WNS (HOLDINGS) LTD
Form 6-K
January 29, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

For the quarter ended December 31, 2017

Commission File Number 001 32945

WNS (HOLDINGS) LIMITED

(WNS (Holdings) Limited)

Gate 4, Godrej & Boyce Complex

Pirojshanagar, Vikhroli (W)

Mumbai 400 079, India

+91-22 - 4095 - 2100

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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WNS (Holdings) Limited is incorporating by reference the information set forth in this Form 6-K into its registration statements on Form S-8 filed on July 31, 2006 (File No. 333-136168), Form S-8 filed on February 17, 2009 (File No. 333-157356), Form S-8 filed on September 15, 2011 (File No. 333-176849), Form S-8 filed on September 27, 2013 (File No. 333-191416), and Form S-8 filed on October 11, 2016 (File No. 333-214042).

CONVENTIONS USED IN THIS REPORT

In this report, references to US are to the United States of America, its territories and its possessions. References to UK are to the United Kingdom. References to India are to the Republic of India. References to China are to the People s Republic of China. References to South Africa are to the Republic of South Africa. References to $ or dollars or US dollars are to the legal currency of the US, references to or rupees or Indian rupees are to the legal currenc India, references to pound sterling or £ are to the legal currency of the UK, references to pence are to the legal currency of Jersey, Channel Islands, references to Euro are to the legal currency of the European Monetary Union, references to South African rand or R or ZAR are to the legal currency of South Africa, references to A$ or AUD Australian dollars are to the legal currency of Australia, references to RMB are to the legal currency of China, references to LKR or Sri Lankan rupees are to the legal currency of Sri Lanka, and references to PHP or Philippine Peso are to the legal currency of the Philippines. Our financial statements are presented in US dollars and prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS), as issued by the International Accounting Standards Board (IASB), as in effect as at December 31, 2017. To the extent the IASB issues any amendments or any new standards subsequent to December 31, 2017, there may be differences between IFRS applied to prepare the financial statements included in this report and those that will be applied in our annual financial statements for the year ending March 31, 2018. Unless otherwise indicated, the financial information in this interim report on Form 6-K has been prepared in accordance with IFRS, as issued by the IASB. Unless otherwise indicated, references to GAAP in this report are to IFRS, as issued by the IASB. References to our ADSs in this report are to our American Depositary Shares, each representing one of our ordinary shares.

References to a particular fiscal year are to our fiscal year ended March 31 of that calendar year, which is also referred to as fiscal . Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

In this report, unless otherwise specified or the context requires, the term WNS refers to WNS (Holdings) Limited, a public company incorporated under the laws of Jersey, Channel Islands, and the terms our company, the Company, we, our and us refer to WNS (Holdings) Limited and its subsidiaries.

In this report, references to the Commission or the SEC are to the United States Securities and Exchange Commission.

We also refer in various places within this report to revenue less repair payments, which is a non-GAAP financial measure that is calculated as (a) revenue less (b) in our auto claims business, payments to repair centers for fault repair cases where we act as the principal in our dealings with the third party repair centers and our clients. This non-GAAP financial information is not meant to be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, intend, will, project, seek, should and simi
Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources, tax assessment orders and future capital expenditures. We caution you that reliance on any forward-looking statement inherently involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be materially incorrect. These risks and uncertainties include but are not limited to:

- worldwide economic and business conditions;
- political or economic instability in the jurisdictions where we have operations;
- our dependence on a limited number of clients in a limited number of industries;
- regulatory, legislative and judicial developments;
- increasing competition in the business process management industry;
- technological innovation;
- telecommunications or technology disruptions;
- our ability to attract and retain clients;
- our liability arising from fraud or unauthorized disclosure of sensitive or confidential client and customer data;
- negative public reaction in the US or the UK to offshore outsourcing;
- our ability to expand our business or effectively manage growth;

- our ability to hire and retain enough sufficiently trained employees to support our operations;
- the effects of our different pricing strategies or those of our competitors;
- our ability to successfully consummate, integrate and achieve accretive benefits from our strategic acquisitions, and to successfully grow our revenue and expand our service offerings and market share;
- future regulatory actions and conditions in our operating areas; and
- volatility of our ADS price.

These and other factors are more fully discussed in our other filings with the SEC, including in Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in our annual report on Form 20-F for our fiscal year ended March 31, 2017. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans, objectives or projected financial results referred to in any of the forward-looking statements. Except as required by law, we do not undertake to release revisions of any of these forward-looking statements to reflect future events or circumstances.

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Part I- FINANCIAL INFORMATION

WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands, except share and per share data)

	Notes	As at December 31, 2017 (Unaudited)	As at March 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	5	$ 89,664	$ 69,803
Investments	6	118,240	111,992
Trade receivables, net	7	67,475	60,423
Unbilled revenue		56,091	48,915
Funds held for clients		10,086	9,135
Derivative assets	13	18,803	35,401
Prepayments and other current assets	8	26,548	27,385
Total current assets		386,907	363,054
Non-current assets:			
Goodwill	9	135,760	134,008
Intangible assets	10	91,794	96,624
Property and equipment	11	59,428	54,796
Derivative assets	13	3,752	6,581
Deferred tax assets		21,883	16,687
Investments	6	468	429
Other non-current assets	8	40,647	31,944
Total non-current assets		353,732	341,069
TOTAL ASSETS		**$ 740,639**	**$ 704,123**
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables		$ 16,281	$ 14,239
Provisions and accrued expenses	15	27,004	27,217
Derivative liabilities	13	2,455	3,947
Pension and other employee obligations	14	54,947	52,933
Current portion of long term debt	12	27,708	27,613
Deferred revenue	16	3,747	5,478
Current taxes payable		4,110	1,322
Other liabilities	17	15,896	16,015

Total current liabilities		152,148	148,764
Non-current liabilities:			
Derivative liabilities	13	631	836
Pension and other employee obligations	14	10,528	10,680
Long term debt	12	75,364	89,130
Deferred revenue	16	1,048	378
Other non-current liabilities	17	17,916	18,469
Deferred tax liabilities		12,074	20,800
Total non-current liabilities		117,561	140,293
TOTAL LIABILITIES		**$ 269,709**	**$ 289,057**
Shareholders equity:			
Share capital (ordinary shares $0.16 (10 pence) par value, authorized 60,000,000 shares; issued: 54,701,978 shares and 53,312,559 shares; each as at December 31, 2017 and March 31, 2017, respectively)	18	8,514	8,333
Share premium		363,730	338,284
Retained earnings		339,896	277,988
Other components of equity		(106,979)	(114,854)
Total shareholders equity, including shares held in treasury		605,161	509,751
Less: 4,400,000 shares as at December 31, 2017 and 3,300,000 shares as at March 31, 2017, held in treasury, at cost	18	(134,231)	(94,685)
Total shareholders equity		470,930	415,066
TOTAL LIABILITIES AND EQUITY		**$ 740,639**	**$ 704,123**

See accompanying notes.

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WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except share and per share data)

	Notes	Three months ended December 31, 2017	Three months ended December 31, 2016	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Revenue		$ 188,598	$ 145,436	$ 555,246	$ 443,174
Cost of revenue	19	124,450	97,535	374,722	295,913
Gross profit		64,148	47,901	180,524	147,261
Operating expenses:					
Selling and marketing expenses	19	10,559	7,868	29,925	23,591
General and administrative expenses	19	28,345	21,465	87,094	64,478
Foreign exchange gain, net		(4,364)	(6,161)	(13,532)	(8,828)
Amortization of intangible assets		3,927	4,129	11,546	17,610
Operating profit		25,681	20,600	65,491	50,410
Other income, net	21	(2,473)	(2,240)	(7,676)	(6,645)
Finance expense	20	976	33	3,115	131
Profit before income taxes		27,178	22,807	70,052	56,924
Provision for income taxes	23	892	4,829	8,144	14,185
Profit		$ 26,286	$ 17,978	$ 61,908	$ 42,739
Earnings per ordinary share	24				
Basic		$ 0.52	$ 0.36	$ 1.23	$ 0.84
Diluted		$ 0.51	$ 0.35	$ 1.18	$ 0.81

See accompanying notes.

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WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Amounts in thousands)

	Three months ended December 31,		Nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Profit	$ 26,286	$ 17,978	$ 61,908	$ 42,739
Other comprehensive loss, net of taxes				
Items that will not be reclassified to profit or loss:				
Pension adjustment	119	366	1,989	(2,749)
Items that will be reclassified subsequently to profit or loss:				
Changes in fair value of investment in mutual funds	(2)		(6)	
Changes in fair value of cash flow hedges:				
Current period (loss)/gain	11,149	10,676	6,215	34,019
Reclassification to profit/(loss)	(6,244)	(7,062)	(22,381)	(16,861)
Foreign currency translation	11,917	(11,082)	15,759	(24,464)
Income tax (provision)/benefit relating to above	(655)	(1,019)	6,299	(6,033)
	$ 16,165	$ (8,487)	$ 5,886	$ (13,339)
Total other comprehensive income/ (loss), net of taxes	$ 16,284	$ (8,121)	$ 7,875	$ (16,088)
Total comprehensive income	$ 42,570	$ 9,857	$ 69,783	$ 26,651

See accompanying notes.

