	15,649,445
Profit/(Loss) before tax		969,074	(1,859,970)
Tax expense			
Current tax	10	212,692	500,000
Deferred tax	10	6,225,294	945,567
Loss for the year		(5,468,912)	(3,305,537)
Other comprehensive income			
<i>Items that will be reclassified subsequently to the statement of profit and loss</i>			
Net changes in fair value on derivatives designated as cash flow hedges		-	-
Total other comprehensive income, net of taxes		-	-
Total comprehensive loss for the year		(5,468,912)	(3,305,537)
Weighted average number of equity shares outstanding during the year			
Basic	25	257,039	257,039
Diluted	25	257,039	257,039
Earnings per equity share			
Basic		(21.28)	(12.86)
Diluted		(21.28)	(12.86)

Significant accounting policies

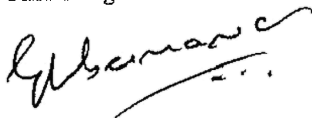
The accompanying notes from 1 to 29 are an integral part of these special purpose financial statements.

As per our report of even date attached.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

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



G.K. Subramaniam

Partner

Membership No: 109839

Mumbai

30 June 2022

For and on behalf of the Board of Directors

Firstsource Group USA, Inc.



Vipul Khanna

Director



Arjun Mitra
Director

Pratip Chaudhuri
Director

Firstsource Group USA, Inc.
Statement of changes in equity
as at and for the year ended 31 March 2022
 (Currency : In US Dollar)

Equity share capital and other equity

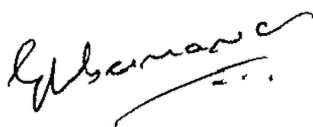
	Attributable to owners of the Company			Total
	Equity share capital	Reserve and surplus Capital contribution	Retained earnings	
Balance as at 1 April 2021	257,039	64,961,444	214,589,011	279,807,494
Loss for the year	-	-	(5,468,912)	(5,468,912)
Balance as at 31 March 2022	257,039	64,961,444	209,120,099	274,338,582

	Attributable to owners of the Company			Total
	Equity share capital	Reserve and surplus Capital contribution	Retained earnings	
Balance as at 1 April 2020	257,039	64,961,444	217,894,548	283,113,031
Loss for the year	-	-	(3,305,537)	(3,305,537)
Balance as at 31 March 2021	257,039	64,961,444	214,589,011	279,807,494

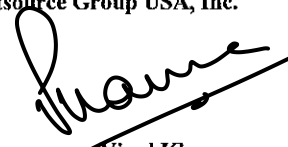
As per our report of even date attached.

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

G.K. Subramaniam
 Partner
 Membership No: 109839



For and on behalf of the Board of Directors
 Firstsource Group USA, Inc.


 Vipul Khanna
 Director



Arjun Mitra
 Director

Pratip Chaudhuri
 Director

Mumbai
 30 June 2022

Firstsource Group USA, Inc.

Statement of cash flows

for the year ended 31 March 2022

(Currency : In US Dollar)

	31 March 2022	31 March 2021
<u>Cash flow from operating activities</u>		
Net Profit / (Loss) before taxation	969,074	(1,859,970)
Adjustments for		
Depreciation and amortisation	24,674	37,822
Finance costs	1,967,797	1,263,266
Loss on sale of Fixed Assets	32,314	-
Operating cash flow before changes in working capital	2,993,859	(558,882)
Changes in working capital		
Decrease/(Increase) in trade receivables	39,470	(1,379,115)
Increase in loans and advances and other assets	(26,786,562)	(4,232,977)
Increase in liabilities and provisions	31,867,053	17,363,493
Net changes in working capital	5,119,961	11,751,401
Income taxes paid	(156,319)	(676,321)
Net cash generated from operating activities (A)	7,957,501	10,516,198
<u>Cash flow from investing activities</u>		
Sale of property plant and equipment and intangible assets	23,928	-
Advances given to related party	(43,000,040)	-
Purchase of Non controlling Interest in subsidiary	(11,999,940)	-
Purchase of property plant and equipment and intangible assets	(98,274)	(3,763)
Net cash used in investing activities (B)	(55,074,326)	(3,763)
<u>Cash flow from financing activities</u>		
Proceeds from short term borrowings	7,337,474	4,133,885
Proceeds from long term borrowings	40,000,000	-
Repayment of long term Borrowings	-	(15,000,000)
Interest paid	(954,474)	(1,379,235)
Net cash generated from /(used in) financing activities (C)	46,383,000	(12,245,350)
Net decrease in cash and cash equivalents at the end of the year (A+B+C)	(733,825)	(1,732,915)
Cash and cash equivalents at the beginning of the year	759,988	2,492,903
Cash and cash equivalents at the end of the year	26,163	759,988

