WNS (HOLDINGS) LTD
Form 6-K
January 31, 2019
Table of Contents

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, 2018

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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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), Form S-8 filed on October 11, 2016 (File No. 333-214042) and Form S-8 filed on October 31, 2018 (File No. 333-228070).

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 curren 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 CHF or Swiss Franc are to the legal currency of Switzerland, 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, references to PHP or Philippine Peso are to the legal currency of the Philippines and references to NZD or New Zealand dollar are to the legal currency of New Zealand. 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, 2018. To the extent the IASB issues any amendments or any new standards subsequent to December 31, 2018, 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, 2019. 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.

Table of Contents

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, 2018. 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.

Table of Contents

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, 2018	As at March 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	5	$ 85,315	$ 99,829
Investments	6	49,607	120,960
Trade receivables, net	7	73,804	71,388
Unbilled revenue	7	55,712	61,721
Funds held for clients		9,936	10,066
Derivative assets	13	14,955	11,738
Prepayments and other current assets	8	20,718	24,847
Total current assets		310,047	400,549
Non-current assets:			
Goodwill	9	130,049	135,186
Intangible assets	10	82,098	89,652
Property and equipment	11	57,377	60,606
Derivative assets	13	6,742	3,245
Deferred tax assets		21,853	27,395
Investments	6	80,311	542
Other non-current assets	8	59,025	42,388
Total non-current assets		437,455	359,014
TOTAL ASSETS		**$ 747,502**	**$ 759,563**
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables		$ 20,002	$ 19,703
Provisions and accrued expenses	15	27,703	28,826
Derivative liabilities	13	4,721	6,466
Pension and other employee obligations	14	55,649	64,617
Current portion of long-term debt	12	27,838	27,740
Contract liabilities	16	4,654	2,908
Current taxes payable		1,995	1,262
Other liabilities	17	14,691	15,739
Total current liabilities		157,253	167,261

Non-current liabilities:					
Derivative liabilities	13		542		2,289
Pension and other employee obligations	14		10,466		9,621
Long-term debt	12		47,526		61,391
Contract liabilities	16		1,185		571
Other non-current liabilities	17		10,402		11,662
Deferred tax liabilities			11,209		11,812
Total non-current liabilities			81,330		97,346
TOTAL LIABILITIES		**$**	**238,583**	**$**	**264,607**
Shareholders equity:					
Share capital (ordinary shares $0.16 (10 pence) par value, authorized 60,000,000 shares; issued: 51,069,370 shares and 54,834,080 shares; each as at December 31, 2018 and March 31, 2018, respectively)	18		8,046		8,533
Share premium			262,168		371,764
Retained earnings			448,473		364,424
Other components of equity			(153,417)		(115,534)
Total shareholders equity, including shares held in treasury			565,270		629,187
Less: 1,100,000 shares as at December 31, 2018 and 4,400,000 shares as at March 31, 2018, held in treasury, at cost	18		(56,351)		(134,231)
Total shareholders equity			508,919		494,956
TOTAL LIABILITIES AND EQUITY		**$**	**747,502**	**$**	**759,563**

See accompanying notes.

3

Table of Contents

WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

		Three months ended December 31,		Nine months ended December 31,	
	Notes	2018	2017	2018	2017
Revenue	19	$ 199,746	$ 188,598	$ 598,638	$ 555,246
Cost of revenue	20	125,205	124,450	387,110	374,722
Gross profit		74,541	64,148	211,528	180,524
Operating expenses:					
Selling and marketing expenses	20	10,905	10,559	33,293	29,925
General and administrative expenses	20	28,171	28,345	83,936	87,094
Foreign exchange gain, net		(1,854)	(4,364)	(5,034)	(13,532)
Amortization of intangible assets		3,945	3,927	11,867	11,546
Operating profit		33,374	25,681	87,466	65,491
Other income, net	22	(3,644)	(2,473)	(10,003)	(7,676)
Finance expense	21	812	976	2,484	3,115
Profit before income taxes		36,206	27,178	94,985	70,052
Income tax expense	24	7,623	892	19,224	8,144
Profit after tax		$ 28,583	$ 26,286	$ 75,761	$ 61,908
Earnings per ordinary share	25				
Basic		$ 0.57	$ 0.52	$ 1.51	$ 1.23
Diluted		$ 0.55	$ 0.51	$ 1.45	$ 1.18

See accompanying notes.

4

Table of Contents

WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Amounts in thousands)

	Three months ended December 31,		Nine months ended December 31,	
	2018	**2017**	**2018**	**2017**
Profit after tax	$ 28,583	$ 26,286	$ 75,761	$ 61,908
Other comprehensive income/(loss), net of taxes				
Items that will not be reclassified to profit or loss:				
Pension adjustment	(536)	119	(1,016)	1,989
Items that will be reclassified subsequently to profit or loss:				
Changes in fair value of cash flow hedges:				
Current period gain	22,049	11,149	11,099	6,215
Net change in time value of option contracts designated as cash flow hedges	2,330		(1,342)	
Reclassification to profit or loss	(220)	(6,244)	305	(22,381)
Foreign currency translation gain/(loss)	6,902	11,915	(42,775)	15,753
Income tax (provision)/benefit relating to above	(5,476)	(655)	(1,393)	6,299
	$ 25,585	$ 16,165	$ (34,106)	$ 5,886
Total other comprehensive income/(loss), net of taxes	$ 25,049	$ 16,284	$ (35,122)	$ 7,875
Total comprehensive income	$ 53,632	$ 42,570	$ 40,639	$ 69,783

See accompanying notes.