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WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands, except share and per share data)

	Share capital				Other components of equity			Treasury shares		
	Number	Par value	Share premium	Retained earnings	Foreign Currency Translation Reserve	Cash flow Hedging Reserve	Pension adjustments	Number	Amount	Total shareholde equity
alance as at pril 1, 2016	52,406,304	$ 8,211	$ 306,874	$ 240,225	$ (124,357)	$ 5,928	$ 1,769	1,100,000	$ (30,461)	$ 408,189
hares issued or exercised ptions and SUs (Refer ote 22)	839,129	113	7,987							8,100
urchase of easury shares Refer Note 18)								2,200,000	(64,151)	(64,151
hare-based ompensation xpense (Refer ote 22)			16,464							16,464
xcess tax enefits relating o share-based ptions and SUs			(483)							(483
ransactions ith owners	839,129	113	23,968					2,200,000	(64,151)	(40,070
rofit				42,739						42,739
ther omprehensive ncome/(loss), et of taxes					(24,464)	11,125	(2,749)			(16,088
otal omprehensive				42,739	(24,464)	11,125	(2,749)			26,651

come/(loss) or the period										
alance as at ecember 31, 016	53,245,433	$ 8,324	$ 330,842	$ 282,964	$ (148,821)	$ 17,053	$ (980)	3,300,000	$ (94,612)	$ 394,770

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WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands, except share and per share data)

	Share capital				Other components of equity						
					Foreign currency	Cash flow	Investment in mutual funds fair				Total
	Share capital Number	Par value	Share premium	Retained earnings	translation reserve	hedging reserve	value adjustments	Pension adjustments	Treasury shares Number	Amount	sharehold equity
ance as at ril 1, 2017	53,312,559	$ 8,333	$ 338,284	$ 277,988	$ (132,174)	$ 17,348	7	$ (35)	3,300,000	$ (94,685)	$ 415,06
ares issued exercised ions and Us (Refer e 22)	1,389,419	181	1,166								1,34
chase of sury shares fer Note 18)									1,100,000	(39,546)	(39,54
re-based npensation ense (Refer e 22)			23,506								23,50
chase of ity from -controlling rest			(52)								(5
cess tax efits relating hare-based ions and Us			826								82
nsactions h owners	1,389,419	181	25,446						1,100,000	(39,546)	(13,91
fit				61,908							61,90
					15,759	(9,867)	(6)	1,989			7,87

er nprehensive ome/(loss), of taxes											
al nprehensive ome/(loss) the period				61,908	15,759	(9,867)	(6)	1,989			69,78
ance as at cember 31, 7	54,701,978	$ 8,514	$ 363,730	$ 339,896	$ (116,415)	$ 7,481	$ 1	$ 1,954	4,400,000	$ (134,231)	$ 470,93

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WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Notes	Nine months ended December 31, 2017	2016
Cash flows from operating activities:			
Cash generated from operations		$ 113,018	$ 78,605
Income taxes paid		(15,293)	(17,768)
Interest paid		(2,584)	(56)
Interest received		1,341	644
Net cash provided by operating activities		**96,482**	**61,425**
Cash flows from investing activities:			
Working capital adjustment towards acquisition of HealthHelp, net	4(a)	(508)	
Adjustment towards acquisition of Denali, net	4(b)	454	
Acquisition of Value Edge, net of cash acquired	4(c)		(11,957)
Restricted cash, held in escrow	4(c)		(5,112)
Proceeds from restricted cash held in escrow		239	280
Purchase of property and equipment and intangible assets		(27,830)	(15,488)
Government grant received		168	
Government grants repaid		(50)	
Proceeds from sale of property and equipment		284	378
Proceeds from maturity of fixed maturity plans (FMPs)		100	
Dividends received		2,381	3,147
Marketable securities sold/(purchased), net		10,109	48,457
Investment in fixed deposits		(14,105)	
Net cash provided by investing activities		**(28,758)**	**19,705**
Cash flows from financing activities:			
Buyback of shares		(39,546)	(64,151)
Proceeds from exercise of stock options		1,347	8,100
Repayment of long term debt		(14,050)	
Excess tax benefit from share-based compensation expense		243	267
Purchase of equity of non-controlling interest		(52)	
Payment of debt issuance cost		(354)	
Net cash provided by/(used) in financing activities		**(52,412)**	**(55,784)**
Exchange difference on cash and cash equivalents		4,549	3,469
Net change in cash and cash equivalents		19,861	28,815
Cash and cash equivalents at the beginning of the period		69,803	41,854

Cash and cash equivalents at the end of the period		**$**	**89,664**	**$**	**70,669**
Non-cash transactions:					
Investing activities					
(i) Liability towards property and equipment and intangible assets purchased on credit		$	2,320	$	2,104
(ii) Contingent consideration payable towards acquisition of Value Edge	4(c)				4,833
(iii) Working capital adjustment amount payable towards acquisition of Value Edge	4(c)				765

See accompanying notes.

Reconciliation of liabilities arising from financing activities

	Opening balance April 1, 2017	Cash flows	Non-cash changes Amortization of debt issuance cost/others	Closing balance December 31, 2017
Long term debt (including current portion)	$ 116,743	$ (14,050)	$ 379	$ 103,072

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

1. Company overview

WNS (Holdings) Limited (WNS Holdings), along with its subsidiaries (collectively, the Company), is a global business process management (BPM) company with client service offices in Australia, Dubai (United Arab Emirates), London (UK), New Jersey (US), Switzerland, Germany and Singapore and delivery centers in the People s Republic of China (China), Costa Rica, India, the Philippines, Poland, Romania, Republic of South Africa (South Africa), Sri Lanka, Turkey, the United Kingdom (UK) and the United States (US). The Company s clients are primarily in the insurance; travel and leisure; diversified businesses including manufacturing, retail, consumer packaged goods (CPG), media and entertainment and telecommunications; utilities; consulting and professional services; banking and financial services; healthcare; and shipping and logistics industries. During the year ended March 31, 2017, the Company completed certain acquisitions (Refer Note 4).

WNS Holdings is incorporated in Jersey, Channel Islands and maintains a registered office in Jersey at 22, Grenville Street, St Helier, Jersey JE4 8PX.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on January 29, 2018.

2. Summary of significant accounting policies

Basis of preparation

These condensed interim consolidated financial statements are prepared in compliance with International Accounting Standard (IAS) 34, Interim financial reporting as issued by the IASB. They do not include all of the information required in annual financial statements in accordance with IFRS, as issued by the IASB and should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s annual report on Form 20-F for the fiscal year ended March 31, 2017.

The accounting policies applied are consistent with the policies that were applied for the preparation of the consolidated financial statements for the year ended March 31, 2017.

3. New accounting pronouncements not yet adopted by the Company

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Company s accounting periods beginning on or after April 1, 2018 or later periods. Those which are considered to be relevant to the Company s operations are set out below.

i. In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers (IFRS 15). This standard provides a single, principle-based, five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various other related matters. IFRS 15 also introduced new disclosure requirements with respect to revenue.

The five steps in the model under IFRS 15 are: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contracts; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 replaces the following standards and interpretations:

IAS 11 Construction Contracts ;

IAS 18 Revenue ;

IFRIC 13 Customer Loyalty Programmes ;

IFRIC 15 Agreements for the Construction of Real Estate ;

IFRIC 18 Transfers of Assets from Customers ; and

SIC-31 Revenue - Barter Transactions Involving Advertising Services .

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

When first applying IFRS 15, it should be applied in full for the current period, including retrospective application to all contracts that were not yet complete at the beginning of that period. In respect of prior periods, the transition guidance allows an option to either:

- apply IFRS 15 in full to prior periods (with certain limited practical expedients being available); or
- retain prior period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

In April 2016, the IASB issued amendments to IFRS 15, clarifying some requirements and providing additional transitional relief for companies. The amendments do not change the underlying principles of IFRS 15 but clarify how those principles should be applied. The amendments clarify how to:

- identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognized at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies IFRS 15. The amendments have the same effective date as IFRS 15.

IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. The Company expects to apply this standard retrospectively with the cumulative effect of initially applying this standard recognized at April 1, 2018 (i.e. the date of initial application in accordance with this standard) which will be based on specific terms of active contracts as at April 1, 2018. The Company continues to evaluate specific terms of such contracts, potential changes to accounting system and processes, additional disclosure requirements that may be necessary and believes that the implementation plan is on schedule for adoption on April 1, 2018.

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

ii. In July 2014, the IASB finalized and issued IFRS 9 Financial Instruments (IFRS 9). IFRS 9 replaces IAS 39 Financial instruments: recognition and measurement , the previous standard which dealt with the recognition and measurement of financial instruments in its entirety upon former s effective date.

Key requirements of IFRS 9:

Replaces IAS 39 s measurement categories with the following three categories:

fair value through profit or loss (FVTPL);

fair value through other comprehensive income; and

amortized cost.

Eliminates the requirement for separation of embedded derivatives from hybrid financial assets and the classification requirements to be applied to the hybrid financial asset in its entirety.