Notes to the cash flow statement

Non cash transaction related to conversion of receivable from Sourcepoint Inc. into Investment has not been disclosed in Statement of cash flow.

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 2022	31 March 2021
Cash on hand	-	-
Balances with banks		
- in current accounts	26,163	759,988
Cash and cash equivalents	26,163	759,988

Firstsource Group USA, Inc.

Statement of cash flows

for the year ended 31 March 2022

(Currency : In US Dollar)

Statement of cash flows (Continued)

for the year ended 31 March 2022

(Currency: In millions of Indian rupees)

Reconciliation of liabilities from financing activities for the year ended 31 March 2022

Particulars	As at 31 March 2021	Proceeds	Repayment	As at 31 March 2022
Long Term Borrowings	-	40,000,000	-	40,000,000
Short Term Borrowings	54,133,885	7,337,474	-	61,471,359
Total Liabilities from financing activities	54,133,885	47,337,474	-	101,471,359

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

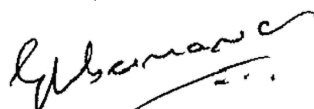
Particulars	As at 31 March 2020	Proceeds	Repayment	As at 31 March 2021
Long Term Borrowings	15,000,000	-	(15,000,000)	-
Short Term Borrowings	50,000,000	4,133,885	-	54,133,885
Total Liabilities from financing activities	65,000,000	4,133,885	(15,000,000)	54,133,885

As per our report of even date attached.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

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



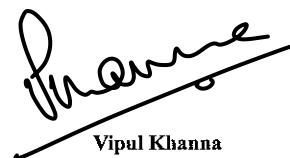
G.K. Subramaniam

Partner

Membership No: 109839

Mumbai
30 June 2022

For and on behalf of the Board of Directors
Firstsource Group USA, Inc.



Vipul Khanna
Director



Arjun Mitra
Director

Pratip Chaudhuri
Director

Firstsource Group USA, Inc.
Notes to the financial statements
as at and for the year ended 31 March 2022

1 Company overview

Firstsource Company USA Inc. ('the Company') was incorporated under the laws of the State of Delaware on 25 November 2009. The Company provides contact centre and transaction processing services for customers in the financial services, telecommunications and healthcare 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 and relevant amendment rules issued thereunder.

These special purpose financial statements have been prepared 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 5 May 2022.

2 Significant accounting policies

2.1 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.1.1.

2.1.1 Critical accounting estimates

a Income taxes

The Company's tax jurisdiction is United States of America. 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 2.7.

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

The Company, in its contracts with customers, promises to transfer distinct services rendered either in the form of customer management, healthcare (transaction processing and revenue cycle management) or collection.

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.

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 Significant accounting policies (continued)

2.3 Property, plant and equipment and Intangible assets

Property, plant and equipment

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	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers*	2 – 4
Service equipment*	2 – 5
Office equipment*	2 – 5
Furniture and fixtures*	2 – 5
* 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.

Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

Asset category	Useful life (in years)
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.	

Software purchased is capitalised together with the related hardware and amortised over the best estimate of useful life from the date the asset is available for use. Software product development costs are expensed as incurred during the research phase until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over the estimated useful life of the products as determined by the management. This capitalisation is done only if there is an intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available and such expenses can be accurately measured. Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product. The amortisation of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors.

The amortisation period and the amortisation method are reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortisation period is changed accordingly.

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 equipment 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.

2 Significant accounting policies (continued)

2.5 Foreign Currency transactions

Functional currency

The functional currency of the Company is the United States Dollar (USD).

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 period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

2.6 Employee benefits

a) Post employment benefits

Defined contribution plans

The Company has a saving and investment plan under section 401 (k) of the Internal Revenue Code of the United States of America. This is a Defined Contribution Plan. Contribution made under the plan are charged to statement of Profit and loss in the period in which that accrue. The Company has no further obligation to the plan beyond its monthly contribution. Other retirement benefits, including social security and medicare, are accrued based on the amounts payable as per local regulations.

Compensated absences

Provision for compensated absence cost has been made 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 can 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.

2.7 Income Taxes

Current Income taxes and deferred income tax

Income-tax expense comprises current tax (i.e. amount of tax for the year 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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

The Income tax liability and Deferred Tax Asset and Liability are computed on a combined basis and a combined tax return is filed for all subsidiaries of Firstsource Solutions Limited operating in the United States of America and the charge, the asset and the liability is accounted on a combined basis by the Company in its financial statements.

2.8 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.

2.9 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.

2.10 Financial instruments

2.10.1 Initial recognition

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

Firstsource Group USA, Inc.
Notes to the financial statements
as at and for the year ended 31 March 2022

2 Significant accounting policies (continued)

2.10 Financial instruments (continued)

2.10.2 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.

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 the 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 approximates 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.

vii) Investment in subsidiaries

Investment in subsidiaries is carried at 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.

2.10.3 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.

2.10.4 Fair value of financial instruments

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.

2.11 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.

2.12 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.

2.13 Recent Accounting Pronouncements:

On 23 March 2022, the Ministry of Company Affairs amended the Companies (Indian Accounting Standards) Amendment Rules, 2022 effective for annual periods beginning on or after 1 April 2022 which include amendments / clarifications in the following accounting standards applicable to the Company:

- a) Ind AS 16 – Property, Plant and Equipment
- b) Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets
- c) Ind AS 109 – Financial Instruments

The effect of application of these amendments / clarifications on the Standalone financial statements of the Company is expected to be insignificant.

Firstsource Group USA, Inc.

Notes to the financial statements (*Continued*)

as at 31 March 2022

(Currency : In US Dollar)

3 Property, plant and equipment

	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Total
Gross block						
As at 1 April 2021	3,700,919	1,196,124	756,375	207,188	642,522	6,503,127
Additions during the year	19,951	7,775	4,974	436	1,964	35,101
Deletions during the year	(3,704,761)	(1,174,539)	(757,725)	(183,786)	(643,027)	(6,463,838)
As at 31 March 2022	16,109	29,360	3,625	23,837	1,459	74,390
Accumulated depreciation / amortization						
As at 1 April 2021	3,688,068	1,187,336	752,790	195,016	627,473	6,450,684
Charge for the year	5,228	4,530	2,445	3,726	4,115	20,044
On deletions during the year	(3,677,401)	(1,173,067)	(751,610)	(174,905)	(630,611)	(6,407,595)
As at 31 March 2022	15,895	18,800	3,625	23,838	977	63,134
Net block						
As at 31 March 2022	215	10,561	-	-	482	11,258
As at 31 March 2021	12,850	8,787	3,585	12,171	15,049	52,445

	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Total
Gross block						
As at 1 April 2020	3,700,919	1,192,501	756,375	207,048	642,522	6,499,365
Additions / adjustments during the year	-	3,623	-	140	-	3,763
Deletions during the year	-	-	-	-	-	-
As at 31 March 2021	3,700,919	1,196,124	756,375	207,188	642,522	6,503,128
Accumulated depreciation / amortization						
As at 1 April 2020	3,681,088	1,184,388	749,414	186,290	623,097	6,424,277
Charge for the year	6,980	2,948	3,376	8,726	4,376	26,406
On deletions / adjustments during the year	-	-	-	-	-	-
As at 31 March 2021	3,688,068	1,187,336	752,790	195,016	627,473	6,450,683
Net block						
As at 31 March 2021	12,851	8,788	3,585	12,172	15,049	52,445
As at 31 March 2020	19,830	8,113	6,961	20,758	19,425	75,088

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
as at 31 March 2022
(Currency : In US Dollar)