Requires an entity to present the amount of change in fair value due to change in the entity s own credit risk in other comprehensive income.

Introduces new impairment model, under which the expected credit loss are required to be recognized as compared to the existing incurred credit loss model of IAS 39.

Fundamental changes in hedge accounting by introduction of new general hedge accounting model which:

increases the eligibility of hedged item and hedging instruments; and

introduces a more principles based approach to assess hedge effectiveness.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Earlier application is permitted provided that all the requirements in the standard are applied at the same time with two exceptions:

(1) The requirement to present changes in the fair value of a liability due to changes in own credit risk may be applied early in isolation; and

(2) An entity may choose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the new general hedge accounting model as provided in IFRS 9.

The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In October 2017, the IASB issued an amendment to IFRS 9 on the modification of financial liabilities measured at amortized cost that does not result in the derecognition of the financial liability. The amendment states that any adjustment to the amortized cost of the financial liability arising from a modification or exchange shall be recognized in the profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

This amendment is to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of IFRS 9 in its current version and early application is permitted. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

iii. In January 2016, the IASB issued IFRS 16 Leases (IFRS 16). Key changes in IFRS 16 include:

- eliminating the requirement to classify a lease as either operating or finance lease in the books of lessee;
- introducing a single lessee accounting model, which requires lessees to recognize assets and liabilities for all leases, initially measured at the present value of unavoidable future lease payment. An entity may elect not to apply this accounting requirement to short term leases and leases for which underlying asset is of low value;
- replacing the straight-line operating lease expense model with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs);
- requiring lessees to classify cash payments for principal and interest portion of lease arrangement within financing activities and financing/operating activities respectively in the cash flow statements; and
- requiring entities to determine whether a contract conveys the right to control the use of an identified asset for a period of time to assess whether that contract is, or contains, a lease.

IFRS 16 replaces IAS 17 Leases and related interpretations viz. IFRIC 4 Determining whether an Arrangement contains a Lease ; SIC-15 Operating Leases Incentives ; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease .

IFRS 16 substantially carries forward lessor accounting requirements in IAS 17 Leases . Disclosures, however, have been enhanced.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Early application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

A lessee shall apply IFRS 16 either retrospectively to each prior reporting period presented or record a cumulative effect of initial application of IFRS 16 as an adjustment to opening balance of equity at the date of initial application.

The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

iv. In June 2016, the IASB issued amendments in IFRS 2 Share-based Payment to clarify the following:

- the accounting for cash-settled share-based payment transactions that include a performance condition should follow the same approach as for equity-settled share-based payment;

- the classification of share-based payment transactions with net settlement features for withholding tax obligations should be classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature; and

- modifications of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

  i. the original liability is derecognized;

  ii. the equity-settled share based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

  iii. any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in the statement of income immediately.

The above amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, if an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The Company expects the adoption of these amendments will have no material impact on its consolidated financial statements.

v. In December 2016, the IFRS Interpretations Committee (IFRIC) issued amendments to IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income (or part of it) in foreign currency.

The exchange rate in this case will be the rate prevalent on the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

On initial application, entities have the choice to apply the Interpretation either retrospectively or, alternatively, prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:

- the beginning of the reporting period in which the entity first applies the Interpretation; or
- the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Interpretation.

The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

vi. In June 2017, the IFRIC issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify the accounting for uncertainties in income taxes, by specifically addressing the following:

- the determination of whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments;
- the assumptions an entity makes about the examination of tax treatments by taxations authorities;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates where there is an uncertainty regarding the treatment of an item; and
- the reassessment of judgements and estimates if facts and circumstances change.

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

On initial application, the requirements are to be applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

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(Amounts in thousands, except share and per share data)

4. Business Combinations

a) HealthHelp

On March 15, 2017 (Acquisition date), the Company acquired all ownership interests of MTS HealthHelp Inc. and its subsidiaries (HealthHelp), which provides benefits management across several specialty healthcare areas, including radiology, cardiology, oncology, sleep care, orthopedics, and pain management, for a total consideration of $68,845, including working capital adjustments of $508 and a contingent consideration of $8,545, payable over a period of two years linked to revenue targets and continuation of an identified client contract. The fair value of the contingent consideration liability was estimated using Level 3 inputs which included an assumption for discount rate of 2.5%. The potential undiscounted amount of all future payments that the Company could be required to make under the contingent consideration arrangement is between $0 and $8,876.

The Company has funded the acquisition primarily with a five-year secured term loan. The Company is expected to leverage HealthHelp s capability in care management to address the needs of payor, provider and insurance organizations.

During the nine months ended December 31, 2017, the Company made a payment of $508 towards working capital adjustments.

The Company has incurred acquisition related costs of $1,809, which have been included in General and administrative expenses in the consolidated statement of income for the year ended March 31, 2017.

The purchase price has been allocated on a provisional basis, as set out below, to the assets acquired and liabilities assumed in the business combination.

	Amount
Cash	$ 3,119
Trade receivables	4,910
Unbilled revenue	1,854
Prepayments and other current assets	1,070
Property and equipment	4,612
Intangible assets	
- Software	1,274
- Customer contracts	4,537
- Customer relationships	49,584
- Service mark	400

- Covenant not-to-compete	4,693
- Technology	4,852
Non-current assets	96
Term loan	(29,249)
Current liabilities	(2,526)
Non-current liabilities	(1,423)
Deferred tax liability	(18,132)
Net assets acquired	**$ 29,671**
Less: Purchase consideration	68,845
Goodwill on acquisition	**$ 39,174**

Goodwill of $14,767 arising from this acquisition is expected to be deductible for tax purposes. Goodwill is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

The purchase consideration has been allocated on a provisional basis based on management s estimates. The Company is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation and revision of amounts recorded as of December 31, 2017 to reflect the final valuation of assets acquired or liabilities assumed.

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(Amounts in thousands, except share and per share data)

b) Denali Sourcing Services Inc.

On January 20, 2017 (Acquisition Date), the Company acquired all outstanding shares of Denali Sourcing Services Inc. (Denali), a provider of strategic procurement BPM solutions for a purchase consideration of $38,659 (including the contingent consideration of $6,277, dependent on the achievement of revenue targets over a period of three years and deferred consideration of $522 payable in first quarter of fiscal 2018), including adjustments for working capital. The fair value of the contingent consideration liability was estimated using Level 3 inputs which included an assumption for discount rate of 2.5%. The potential undiscounted amount of all future payments that the Company could be required to make under the contingent consideration arrangement is between $0 and $6,578. The payment was funded through a three-year secured term loan.

During the nine months ended December 31, 2017, the Company made the payment of $522 towards deferred consideration and an amount of $976 was reduced from purchase consideration towards working capital adjustments.

In January 2018, a contingent consideration of $2,351 was paid by the Company to the sellers on achievement of the revenue target related to the first measurement period.

Denali delivers global sourcing and procurement services to high-tech, retail and CPG, banking and financial services, utilities, and healthcare verticals. The acquisition of Denali is expected to add a strategic procurement capability to the Company s existing Finance and Accounting services and enables the Company to offer procurement solutions to its clients.

The Company has incurred acquisition related costs of $502, which have been included in General and administrative expenses in the consolidated statement of income for the year ended March 31, 2017.

The purchase price has been allocated on a provisional basis, as set out below, to the assets acquired and liabilities assumed in the business combination.

	Amount
Cash	$ 1,204
Trade receivables	2,891
Unbilled revenue	1,256
Prepayments and other current assets	95
Property and equipment	53
Deferred tax asset	18
Intangible assets	
- Software	3
- Customer contracts	3,025

- Customer relationships	8,000
- Trade name	545
- Covenant not-to-compete	1,718
Non-current assets	27
Current liabilities	(3,848)
Short-term line of credit	(475)
Non-current liabilities	(343)
Deferred tax liability	(5,020)
Net assets acquired	**$ 9,149**
Less: Purchase consideration	38,659
Goodwill on acquisition	**$ 29,510**

Goodwill arising from this acquisition is not expected to be deductible for tax purposes. Goodwill is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

The purchase consideration has been allocated on a provisional basis based on management s estimates. The Company is in the process of making a final determination of the fair value of assets and liabilities. Finalization of the purchase price allocation may result in certain adjustments to the above allocation and revision of amounts recorded as of December 31, 2017 to reflect the final valuation of assets acquired or liabilities assumed.

Subsequently, in January 2018, the Company concluded the fair value adjustments of the assets acquired and liabilities assumed on acquisition and no material adjustments were made.

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(Amounts in thousands, except share and per share data)

c) Value Edge

On June 14, 2016 (Acquisition Date), the Company acquired all outstanding equity shares of Value Edge Research Services Private Limited (Value Edge) which provides business research and analytics reports and databases across the domains of pharmaceutical, biotech and medical devices, for a total consideration of $18,265 including working capital adjustments of $765 and contingent consideration of $5,112 (held in escrow), subject to compliance with certain conditions, payable over a period of three years. The acquisition is expected to deepen the Company s domain and specialized analytical capabilities in the growing pharma market, and provide the Company with a technology asset, which is leverageable across clients and industries.

During the nine months ended December 31, 2017, the Company paid an amount of $1,693 towards contingent consideration to the sellers.