4 Other intangible assets

	Software	Total
Gross block		
As at 1 April 2021	1,586,384	1,586,384
Additions during the year	62,499	62,499
Deletions during the year	(305,388)	(305,388)
As at 31 March 2022	1,343,495	1,343,495
Accumulated depreciation / amortization		
As at 1 April 2021	1,576,967	1,576,967
Charge for the year	4,630	4,630
Deletions during the year	(305,388)	(305,388)
As at 31 March 2022	1,276,209	1,276,209
Net block		
As at 31 March 2022	67,286	67,286
As at 31 March 2021	9,417	9,417

	Software	Total
Gross block		
As at 1 April 2020	1,585,709	1,585,709
Additions during the year	675	675
Deletions during the year	-	-
As at 31 March 2021	1,586,384	1,586,384
Accumulated depreciation / amortization		
As at 1 April 2020	1,565,551	1,565,551
Charge for the year	11,416	11,416
On deletions	-	-
As at 31 March 2021	1,576,967	1,576,967
Net block		
As at 31 March 2021	9,417	9,417
As at 31 March 2020	20,158	20,158

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2022

(Currency: In US Dollar)

	31 March 2022	31 March 2021
5 Investments		
Non-current		
Unquoted		
Investments carried at cost (Investment in equity instruments of subsidiaries)		
Investment in MedAssist Holding Inc.- 992 equity shares (31 March 2021 992 equity shares)	346,518,624	346,518,624
Investment in Firstsource Business Process Services Limited. -100%, voting rights (31 March 2021: 100% voting rights)	29,088,000	29,088,000
Investment in Sourcepoint, Inc.		
Equity share capital - 733 voting common stock (31 March 2021: 733 voting common stock)	13,691,211	13,691,211
Capital contribution*#	66,058,962	3,000,000
	455,356,797	392,297,835

* The Board of directors of the company approved Capital Contribution of USD 30.23 million in the subsidiary company Sourcepoint, Inc.during the year ended 31 March 2022.

On 27 July 2021, Firstsource Group USA Inc. through its subsidiary company Sourcepoint, Inc. and the leading mortgages business group (Counterparty), have entered into an option purchase agreement whereby the Counterparty has surrendered its option to purchase shares in Sourcepoint, Inc. in exchange for a fixed consideration of US\$ 23 million (on a deferred payment basis) and a contingent consideration of US\$ 11.25 million based on additional revenues realized by the Group through the Counterparty.

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2022

(Currency : In US Dollar)

31 March 2022

31 March 2021

6 Other current financial assets

Foreign currency forward contract	103,329	-
Advance to related parties (refer note 24)	49,922,639	10,739,260
	50,025,968	10,739,260

7 Other current assets

(i) Other non-current assets

Prepaid expenses	10,146	-
	10,146	-

(ii) Other current assets

Prepaid expenses	1,944,705	1,952,106
Other advances	358,003	93,886
	2,302,707	2,045,992

8 Trade receivables

Billed		
Considered good	2,455,600	3,846,763
	2,455,600	3,846,763
Unbilled		
Unbilled revenues	1,695,897	344,204
	1,695,897	344,204

a) Trade receivables are non-interest bearing and there are no trade receivables with a significant increase in credit risk as well as disputed trade receivables.

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 24.

Trade receivables Ageing Schedule

As at 31 March 2022

	Current but not due	Outstanding for following periods from due date of payment					Total
		Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	825,790	1,629,810	-	-	-	-	2,455,600
Undisputed Trade receivable – considered doubtful	-	-	-	-	-	-	-
Total	825,790	1,629,810	-	-	-	-	2,455,600

As at 31 March 2021

	Current but not due	Outstanding for following periods from due date of payment					Total
		Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	1,606,250	2,240,513	-	-	-	-	3,846,763
Undisputed Trade receivable – considered doubtful	-	-	-	-	-	-	-
Total	1,606,250	2,240,513	-	-	-	-	3,846,763

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2022

(Currency : In US Dollar)

	31 March 2022	31 March 2021
9 Cash and cash equivalents		
Balances with banks		
-in current accounts	26,163	759,988
-earmarked balances with banks held in trust	333,500	83,500
	<u>359,663</u>	<u>843,488</u>
Less: Current account balance held in trust for customers	(333,500)	(83,500)
	<u>26,163</u>	<u>759,988</u>

	31 March 2022	31 March 2021
10 Taxation		
i) Deffered Tax		
Deferred tax assets on account of:		
Lease liabilities	1,077,994	803,140
Compensated absences	1,843,357	1,965,803
Accrued expenses / allowance for expected credit loss	4,608,923	4,244,995
Business losses carried forward	27,571,166	33,659,473
	<u>35,101,440</u>	<u>40,673,411</u>
Deferred tax liability on account of:		
Property, plant and equipment and intangibles assets	716,136	85,406
Goodwill	49,593,435	49,570,842
	<u>50,309,571</u>	<u>49,656,248</u>
Net Deferred tax liability	<u>15,208,131</u>	<u>8,982,837</u>

ii) Income Tax liability		
Advance tax and tax deducted at source	(2,347,031)	(2,088,815)
Provision for tax	2,904,664	2,590,075
	<u>557,633</u>	<u>501,260</u>

Income tax expense

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

	Year ended	
	31 March 2022	31 March 2021
Current taxes	212,692	500,000
Deferred taxes	6,225,294	945,567
Income tax expense	<u>6,437,986</u>	<u>1,445,567</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 2022	31 March 2021
Profit before income taxes	32,659,247	3,669,655
Enacted tax rates in United States of America	21.00%	22.97%
Computed expected tax expense	6,858,442	842,920
Effect of change in tax rates	500,000	589,289
Expenses not deductible for tax purposes	(648,531)	13,358
Previous years tax adjustments	(287,308)	-
Others	15,383	-
Income tax expense	<u>6,437,986</u>	<u>1,445,567</u>

Note : The profit is respect of all entities headquartered in USA for which consolidated tax return is filled by a company.

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2022

(Currency : In US Dollar)

	31 March 2022	31 March 2021
11 Share capital		
Authorised		
300,000 voting common stock(31 March 2021: 300,000 common stock) fully paid-up of USD 1 each	300,000	300,000
100,000 non-voting common stock(31 March 2021: 100,000 common stock) fully paid-up of USD 1 each	100,000	100,000
	400,000	400,000
Issued, subscribed and paid-up		
218,483 voting common stock(31 March 2021: 218,483 common stock) fully paid-up of USD 1 each	218,483	218,483
38,556 non-voting common stock(31 March 2021: 38,556 common stock) fully paid-up of USD 1 each	38,556	38,556
	257,039	257,039

a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	31 March 2022		31 March 2021	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	257,039	257,039	257,039	257,039
At the end of the year	257,039	257,039	257,039	257,039

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

	31 March 2022		31 March 2021	
	Number of shares	% of total shares	Number of shares	% of total shares
Firstsource Solutions Limited	218,483	85.00%	218,483	85.00%
Firstsource Solution UK Limited	38,556	15.00%	38,556	15.00%

c) Rights, preferences and restrictions attached to equity shares

The Company has two classes of equity shares - voting and non-voting equity shares. All equity shares rank equally with regard to dividends and share in the Company'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 Company. The non-voting equity shares shall have no right to vote except as otherwise required by law.

12 Other equity

	31 March 2022	31 March 2021
Capital contribution		
At the commencement of the year	64,961,443	64,961,443
At the end of the year	64,961,443	64,961,443
Retained Earnings		
At the commencement of the year	214,589,011	217,894,548
Add: Loss for the year	(5,468,912)	(3,305,537)
At the end of the year	209,120,099	214,589,011
Total other equity	274,081,542	279,550,454

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2022

(Currency : In US Dollar)

31 March 2022 31 March 2021

13 Borrowings

(i) Long term borrowings

Unsecured

-Loan from Banks

35,500,000	-
35,500,000	-

(ii) Short-term borrowings

Unsecured

Line of Credit from banks (refer note 'a')

61,471,359	54,133,885
61,471,359	54,133,885

Current portion of long term borrowings

Unsecured

-Loan from Banks

4,500,000	-
4,500,000	-

65,971,359	54,133,885
------------	------------

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

b The borrowings are guaranteed by the ultimated holding company.