The Company has incurred acquisition related costs of $24, which have been included in General and administrative expenses in the consolidated statement of income for the year ended March 31, 2017.

The purchase price has been allocated, as set out below, to the assets acquired and liabilities assumed in the business combination.

	Amount
Cash	$ 432
Trade receivables	370
Unbilled revenue	706
Investments	87
Prepayments and other current assets	99
Property and equipment	78
Deferred tax asset	49
Intangible assets	
- Software	10
- Customer contracts	701
- Customer relationships	1,894
- Trade name	104
- Covenant not-to-compete	2,655
- Technology	1,238
Non-current assets	74
Current liabilities	(1,236)
Non-current liabilities	(126)
Deferred tax liability	(2,281)

Net assets acquired	**$ 4,854**
Less: Purchase consideration	18,265
Goodwill on acquisition	**$ 13,411**

Goodwill arising from this acquisition is not expected to be deductible for tax purposes (Refer Note 23). Goodwill is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

During the year ended March 31, 2017, the Company concluded the fair value adjustments of the assets acquired and liabilities assumed on acquisition. Corresponding changes to the comparatives for the three and nine months ended December 31, 2017 have not been made, as the impact of the change on finalization of purchase price allocation is not material to the Company s statement of financial position or statement of income.

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(Amounts in thousands, except share and per share data)

5. Cash and cash equivalents

The Company considers all highly liquid investments with an initial maturity of up to three months to be cash equivalents. Cash and cash equivalents consist of the following:

	As at	
	December 31, 2017	March 31, 2017
Cash and bank balances	$ 67,010	$ 46,110
Short term deposits with banks	22,654	23,693
Total	**$ 89,664**	**$ 69,803**

Short term deposits can be withdrawn by the Company at any time without prior notice and are readily convertible into known amounts of cash with an insignificant risk of changes in value.

6. Investments

Investments consist of the following:

	As at	
	December 31, 2017	March 31, 2017
Investments in marketable securities and mutual funds(1)	$ 78,813	$ 87,652
Investments in FMPs		96
Investment in fixed deposits	39,895	24,673
Total	**$ 118,708**	**$ 112,421**

Note:

(1) Marketable securities represent short term investments made principally for the purpose of earning dividend income.

	As at	
	December 31, 2017	**March 31, 2017**
Current investments	$ 118,240	$ 111,992
Non-current investment	468	429
Total	**$ 118,708**	**$ 112,421**

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(Amounts in thousands, except share and per share data)

7. Trade receivables, net

Trade receivables consist of the following:

	As at	
	December 31, 2017	**March 31, 2017**
Trade receivables	$ 70,023	$ 62,136
Less: Allowances for doubtful accounts receivable	(2,548)	(1,713)
Total	**$ 67,475**	**$ 60,423**

The movement in the allowances for doubtful accounts receivable is as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Balance at the beginning of the period	$ 2,653	$ 2,045	$ 1,713	$ 4,446
Charged to operations	92	147	1,419	608
Write-offs, net of collections	(82)	(97)	(246)	(2,542)
Reversals	(138)	(360)	(449)	(595)
Translation adjustment	23	(67)	111	(249)
Balance at the end of the period	**$ 2,548**	**$ 1,668**	**$ 2,548**	**$ 1,668**

8. Prepayments and other assets

Prepayments and other assets consist of the following:

	As at	
	December 31, 2017	**March 31, 2017**
Current:		
Service tax and other tax receivables	$ 6,111	$ 8,029
Deferred transition cost	1,099	423

Employee receivables	1,085	1,215
Advances to suppliers	2,306	2,087
Prepaid expenses	8,383	8,819
Restricted cash, held in escrow (Refer Note 4 (c))	1,535	1,611
Others assets	6,029	5,201
Total	**$ 26,548**	**$ 27,385**
Non-current:		
Deposits	$ 8,953	$ 7,569
Income tax assets	13,606	10,202
Service tax and other tax receivables	9,902	6,236
Deferred transition cost	901	365
Restricted cash, held in escrow (Refer Note 4 (c))	1,535	3,222
Others assets	5,750	4,350
Total	**$ 40,647**	**$ 31,944**

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9. Goodwill

	As at December 31, 2017	As at March 31, 2017
Gross carrying amount	$ 159,216	$ 155,681
Accumulated impairment of goodwill	(23,456)	(21,673)
Total	**$ 135,760**	**$ 134,008**

The movement in goodwill balance by reportable segment as at December 31, 2017 and March 31, 2017 is as follows:

Gross carrying amount

	WNS Global BPM	WNS Auto Claims BPM	Total
Balance as at April 1, 2016	$ 46,503	$ 29,739	$ 76,242
Goodwill arising on acquisitions (Refer Note 4(a), 4(b) & 4(c))	82,127		82,127
Foreign currency translation adjustment	1,248	(3,936)	(2,688)
Balance as at March 31, 2017	**$ 129,878**	**$ 25,803**	**$ 155,681**
Goodwill arising on acquisitions (Refer Note 4(a) & 4(b))	(32)		(32)
Foreign currency translation adjustment	1,444	2,123	3,567
Balance as at December 31, 2017	**$ 131,290**	**$ 27,926**	**$ 159,216**

Accumulated impairment losses

	WNS Global BPM	WNS Auto Claims BPM	Total

Balance as at April 1, 2016	$	$		$	
Impairment of goodwill recognized during the year			21,673		21,673
Balance as at March 31, 2017	$	$	21,673	$	21,673
Foreign currency translation adjustment			1,783		1,783
Balance as at December 31, 2017	**$**	**$**	**23,456**	**$**	**23,456**

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(Amounts in thousands, except share and per share data)

10. Intangible assets

The changes in the carrying value of intangible assets for the year ended March 31, 2017 are as follows:

Gross carrying value	**Customer contracts**	**Customer relationships**	**Intellectual property rights**	**Trade names**	**Technology**	**Leasehold benefits**	**Covenant not-to-compete**	**Service mark**	**Software**	**Total**
Balance as at April 1, 2016	$ 156,786	$ 63,147	$ 4,450	$	$	$ 1,835	$ 326		$ 19,760	$ 246,304
Additions									4,611	4,611
On acquisition (Refer Note (4(a),(b),(c))	8,263	59,478		649	6,090		9,066	400	1,287	85,233
Translation adjustments	1,952	(703)	(589)	4	41		59		(72)	692
Balance as at March 31, 2017	$ 167,001	$ 121,922	$ 3,861	$ 653	$ 6,131	$ 1,835	$ 9,451	$ 400	$ 25,586	$ 336,840
Accumulated amortization										
Balance as at April 1, 2016	$ 145,483	$ 58,992	$ 4,450	$	$	$ 1,835	$ 326	$	$ 8,101	$ 219,187
Amortization	10,653	4,016		78	167		650		4,975	20,539
Translation adjustments	1,840	(833)	(589)	2	5		(12)		77	490
Balance as at March 31, 2017	$ 157,976	$ 62,175	$ 3,861	$ 80	$ 172	$ 1,835	$ 964	$	$ 13,153	$ 240,216
Net carrying value as at March 31, 2017	**$ 9,025**	**$ 59,747**	**$**	**$ 573**	**$ 5,959**	**$**	**$ 8,487**	**$ 400**	**$ 12,433**	**$ 96,624**

The changes in the carrying value of intangible assets for the nine months ended December 31, 2017 are as follows:

Gross carrying value	**Customer contracts**	**Customer relationships**	**Intellectual Property and other**	**Trade names**	**Technology**	**Leasehold benefits**	**Covenant not-to-compete**	**Service mark**	**Software**	**Total**

			rights							
Balance as at April 1, 2017	$ 167,001	$ 121,922	$ 3,861	$ 653	$ 6,131	$ 1,835	$ 9,451	400	$ 25,586	$ 336,840
Additions			250						5,957	6,207
Translation adjustments	1,459	766	317	2	20		58		683	3,305
Balance as at December 31, 2017	$ 168,460	$ 122,688	$ 4,428	$ 655	$ 6,151	$ 1,835	$ 9,509	$ 400	$ 32,226	$ 346,352
Accumulated amortization										
Balance as at April 1, 2017	$ 157,976	$ 62,175	$ 3,861	$ 80	$ 172	$ 1,835	$ 964	$	$ 13,153	$ 240,216
Amortization	2,037	2,772	42	177	593		1,736		4,189	11,546
Translation adjustments	1,364	697	317	1	3		29		385	2,796
Balance as at December 31, 2017	$ 161,377	$ 65,644	$ 4,220	$ 258	$ 768	$ 1,835	$ 2,729	$	$ 17,727	$ 254,558
Net carrying value as at December 31, 2017	**$ 7,083**	**$ 57,044**	**$ 208**	**$ 397**	**$ 5,383**	**$**	**$ 6,780**	**$ 400**	**$ 14,499**	**$ 91,794**

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11. Property and equipment

The changes in the carrying value of property and equipment for the year ended March 31, 2017 are as follows:

Gross carrying value	Buildings	Computers and software	Furniture, fixtures and office equipment	Vehicles	Leasehold improvements	Total
Balance as at April 1, 2016	$ 10,150	$ 69,203	$ 60,860	$ 459	$ 52,589	$ 193,261
Additions		4,411	7,455	135	8,105	20,106
On acquisition (Refer Note 4(a),(b),(c))		1,014	1,895	14	1,820	4,743
Disposals/retirements		(3,407)	(1,619)	(33)	(1,723)	(6,782)
Translation adjustments	96	(1,350)	286	12	201	(755)
Balance as at March 31, 2017	$ 10,246	$ 69,871	$ 68,877	$ 587	$ 60,992	$ 210,573
Accumulated depreciation						
Balance as at April 1, 2016	$ 3,661	$ 58,768	$ 47,375	$ 347	$ 36,874	$ 147,025
Depreciation	505	5,742	5,126	92	5,438	16,903
Disposals/retirements		(3,327)	(1,241)	(20)	(1,354)	(5,942)
Translation adjustments	42	(1,372)	171	10	222	(927)
Balance as at March 31, 2017	$ 4,208	$ 59,811	$ 51,431	$ 429	$ 41,180	$ 157,059
Capital work-in-progress						1,282
Net carrying value as at March 31, 2017						**$ 54,796**

The changes in the carrying value of property and equipment for the nine months ended December 31, 2017 are as follows:

Gross carrying value	Buildings	Computers and software	Furniture, fixtures and office equipment	Vehicles	Leasehold improvements	Total

Balance as at April 1, 2017	$ 10,246	$ 69,871	$ 68,877	$ 587	$ 60,992	$ 210,573
Additions		3,004	6,486	93	6,261	15,844
Disposals/retirements		(1,409)	(1,614)	(23)	(2,051)	(5,097)
Translation adjustments	69	2,331	1,702	14	1,610	5,726
Balance as at December 31, 2017	$ 10,315	$ 73,797	$ 75,451	$ 671	$ 66,812	$ 227,046
Accumulated depreciation						
Balance as at April 1, 2017	$ 4,208	$ 59,811	$ 51,431	$ 429	$ 41,180	$ 157,059
Depreciation	385	4,934	4,874	75	4,642	14,910
Disposals/retirements		(1,417)	(1,534)	(23)	(2,057)	(5,031)
Translation adjustments	29	2,033	1,168	9	904	4,143
Balance as at December 31, 2017	$ 4,622	$ 65,361	$ 55,939	$ 490	$ 44,669	$ 171,081
Capital work-in-progress						3,463
Net carrying value as at December 31, 2017						**$ 59,428**

Certain property and equipment are pledged as collateral against borrowings with a carrying amount of $126 and $170 as at December 31, 2017 and March 31, 2017, respectively.

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12. Loans and borrowings

Long-term debt

The long-term loans and borrowings consist of the following:

			As at			
			December 31, 2017		March 31, 2017	
Currency	**Interest rate**	**Final maturity (fiscal year)**	**Foreign Currency**	**Total**	**Foreign currency**	**Total**
US dollars	3M USD Libor +1.27%	2020	$	28,350		34,000
US dollars	3M USD Libor +0.95%	2022	$	75,600		84,000
Total				**103,950**		**118,000**
Less: Debt issuance cost				878		1,257
Total				**103,072**		**116,743**
Current portion of long term debt				$ 27,708		$ 27,613
Long term debt				$ 75,364		$ 89,130

In January 2017, WNS North America Inc. obtained from BNP Paribas, Hong Kong, a three-year term loan facility of $34,000 at an interest rate equal to the three-month US dollar LIBOR plus a margin of 1.27% per annum to finance the acquisition of Denali Sourcing Services Inc. WNS North America Inc. has pledged its shares of Denali Sourcing Services Inc. as security for the loan. In connection with the term loan, the Company has entered into an interest rate swap with a bank to swap the variable portion of the interest based on three-month US dollar LIBOR to a fixed rate of 1.5610%. The facility agreement for the term loan contains certain financial covenants as defined in the facility agreement. This term loan is repayable in six semi-annual installments. The first five repayment installments are $5,650 each and the sixth and final repayment installment is $5,750. On July 20, 2017 and January 22, 2018, the Company made scheduled repayments of $5,650 each. As at December 31, 2017, the Company has complied with the financial covenants in all material respects in relation to this loan facility.

In March 2017, WNS (Mauritius) Limited obtained from HSBC Bank (Mauritius) Ltd. and Standard Chartered Bank, UK a five-year term loan facility of $84,000 at an interest rate equal to the three-month US dollar LIBOR plus a margin of 0.95% per annum to finance the acquisition of HealthHelp. The Company has pledged its shares of WNS

(Mauritius) Limited as security for the loan. In connection with the term loan, the Company has entered into interest rate swaps with banks to swap the variable portion of the interest based on three-month US dollar LIBOR to a fixed rate of 1.9635%. The facility agreement for the term loan contains certain financial covenants as defined in the facility agreement. This term loan is repayable in ten semi-annual installments of $8,400 each. On September 14, 2017, the Company repaid the first scheduled repayment of $8,400. As at December 31, 2017, the Company has complied with the financial covenants in all material respects in relation to this loan facility.

The Company has pledged trade receivables, other financial assets and property and equipment with an aggregate amount of $93,625 and $88,730 as of December 31, 2017 and March 31, 2017, respectively, as collateral for the above borrowings.

Short-term lines of credit

The Company s Indian subsidiary, WNS Global Services Private Limited (WNS Global), has unsecured lines of credit with banks amounting to $63,689. The Company has also established a line of credit in the UK amounting to £9,880 ($13,352 based on the exchange rate on December 31, 2017). Further the Company has also established a line of credit in South Africa amounting to ZAR20,800 ($1,681 based on the exchange rate on December 31, 2017).

As at December 31, 2017, no amounts were drawn under these lines of credit.

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13. Financial instruments
Financial instruments by category

The carrying value and fair value of financial instruments by class as at December 31, 2017 are as follows:

Financial assets

	Loans and receivables	Financial assets at FVTPL	Derivative designated as cash flow hedges (carried at fair value)	Available for sale	Total carrying value	Total fair value
Cash and cash equivalents	$ 89,664	$	$	$	$ 89,664	$ 89,664
Investment in fixed deposits	39,895				39,895	39,895
Investments in marketable securities and mutual funds				78,813	78,813	78,813
Trade receivables	67,475				67,475	67,475
Unbilled revenue	56,091				56,091	56,091
Funds held for clients	10,086				10,086	10,086
Prepayments and other assets(1)	5,449				5,449	5,449
Other non-current assets(2)	10,488				10,488	10,488
Derivative assets		3,407	19,148		22,555	22,555
Total carrying value	**$ 279,148**	**$ 3,407**	**$ 19,148**	**$ 78,813**	**$ 380,516**	**$ 380,516**

Financial liabilities

	Financial liabilities at FVTPL	Derivative designated as cash flow hedges (carried at fair value)	Financial liabilities at amortized cost	Total carrying value	Total fair value
Trade payables	$	$	$ 16,281	$ 16,281	$ 16,281
Long term debt (includes current portion)(3)			103,950	103,950	103,950
Other employee obligations(4)			47,873	47,873	47,873

Provision and accrued expenses			27,004	27,004	27,004
Other liabilities[(5)]	18,088		845	18,933	18,933
Derivative liabilities	177	2,909		3,086	3,086
Total carrying value	**$ 18,265**	**$ 2,909**	**$ 195,953**	**$ 217,127**	**$ 217,127**

Notes:

(1) Excluding non-financial assets $21,099.

(2) Excluding non-financial assets $30,159.

(3) Excluding non-financial asset (unamortized debt issuance cost) $878.

(4) Excluding non-financial liabilities $17,602.

(5) Excluding non-financial liabilities $14,879.

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

The carrying value and fair value of financial instruments by class as at March 31, 2017 are as follows:

Financial assets

	Loans and receivables	Financial assets at FVTPL	Derivative designated as cash flow hedges (carried at fair value)	Available for sale	Total carrying value	Total fair value
Cash and cash equivalents	$ 69,803	$	$	$	$ 69,803	$ 69,803
Investment in fixed deposits	24,673				24,673	24,673
Investments in marketable securities and mutual funds				87,652	87,652	87,652
Investment in FMPs		96			96	96
Trade receivables	60,423				60,423	60,423
Unbilled revenue	48,915				48,915	48,915
Funds held for clients	9,135				9,135	9,135
Prepayments and other assets(1)	4,262				4,262	4,262
Other non-current assets(2)	10,791				10,791	10,791
Derivative assets		5,041	36,941		41,982	41,982
Total carrying value	**$ 228,002**	**$ 5,137**	**$ 36,941**	**$ 87,652**	**$ 357,732**	**$ 357,732**

Financial liabilities

	Financial liabilities at FVTPL	Derivative designated as cash flow hedges (carried at fair value)	Financial liabilities at amortized cost	Total carrying value	Total fair value
Trade payables	$	$	$ 14,239	$ 14,239	$ 14,239
Long term debt (includes current portion)(3)			118,000	118,000	118,000
Other employee obligations(4)			46,701	46,701	46,701
Provision and accrued expenses			27,217	27,217	27,217
Other liabilities(5)	19,678		1,086	20,764	20,764

Derivative liabilities	26	4,757		4,783	4,783
Total carrying value	**$ 19,704**	**$ 4,757**	**$ 207,243**	**$ 231,704**	**$ 231,704**

Notes:

(1) Excluding non-financial assets $23,123.
(2) Excluding non-financial assets $21,153.
(3) Excluding non-financial asset (unamortized debt issuance cost) $1,257.
(4) Excluding non-financial liabilities $16,912.
(5) Excluding non-financial liabilities $13,720.