14 Other financial liabilities

(i) Other non current financial liabilities

Deposits

21,234 21,234

Liabilities for Purchase of Non -controlling interest

17,436,341 -

17,457,575 21,234

(ii) Other current financial liabilities

Book credit in bank account

1,715,641 -

Interest accrued but not due on borrowings

1,027,442 14,121

Payable to related parties (refer note 24)

95,058,250 60,655,246

Liabilities for purchase of Non -controlling interest

3,389,649 -

Employee benefit payable

943,524 2,117,497

102,134,506 62,786,864

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at 31 March 2022

(Currency : In US Dollar)

15 Trade Payables

Trade payables	444,835	3,539,559
	<u>444,835</u>	<u>3,539,559</u>

Trade payables Ageing Schedule

As at 31 March 2022

	Outstanding for following periods from due date of payment					Total
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Trade Payables	444,835	-	-	-	-	444,835
Total	444,835	-	-	-	-	444,835

As at 31 March 2021

	Outstanding for following periods from due date of payment					Total
	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Trade Payables	657,341	2,882,218				3,539,559
Total	657,341	2,882,218	-	-	-	3,539,559

16 Provision for employee benefits

31 March 2022 31 March 2021

Current

Compensated absences	167,199	219,343
	<u>167,199</u>	<u>219,343</u>

17 Other liabilities

Other current liabilities

Creditors for capital goods	-	675
Statutory Dues	172,002	102,753
	<u>172,002</u>	<u>103,428</u>

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
for the year ended 31 March 2022
(Currency : In US Dollar)

	Year ended	
	31 March 2022	31 March 2021
18 Revenue from operations		
Sale of services	17,062,102	13,384,157
	17,062,102	13,384,157
<p>The Company provides contact centre and transaction processing services for customers in the financial services, telecommunications and healthcare industry and operates in the US geography only.</p> <p>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.</p>		
19 Other income, net		
Foreign exchange gain/(loss), net	368,578	405,318
Loss on sale of Property Plant and Equipment	(32,314)	-
	336,263	405,318
20 Employee benefits expenses		
Salaries and wages	8,826,999	8,345,676
Contribution to social security and other benefits	63,363	31,760
Staff welfare expenses	225,731	76,605
	9,116,093	8,454,041
21 Finance costs		
Interest expense		
- on working capital demand loan and others	1,967,797	1,263,266
	1,967,797	1,263,266
22 Other expenses		
Allocated corporate cost	923,712	785,886
Legal and professional fees	1,382,279	1,404,535
Travel and conveyance	644,669	7,846
Bank administration charges	106,017	123,620
Connectivity, information and communication expenses	82,922	(44,264)
Recruitment and training expenses	494,453	536,482
Rent [#]	312,769	204,648
Printing and stationery	-	237
Rates and taxes	338	169,748
Insurance	19,322	15,820
Computer expenses	298,387	40,291
Repairs, maintenance and upkeep	35,814	20,849
Marketing and support expense	15,350	-
Electricity, water and power consumption	8,843	-
	4,324,875	3,265,698

[#] Rent includes expense towards low value lease payments amounting to Nil (31 March 2021 Nil) and common area maintenance charges for leased properties amounting to USD 260,542 during the year ended 31 March 2022 (31 March 2021 USD 203,696) . Further USD 52,227 is netted off as recovery of rent by fellow subsidiaries for the year ended 31 March 2022 (31 March 2021 USD 952).

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at and for the year ended 31 March 2022

(Currency: In US Dollar)

23) Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2022 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	4,151,497	-	-	4,151,497	4,151,497
Cash and cash equivalents	26,163	-	-	26,163	26,163
Other financial assets	50,025,968	-	-	50,025,968	50,025,968
Total	54,203,628	-	-	54,203,628	54,203,628
Financial liabilities					
Borrowings	101,471,359	-	-	101,471,359	101,471,359
Other financial liabilities	119,592,081	-	-	119,592,081	119,592,081
Trade payables	444,835	-	-	444,835	444,835
Total	221,508,274	-	-	221,508,274	221,508,274

The carrying value and fair value of financial instruments by categories as of 31 March 2021 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	4,190,967	-	-	4,190,967	4,190,967
Cash and cash equivalents	759,988	-	-	759,988	759,988
Other financial assets	10,739,260	-	-	10,739,260	10,739,260
Total	15,690,215	-	-	15,690,215	15,690,215
Financial liabilities					
Borrowings	54,133,885	-	-	54,133,885	54,133,885
Other financial liabilities	62,808,098	-	-	62,808,098	62,808,098
Trade payables	3,539,559	-	-	3,539,559	3,539,559
Total	120,481,542	-	-	120,481,542	120,481,542

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 2022:

	As	Fair value measurement at end of the reporting period using		
	31 March 2022	Level 1	Level 2	Level 3
Investments				
Investment in equity instruments	-	-	-	-
Total	-	-	-	-
Foreign currency forward contract	103,329	-	103,329	-

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
as at and for the year ended 31 March 2022
 (Currency: In US Dollar)

23) 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 of 31 March 2021:

	Fair value measurement at end of the reporting period using			
	As of 31 March 2021	Level 1	Level 2	Level 3
Investments				
Investment in equity instruments	-	-	-	-
Total	-	-	-	-
Foreign currency forward contract	-	-	-	-

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

Foreign currency forward contract is valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

III. Financial risk management:

a) Market risk

The Company operates in the United States of America and there are no major transactions outside the United States of America. Hence, there is no significant foreign exchange risk for the Company.

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to USD 2,455,600 and USD 3,846,763 as of 31 March 2022 and 31 March 2021 respectively and unbilled revenue amounting to USD 1,695,897 and USD 344,204 as of 31 March 2022 and 31 March 2021 respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States of America. 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. 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.

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.

Total current liabilities are in excess of total current assets. Payables to Subsidiary Companies are not expected to be called for settlement until external liabilities are settled. The Company shall use its operating future cash flows and unutilized lines of credit to manage its liquidity.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2022 and 31 March 2021:

	31 March 2022		31 March 2021	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	444,835	-	3,539,559	-
Borrowings	65,971,359	35,500,000	54,133,885	-
Other Financial Liabilities	102,134,506	17,457,575	62,786,864	21,234

Firstsource Group USA, Inc.
Notes to the financial statements (Continued)
as at and for the year ended 31 March 2022
(Currency: In US Dollar)

24) Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2022 are summarized below:

Ultimate Holding Company	RPSG Ventures Limited
Holding Company	Firstsource Solutions Limited
Fellow Subsidiaries (where transactions exist)	Firstsource Solution UK Limited Firstsource Business Process Services LLC Sourcepoint Fulfillment Services, Inc. Sourcepoint, Inc. Firstsource Advantage LLC One Advantage LLC Firstsource HealthPlans and Healthcare services, LLC MedAssist Holding LLC PatientMatters, LLC Medical Advocacy Services for Healthcare, Inc Kramer Technologies LLC Stone Hill Group ARSI - American Recovery Service Incorporated Firstsource Solutions México, S. De R.L. De C.V
Directors	Vipul Khanna Arjun Mitra Pratip Chaudhuri