For the financial assets and liabilities subject to offsetting or similar arrangements, each agreement between the Company and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis.

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NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as at December 31, 2017 are as follows:

Description of types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amount not set off in financial instruments: Financial instruments	Related amount not set off in financial instruments: Cash collateral received	Net Amount
Derivative assets	$ 22,555	$	$ 22,555	$ (1,882)	$	$ 20,673
Total	**$ 22,555**	**$**	**$ 22,555**	**$ (1,882)**	**$**	**$ 20,673**

Description of types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amount not set off in financial instruments: Financial instruments	Related amount not set off in financial instruments: Cash collateral pledged	Net Amount
Derivative liabilities	$ 3,086	$	$ 3,086	$ (1,882)	$	$ 1,204
Total	**$ 3,086**	**$**	**$ 3,086**	**$ (1,882)**	**$**	**$ 1,204**

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as at March 31, 2017 are as follows:

Description of types of financial assets	**Gross amounts of recognized financial assets**	**Gross amounts of recognized financial liabilities offset in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Related amount not set off in financial instruments**		
				Financial instruments	**Cash collateral received**	**Net Amount**
Derivative assets	$ 41,982	$	$ 41,982	$ (1,712)	$	$ 40,270
Total	**$ 41,982**	**$**	**$ 41,982**	**$ (1,712)**	**$**	**$ 40,270**

Description of types of financial liabilities	**Gross amounts of recognized financial liabilities**	**Gross amounts of recognized financial assets offset in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Related amount not set off in financial instruments**		
				Financial Instruments	**Cash collateral pledged**	**Net Amount**
Derivative liabilities	$ 4,783	$	$ 4,783	$ (1,712)	$	$ 3,071
Total	**$ 4,783**	**$**	**$ 4,783**	**$ (1,712)**	**$**	**$ 3,071**

Fair value hierarchy

The following is the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2 other techniques for which all inputs have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The assets and liabilities measured at fair value on a recurring basis as at December 31, 2017 are as follows:

		Fair value measurement at reporting date using		
Description	**December 31, 2017**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets				
Financial assets at FVTPL				
Foreign exchange contracts	$ 3,407	$	$ 3,407	$
Financial assets at fair value through other comprehensive income				
Foreign exchange contracts	18,750		18,750	
Interest rate swaps	398		398	
Investments in marketable securities and mutual funds	78,813	78,345	468	
Total assets	**$ 101,368**	**$ 78,345**	**$ 23,023**	**$**
Liabilities				
Financial liabilities at FVTPL				
Foreign exchange contracts	$ 177	$	$ 177	$
Contingent consideration	18,088			18,088
Financial liabilities at fair value through other comprehensive income				
Foreign exchange contracts	2,794		2,794	
Interest rate swaps	115		115	
Total liabilities	**$ 21,174**	**$**	**$ 3,086**	**$ 18,088**

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

The assets and liabilities measured at fair value on a recurring basis as at March 31, 2017 are as follows:-

		Fair value measurement at reporting date using		
Description	**March 31, 2017**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets				
Financial assets at FVTPL				
Foreign exchange contracts	$ 5,041	$	$ 5,041	$
Investment in FMPs	96	96		
Financial assets at fair value through other comprehensive income				
Foreign exchange contracts	36,733		36,733	
Interest rate swaps	208		208	
Investments in marketable securities and mutual funds	87,652	87,223	429	
Total assets	**$ 129,730**	**$ 87,319**	**$ 42,411**	**$**
Liabilities				
Financial liabilities at FVTPL				
Foreign exchange contracts	$ 26	$	$ 26	$
Contingent consideration	19,678			19,678
Financial liabilities at fair value through other comprehensive income				
Foreign exchange contracts	4,136		4,136	
Interest rate swaps	621		621	
Total liabilities	**$ 24,461**	**$**	**$ 4,783**	**$ 19,678**

Description of significant unobservable inputs to Level 3 valuation

The fair value of the contingent consideration liability was estimated using a probability weighted method and achievement of revenue target with a discount rate of 2.5%. One percentage point change in the unobservable inputs used in fair valuation of the contingent consideration does not have a significant impact on its value.

The fair value is estimated using discounted cash flow approach which involves assumptions and judgments regarding risk characteristics of the instruments, discount rates, future cash flows and foreign exchange spot, forward premium rates and market rates of interest.

During the nine months ended December 31, 2017 and the year ended March 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair value on a non-recurring basis as at March 31, 2017

The non-recurring fair value measurement for the Auto Claim BPM CGU of $38,492 (before cost of disposal of $656) has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

Derivative financial instruments

The primary risks managed by using derivative instruments are foreign currency exchange risk and interest rate risk. Forward and option contracts up to 24 months on various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenue denominated in foreign currencies and monetary assets and liabilities held in non-functional currencies. Interest rate swaps are entered to manage interest rate risk associated with the Company s floating rate borrowings. The Company s primary exchange rate exposure is with the US dollars and pound sterling against the Indian rupee. For derivative instruments which qualify for cash flow hedge accounting, the Company records the effective portion of gain or loss from changes in the fair value of the derivative instruments in other comprehensive income (loss), which is reclassified into earnings in the same period during which the hedged item affects earnings. Derivative instruments qualify for hedge accounting when the instrument is designated as a hedge; the hedged item is specifically identifiable and exposes the Company to risk; and it is expected that a change in fair value of the derivative instrument and an opposite change in the fair value of the hedged item will have a high degree of correlation. Determining the high degree of correlation between the change in fair value of the hedged item and the derivative instruments involves significant judgment including the probability of the occurrence of the forecasted transaction. When it is highly probable that a forecasted transaction will not occur, the Company discontinues the hedge accounting and recognizes immediately in the consolidated statement of income, the gains and losses attributable to such derivative instrument that were accumulated in other comprehensive income (loss).

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The following table presents the notional values of outstanding foreign exchange forward contracts, foreign exchange option contracts and interest rate swap contracts:

	As at	
	December 31, 2017	**March 31, 2017**
Forward contracts (Sell)		
In US dollars	$ 251,370	$ 241,673
In United Kingdom pound sterling	136,278	126,441
In Euro	22,170	14,769
In Australian dollars	51,922	43,474
Others	3,352	3,511
	$ 465,092	**$ 429,868**
Option contracts (Sell)		
In US dollars	$ 99,009	$ 84,490
In United Kingdom pound sterling	110,419	94,094
In Euro	20,917	14,494
In Australian dollars	25,612	19,412
Others	1,239	1,978
	$ 257,196	**$ 214,468**
Interest Rate Swap contracts		
In US dollars	103,950	118,000

The amount of gain/ (loss) reclassified from other comprehensive income into consolidated statement of income in respective line items for the three and nine months ended December 31, 2017 and 2016 are as follows:

	Three months ended December 31,		**Nine months ended December 31,**	
	2017	**2016**	**2017**	**2016**
Revenue	$ 2,405	$ 2,199	$ 9,313	$ 5,696
Foreign exchange gain/(loss), net	3,969	4,863	13,581	11,165
Finance expense	(130)		(512)	
	(2,347)	(2,536)	(8,339)	(6,100)

Income tax related to amounts reclassified into statement of income								
Total	**$**	**3,897**	**$**	**4,526**	**$**	**14,043**	**$**	**10,761**

As at December 31, 2017, a gain amounting to $7,202 on account of cash flow hedges in relation to forward and option contracts entered is expected to be reclassified from other comprehensive income into consolidated statement of income over a period of 24 months and a gain amounting to $279 on account of cash flow hedges in relation to interest rate swaps is expected to be reclassified from other comprehensive income into consolidated statement of income over a period of 51 months.

Due to the discontinuation of cash flow hedge accounting on account of non-occurrence of original forecasted transactions by the end of the originally specified time period, the Company recognized in the consolidated statement of income a gain of nil each for the three months ended December 31, 2017 and 2016, and a loss of $20 and a gain of $666 for the nine months ended December 31, 2017 and 2016, respectively.