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended*		Receivable / (Payable) at	
		31 March 2022	31 March 2021	31 March 2022	31 March 2021
Firstsource Solutions Limited	Services rendered by business associates and others	995,852	2,628,618	-	-
	Recovery of expenses	13,106	988,523	-	-
	Reimbursement of expenses	1,623,448	789,291	-	-
	Receivable / (Payable)	-	-	(538,375)	2,647,122
Firstsource UK Limited	Reimbursement of expenses	118,180	1,421	-	-
	Recovery of expense	3,750	97,804	-	-
	Loan repaid	-	15,000,000	-	-
	Receivable	-	-	337,018	175,883
Medassist Holdings LLC	Reimbursement of expenses	172,440	177,518	-	-
	Recovery of expense	6,821,160	5,375,737	-	-
	Investment	-	-	346,518,624	346,518,624
	Payable	-	-	(41,116,479)	(22,002,193)
Firstsource Health Plans and Healthcare Services, LLC	Reimbursement of expenses	481,818	3,321,777	-	-
	Recovery of expense	8,119,235	4,738,251	-	-
	Payable	-	-	(18,231,051)	(8,616,267)
Firstsource Advantage LLC	Reimbursement of expenses	4,142,005	1,921,450	-	-
	Recovery of expense	268,744	45,652	-	-
	Payable	-	-	(12,222,906)	(12,283,426)
Firstsource Business Process Services LLC	Investment	-	-	29,088,000	29,088,000
	Receivable	-	-	45,912,722	4,962,682
Sourcepoint Fulfillment Services, Inc.	Recovery of expense	453,742	535,315	-	-
	Receivable	-	-	3,507,315	2,953,573
Sourcepoint, Inc.	Reimbursement of expenses	42,311,120	43,020	-	-
	Recovery of expense	21,516,460	6,067,329	-	-
	Capital contribution	30,233,032	-	30,233,032	-
	Investment	-	-	16,691,211	16,691,211
	Payable	-	-	(4,999,999)	(6,152,434)
One Advantage LLC	Reimbursement of expenses	1,116	517,275	-	-
	Recovery of expense	633,294	67,784	-	-
	Payable	-	-	(16,281,092)	(11,600,926)
PatientMatters, LLC	Recovery of expense	443,274	-	-	-
	Receivable	-	-	(1,668,349)	-
Stone Hill Group	Recovery of expense	25,569	-	-	-
	Receivable	-	-	35,569	-
American Recovery Service Incorporated	Recovery of expense	100,000	-	-	-
	Receivable	-	-	110,000	-
Firstsource Solutions México, S. De R.L. De C.V	Recovery of expense	20,015	-	-	-
	Receivable	-	-	20,015	-

*Transfer of funds between the Companies is not considered for related party disclosure of transactions during the year

Firstsource Group USA, Inc.

Notes to the financial statements (Continued)

as at and for the year ended 31 March 2022

(Currency: In US Dollar)

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 2022	31 March 2021
Number of shares considered as basic weighted average shares outstanding	257,039	257,039
Number of shares considered as weighted average shares and potential shares outstanding	257,039	257,039
Net profit after tax attributable to shareholders	(5,468,912)	(3,305,537)
Net profit after tax for diluted earnings per share	(5,468,912)	(3,305,537)

27) Capital and other commitments and contingent liabilities

The Company has capital commitments of USD Nil as at 31 March 2022 (31 March 2021: USD 1,098) and there are no contingent liabilities as at 31 March 2022. (31st March 2021 : USD Nil)

28) Exceptional Item

The Group, through its subsidiary viz, Sourcepoint Inc. ('Sourcepoint'), had a strategic partnership agreement with a leading mortgages business group ('Counterparty') under which Sourcepoint is the preferred vendor for business process management services. As per the terms of the agreement, in exchange for the revenues realized through the Counterparty by Sourcepoint, the Counterparty was entitled to an option to purchase a proportion of the equity of Sourcepoint at a fair value as on the date of grant and further entitled the Counterparty to seek a buyback of its equity from Sourcepoint under certain circumstances. During the year ended 31 March 2022, Sourcepoint and the Counterparty have terminated the above agreement and awarded the Counterparty the option to purchase 110 equity shares in Sourcepoint by way of fresh issuance, equivalent to 15% of the current equity outstanding of Sourcepoint.

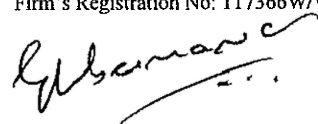
On 27 July 2021, Firstsource Group USA Inc. ('FG US') and the Counterparty referred above, have entered into an option purchase agreement whereby the Counterparty has surrendered its option to purchase shares in Sourcepoint Inc. ("Sourcepoint") in exchange for a fixed consideration of US\$ 23 million (on a deferred payment basis) and a contingent consideration of US\$ 11.25 million based on additional revenues realized by the Group through the Counterparty. During the year ended 31 March 2022, US\$ 12 million has been paid as part of the consideration.

29) Subsequent events

The Company evaluated subsequent events from the balance sheet date through 30 June 2022 and determined there are no material items to report.

As per our report of even date attached.

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



G.K. Subramaniam
Partner
Membership No: 109839

For and on behalf of the Board of Directors
Firstsource Group USA, Inc.



Vipul Khanna
Director



Arjun Mitra
Director

Pratip Chaudhuri
Director