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

14. Pension and other employee obligations

Pension and other employee obligations consist of the following:

	As at	
	December 31, 2017	**March 31, 2017**
Current:		
Salaries and bonus	$ 47,873	$ 46,701
Pension	1,084	770
Withholding taxes on salary and statutory payables	5,990	5,462
Total	**$ 54,947**	**$ 52,933**
Non-current:		
Pension and other obligations	$ 10,528	$ 10,680
Total	**$ 10,528**	**$ 10,680**

15. Provisions and accrued expenses

Provisions and accrued expenses consist of the following:

	As at	
	December 31, 2017	**March 31, 2017**
Accrued expenses	27,004	27,217
Total	**$ 27,004**	**$ 27,217**

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WNS (HOLDINGS) LIMITED

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(Amounts in thousands, except share and per share data)

16. Deferred revenue

Deferred revenue consists of the following:

	As at	
	December 31, 2017	**March 31, 2017**
Current:		
Payments in advance of services	$ 1,030	$ 717
Advance billings	2,037	4,014
Others	680	747
Total	**$ 3,747**	**$ 5,478**

	As at	
	December 31, 2017	**March 31, 2017**
Non-current:		
Payments in advance of services	$ 1,029	$ 359
Others	19	19
Total	**$ 1,048**	**$ 378**

17. Other liabilities

Other liabilities consist of the following:

	As at	
	December 31, 2017	**March 31, 2017**
Current:		
Withholding taxes and value added tax payables	$ 5,289	$ 5,356
Contingent consideration (Refer note 4(a), 4(b) and 4(c))	8,349	8,252
Deferred rent	739	677

Other liabilities	1,519	1,730
Total	**$ 15,896**	**$ 16,015**
Non-current:		
Deferred rent	$ 6,270	$ 5,292
Contingent consideration (Refer note 4(a), 4(b) and 4(c))	9,739	11,426
Other liabilities	1,907	1,751
Total	**$ 17,916**	**$ 18,469**

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NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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18. Share capital

As at December 31, 2017, the authorized share capital was £6,100 divided into 60,000,000 ordinary shares of 10 pence each and 1,000,000 preferred shares of 10 pence each. The Company had 50,301,978 ordinary shares (excluding 4,400,000 treasury shares) outstanding as at December 31, 2017. There were no preferred shares outstanding as at December 31, 2017.

As at March 31, 2017, the authorized share capital was £6,100 divided into 60,000,000 ordinary shares of 10 pence each and 1,000,000 preferred shares of 10 pence each. The Company had 50,012,559 ordinary shares (excluding 3,300,000 treasury shares) outstanding as at March 31, 2017. There were no preferred shares outstanding as at March 31, 2017.

Treasury shares

On March 16, 2016, the Company s shareholders authorized a share repurchase program for the repurchase of up to 3,300,000 of the Company s ADSs at a price range of $10 to $50 per ADS. Pursuant to the terms of the repurchase program, the Company s ADSs may be purchased in the open market from time to time for 36 months from March 16, 2016, the date of shareholders approval. The Company is not obligated under the repurchase program to repurchase a specific number of ADSs, and the repurchase program may be suspended at any time at the Company s discretion.

During the year ended March 31, 2017, the Company purchased 2,200,000 ADSs in the open market for a total consideration of $64,224 (including transaction costs of $33 for share repurchase of 2,200,000 ADSs, $111 paid towards cancellation fees for ADSs in relation to share repurchase of 2,200,000 ADSs which was completed during the year ended March 31, 2017, and $55 paid towards cancellation fees for ADSs in relation to share repurchase of 1,100,000 ADSs, which was completed during the year ended March 31, 2016). The shares underlying these purchased ADSs are recorded as treasury shares.

During the nine months ended December 31, 2017, the Company purchased 1,100,000 ADSs in the open market for a total consideration of $39,546 (including transaction costs of $17). The shares underlying these purchased ADSs are recorded as treasury shares.

19. Expenses by nature

Expenses by nature consist of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
Employee cost	$ 111,837	$ 81,852	$ 335,174	$ 247,023

Repair payments	3,437	5,590	12,480	18,830
Facilities cost	21,771	19,011	65,600	55,646
Depreciation	4,935	4,093	14,911	12,478
Legal and professional expenses	5,579	3,442	16,293	9,801
Travel expenses	6,030	4,784	17,695	14,415
Others	9,765	8,096	29,588	25,789
Total cost of revenue, selling and marketing and general and administrative expenses	**$ 163,354**	**$ 126,868**	**$ 491,741**	**$ 383,982**

20. Finance expense

Finance expense consists of the following:

	Three months ended December 31,		**Nine months ended December 31,**	
	2017	**2016**	**2017**	**2016**
Interest expense	$ 728	$ 33	$ 2,226	$ 131
Interest rate swaps	130		512	
Debt issue cost	118		377	
Total	**$ 976**	**$ 33**	**$ 3,115**	**$ 131**

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share and per share data)

21. Other income, net

Other income, net consists of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
Interest income	$ 934	$ 516	$ 2,640	$ 1,513
Dividend income	835	877	2,381	3,148
Net gain/(loss) arising on financial assets designated as FVTPL		1	3	4
Others, net	704	846	2,652	1,980
Total	**$ 2,473**	**$ 2,240**	**$ 7,676**	**$ 6,645**

22. Share-based payments

The Company has three share-based incentive plans: the 2002 Stock Incentive Plan adopted on July 1, 2002 (which has expired), the 2006 Incentive Award Plan adopted on June 1, 2006, as amended and restated in February 2009, September 2011 and September 2013 (which has expired), and the 2016 Incentive Award Plan effective from September 27, 2016 (collectively referred to as the Plans). All these plans are equity-settled. Under these plans, share-based options and RSUs may be granted to eligible participants. Options and RSUs are generally granted for a term of ten years and have a graded vesting period of up to four years. The Company settles employee share-based option exercises with newly issued ordinary shares. As at December 31, 2017, the Company had 2,505,095 ordinary shares available for future grants.

Share-based compensation expense during the three and nine months ended December 31, 2017 and 2016 is as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
Share-based compensation expense recorded in				
Cost of revenue	$ 972	$ 559	$ 3,017	$ 1,943
Selling and marketing expenses	650	385	2,005	1,183
General and administrative expenses	5,555	4,165	18,484	13,338

Total share-based compensation expense	**$**	**7,177**	**$**	**5,109**	**$**	**23,506**	**$**	**16,464**

Upon exercise of share options and RSUs, the Company issued 154,902 and 19,954 shares for the three months ended December 31, 2017 and 2016, respectively, and 1,389,419 and 839,129 shares for the nine months ended December 31, 2017 and 2016, respectively.

BBBEE program in South Africa

During the nine months ended December 31, 2017, the Company s South African subsidiary issued share appreciation rights to certain of its employees to be settled through the Company s shares on the fourth anniversary of the grant date. As part of the settlement, the Company has granted such grantees 32,050 RSUs which shall vest on the fourth anniversary of the grant date, subject to such grantee s continued employment with the Company through the applicable vesting date. The grant date fair value was estimated using a binomial lattice model. The total stock compensation expense in relation to these RSUs was $3,040 to be amortized over the vesting period of four years. The stock compensation expense charged during the three months and nine months ended December 31, 2017 was $190 and $357, respectively.

RSUs related to Total Shareholder s Return (TSR)

During the nine months ended December 31, 2017, the Company has issued 135,630 RSUs to certain employees. The conditions for the vesting of these RSUs are linked to the TSR of the Company in addition to the condition of continued employment with the Company through the applicable vesting period.

The performance of these RSUs shall be assessed based on the TSR of the custom peer group (based on percentile rank) and the industry index (based on outperformance rank). The RSUs granted with the TSR condition, shall vest on the third anniversary of the grant date, subject to the participant s continued employment with the Company through the applicable vesting date and achievement of the specified conditions of stock performance and total shareholder return parameters.

The fair value of these RSUs is determined using Monte-Carlo simulation. The grant date fair value was determined at $36.52. The stock compensation expense charged during the three months and nine months ended December 31, 2017 was $373 and $1,009, respectively. As at December 31, 2017, there was $3,945 of unrecognized compensation cost related to these RSUs.

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NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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23. Income taxes

The domestic and foreign source component of profit/ (loss) before income taxes is as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Domestic	$ (1,461)	$ (1,599)	$ (4,562)	$ (4,329)
Foreign	28,639	24,406	74,614	61,254
Profit before income taxes	**$ 27,178**	**$ 22,807**	**$ 70,052**	**$ 56,925**

The Company s provision for income taxes consists of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Current taxes				
Domestic taxes	$	$	$	$
Foreign taxes	6,950	6,761	14,766	19,711
	$ 6,950	**$ 6,761**	**$ 14,766**	**$ 19,711**
Deferred taxes				
Domestic taxes				
Foreign taxes	(6,058)	(1,932)	(6,622)	(5,526)
	(6,058)	**(1,932)**	**(6,622)**	**(5,526)**
	$ 892	**$ 4,829**	**$ 8,144**	**$ 14,185**

Domestic taxes are nil as there are no statutory taxes applicable in Jersey, Channel Islands. Foreign taxes are based on applicable tax rates in each subsidiary s jurisdiction.

On July 27, 2017, National Company Law Tribunal in India approved the scheme of amalgamation of Value Edge Research Services Limited (Value Edge) and WNS Global Services Private Limited (WNS India). The legal merger resulted in the creation of a tax base of goodwill and certain other identifiable intangible assets in the financial statements of WNS India. WNS India is entitled to claim a tax benefit for amortization of goodwill and intangible assets in its future tax returns. The Company had previously recorded a deferred tax liability for temporary differences between the tax base of identifiable intangible assets and its carrying amount in the Company s consolidated financial statements upon the acquisition of Value Edge. As a result, the carrying value of such liability as at the effective date of the scheme of amalgamation, amounting to $1,686, was derecognized during the nine months ended December 31, 2017.

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Provision (credit) for income taxes has been allocated as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Income taxes on profit	$ 892	$ 4,829	$ 8,144	$ 14,185
Income taxes on other comprehensive income/(loss):				
Unrealized gain on cash flow hedging derivatives	655	1,019	(6,299)	6,033
Income taxes recognized in equity				
Excess tax deductions related to share-based options and RSUs	140	189	(583)	751
Total income taxes	**$ 1,687**	**$ 6,037**	**$ 1,262**	**$ 20,969**

The Company in fiscal 2012 started operations in delivery centers in Pune, Mumbai and Chennai, India registered under the Special Economic Zone (SEZ) scheme. These operations were eligible for a 100% income tax exemption until fiscal 2016 and are eligible for a 50% income tax exemption from fiscal 2017 to fiscal 2026. During fiscal 2015, the Company started these operations in new delivery centers in Gurgaon and Pune, India registered under the SEZ scheme. These operations are eligible for a 100% income tax exemption until fiscal 2019, and a 50% income tax exemption from fiscal 2020 to fiscal 2029. During the nine months ended December 31, 2017, the Company started its operations in new delivery center in Gurgaon, India registered under the SEZ scheme that are eligible for a 100% income tax exemption until fiscal 2022, and a 50% income tax exemption from fiscal 2023 to fiscal 2032. The Government of India pursuant to the Indian Finance Act, 2011 has also levied a minimum alternate tax (MAT) on the book profits earned by the SEZ units at the prevailing rate which is currently 21.34%. The Company s operations in Costa Rica are eligible for a 50% income tax exemption from fiscal 2018 to fiscal 2021. During fiscal 2013, the Company started operations in a delivery center in Techno Plaza II, Manila which was eligible for a tax exemption that expired in fiscal 2017. During fiscal 2016, the Company started its operations in a new delivery center in the Philippines which is eligible for a tax exemption until fiscal 2020. During fiscal 2017, the Company opened two additional delivery centers in Iloilo and Alabang, Philippines which are eligible for a 100% tax exemption until fiscal 2021. During the nine months ended December 31, 2017, the Company opened an additional delivery center in Iloilo, Philippines which is eligible for a 100% tax exemption until fiscal 2022. The Government of Sri Lanka has exempted the profits earned from export revenue from tax, which enables the Company s Sri Lankan subsidiary to continue to claim a tax exemption till fiscal 2018 and would be taxed at 14% on net basis with effect from April 1, 2018.

The Tax Cuts and Jobs Act of 2017 (the 2017 US tax reforms) was enacted on December 22, 2017 with an effective date of January 1, 2018. The reduction in the corporate tax rate from 35% to 21% will have an impact on the various current and deferred tax items recorded by the Company s subsidiaries. At December 31, 2017, the Company has not completed its initial accounting for the tax effects of the Act. However, a reasonable estimate of the effects of such enactment has been made by recognizing a net one-time provisional tax benefit of $5.2 million, primarily resulting from the adjustments to its deferred tax balances arising from intangibles, stock compensation, losses and accruals and transition tax on undistributed earnings of foreign subsidiaries. A provisional amount of $5.2 million has been included as a component of our income tax expense for the three months and nine months ended December 31, 2017, thereby reducing the effective tax rate by 19. 1% and 7.41% for the three and nine months ended December 31, 2017, respectively. The Company is still analyzing certain aspects of the Act and refining its calculations, and expects to update these provisional amounts during the measurement period as additional information is obtained, prepared and analyzed.

From time to time, the Company receives orders of assessment from the Indian tax authorities assessing additional taxable income on the Company and/or its subsidiaries in connection with their review of their tax returns. The Company currently has orders of assessment outstanding for various years through fiscal 2014, which assess additional taxable income that could in the aggregate give rise to an estimated $41,386 in additional taxes, including interest of $13,606. These orders of assessment allege that the transfer prices the Company applied to certain of the international transactions between WNS Global and its other wholly-owned subsidiaries were not on arm s length terms, disallow a tax holiday benefit claimed by the Company, deny the set off of brought forward business losses and unabsorbed depreciation and disallow certain expenses claimed as tax deductible by WNS Global. The Company has appealed against these orders of assessment before higher appellate authorities.

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In addition, the Company has orders of assessment pertaining to similar issues that have been decided in favor of the Company by first level appellate authorities, vacating the tax demands of $45,767 in additional taxes, including interest of $14,130. The income tax authorities have filed appeals against these orders at higher appellate authorities.

Uncertain tax positions are reflected at the amount likely to be paid to the taxation authorities. A liability is recognized in connection with each item that is not probable of being sustained on examination by taxing authority. The liability is measured using single best estimate of the most likely outcome for each position taken in the tax return. Thus, the provision would be the aggregate liability in connection with all uncertain tax positions. As at December 31, 2017, the Company has provided a tax reserve of $12,622 primarily on account of the Indian tax authorities denying the set off of brought forward business losses and unabsorbed depreciation.

As at December 31, 2017, corporate tax returns for years ended March 31, 2015 (for certain legal entities) and onward remain subject to examination by tax authorities in India.

Based on the facts of these cases, the nature of the tax authorities disallowances and the orders from first level appellate authorities deciding similar issues in favor of the Company in respect of assessment orders for earlier fiscal years and after consultation with the Company s external tax advisors, the Company believe these orders are unlikely to be sustained at the higher appellate authorities. The Company has deposited $13,410 of the disputed amounts with the tax authorities and may be required to deposit the remaining portion of the disputed amounts with the tax authorities pending final resolution of the respective matters.

Others

In 2009, the Company received an assessment order from the Indian service tax authority, demanding payment of $5,450 of service tax and related penalty for the period from March 1, 2003 to January 31, 2005. The assessment order alleges that service tax is payable in India on BPM services provided by the Company to clients based abroad as the export proceeds are repatriated outside India by the Company. In response to the appeal filed by the Company with appellate tribunal against the assessment order, the appellate tribunal has remanded the matter back to lower tax authorities to be adjudicated afresh. After consultation with Indian tax advisors, the Company believes this order of assessment is more likely than not to be upheld in favor of the Company. The Company intends to continue to vigorously dispute the assessment.

24. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

Three months ended December 31,

			Nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Numerator:				
Profit	$ 26,286	$ 17,978	$ 61,908	$ 42,739
Denominator:				
Basic weighted average ordinary shares outstanding	50,238,903	50,165,675	50,397,032	50,784,531
Dilutive impact of equivalent share-based options and RSUs	1,732,016	1,617,079	2,201,016	1,913,957
Diluted weighted average ordinary shares outstanding	51,970,919	51,782,755	52,598,048	52,698,488

The computation of earnings per ordinary share (EPS) was determined by dividing profit by the weighted average ordinary shares outstanding during the respective periods.

The Company excluded from the calculation of diluted EPS options and RSUs to purchase 29,875 and 47,233 shares for the three months ended December 31, 2017 and 2016, respectively, and 29,875 and 19,200 shares for the nine months ended December 31, 2017 and 2016, respectively, because their effect will be anti-dilutive.

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25. Subsidiaries

The following is a list of subsidiaries of WNS as at December 31, 2017:

Direct subsidiaries	Step subsidiaries	Place of Incorporation
WNS Global Services Netherlands Cooperatief U.A.		The Netherlands
	WNS Global Services Philippines Inc.	Philippines
	WNS Global Services (Romania) S.R.L.	Romania
WNS North America Inc.		Delaware, USA
	WNS Business Consulting Services Private Limited	India
	WNS Global Services Inc.	Delaware, USA
	WNS BPO Services Costa Rica, S.R.L	Costa Rica
	Denali Sourcing Services Inc.(1)	Delaware, USA
WNS Global Services (UK) Limited(2)		United Kingdom
	WNS Global Services SA (Pty) Limited	South Africa
	- WNS B-BBEE Staff Share Trust(3)	South Africa
	- Ucademy (Pty) Limited(4)	South Africa
WNS Assistance Limited (previously WNS Workflow Technologies Limited)		United Kingdom
	WNS Assistance (Legal) Limited(5)	United Kingdom
	Accidents Happen Assistance Limited	United Kingdom
	WNS Legal Assistance LLP(6)	United Kingdom
WNS (Mauritius) Limited		Mauritius
	WNS Capital Investment Limited	Mauritius
	- WNS Customer Solutions (Singapore) Private Limited	Singapore
	- WNS Global Services (Australia) Pty Ltd	Australia
	- WNS New Zealand Limited(7)	New Zealand
	- Business Applications Associates Beijing Ltd	China
	WNS Global Services Private Limited(8)	India
	- MTS HealthHelp Inc.(9)	Delaware, USA
	- HealthHelp Holdings LLC(9)	Delaware, USA
	- HealthHelp LLC(9)	Delaware, USA
	- Value Edge Inc.(10)	Delaware, USA
	- Value Edge AG.(10)	Switzerland
	- Value Edge GmbH(10)	Germany

	WNS Global Services (Private) Limited	Sri Lanka
	WNS Global Services (Dalian) Co. Ltd.	China

Notes:

(1) On January 20, 2017, the Company acquired all outstanding equity shares of Denali Sourcing Services Inc.