5

Table of Contents

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, 2017	53,312,559	$ 8,333	$ 338,284	$ 277,988	$ (132,167)	$ 17,348	$ (35)	3,300,000	$ (94,685)	$ 415,066
hares issued or exercised ptions and estricted share nits (RSUs) Refer Note 23)	1,389,419	181	1,166							1,347
urchase of easury shares Refer Note 18)								1,100,000	(39,546)	(39,546
hare-based ompensation Refer Note 23)			23,506							23,506
urchase of quity from on-controlling nterest			(52)							(52
xcess tax enefits elating to hare-based ptions and SUs			826							826
ransactions ith owners	1,389,419	181	25,446					1,100,000	(39,546)	(13,919
rofit after tax				61,908						61,908
ther omprehensive ncome/(loss), et of taxes					15,753	(9,867)	1,989			7,875

otal omprehensive ncome/(loss) or the period				61,908	15,753	(9,867)	1,989			69,783
alance as at ecember 31, 017	54,701,978	$ 8,514	$ 363,730	$ 339,896	$ (116,415)	$ 7,481	$ 1,954	4,400,000	$ (134,231)	$ 470,930

6

Table of Contents

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 sharehold equity
lance as at arch 31, 2018	54,834,080	$ 8,533	$ 371,764	$ 364,424	$ (117,965)	$ (20)	$ 2,451	4,400,000	$ (134,231)	$ 494,95
option of RS 9 (net of) (Refer te 2)				2,777		(2,761)				1
option of RS 15 (net of) (Refer te 2)				5,511						5,51
lance as at ril 1, 2018	54,834,080	8,533	371,764	372,712	(117,965)	(2,781)	2,451	4,400,000	(134,231)	500,48
ares issued exercised ions and tricted share ts (RSUs) efer Note 23)	635,290	85	(85)							
ncellation of asury shares efer Note 18)	(4,400,000)	(572)	(133,659)					(4,400,000)	134,231	
rchase of asury shares efer Note 18)								1,100,000	(56,351)	(56,35
are-based mpensation efer Note 23)			23,501							23,50
cess tax nefits ating to are-based ions and Us			647							64

ansactions th owners	(3,764,710)	(487)	(109,596)					1,100,000	77,880	(32,20
ofit after tax				75,761						75,76
her mprehensive s, net of es					(42,775)	8,669	(1,016)			(35,12
tal mprehensive ome/(loss) the period				75,761	(42,775)	8,669	(1,016)			40,63
lance as at cember 31, 18	51,069,370	$ 8,046	$ 262,168	$ 448,473	$ (160,740)	$ 5,888	$ 1,435	1,100,000	$ (56,351)	$ 508,91

7

Table of Contents

WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Notes	Nine months ended December 31, 2018	2017
Cash flows from operating activities:			
Cash generated from operations		$ 120,621	$ 113,018
Income taxes paid		(15,766)	(15,293)
Interest paid		(1,944)	(2,584)
Interest received		1,804	1,341
Net cash provided by operating activities		**104,715**	**96,482**
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
Purchase of property and equipment and intangible assets		(24,631)	(27,830)
Proceeds from sale of property and equipment		103	284
Proceeds from restricted cash held in escrow	4(c)		239
Government grant received			168
Government grant repaid		(200)	(50)
Investment in fixed deposits		(19,024)	(14,105)
Proceeds from maturity of fixed deposits		24,395	
Proceeds from maturity of fixed maturity plans (FMPs)			100
Profit on sale of marketable securities		730	
Dividends received		32	2,381
Investment in marketable securities (long-term)		(78,823)	
Marketable securities (short-term) sold / (purchased), net		57,456	10,109
Net cash used in investing activities		**(39,962)**	**(28,758)**
Cash flows from financing activities:			
Buyback of shares		(56,351)	(39,546)
Proceeds from exercise of stock options			1,347
Repayment of long-term debt		(14,050)	(14,050)
Excess tax benefit from share-based compensation expense		1,352	243
Purchase of equity of non-controlling interest			(52)
Payment of debt issuance cost			(354)
Net cash used in financing activities		**(69,049)**	**(52,412)**
Exchange difference on cash and cash equivalents		(10,218)	4,549
Net change in cash and cash equivalents		(14,514)	19,861

Cash and cash equivalents at the beginning of the period			99,829		69,803
Cash and cash equivalents at the end of the period		**$**	**85,315**	**$**	**89,664**
Non-cash transactions:					
Investing activities					
(i) Liability towards property and equipment and intangible assets purchased on credit		$	2,968	$	2,320
(ii) Release of restricted cash, held in escrow	4(c)		1,535		1,535

Reconciliation of liabilities arising from financing activities:

	Opening balance April 1, 2018	Cash flows	Non-cash changes Amortization of debt issuance cost	Closing balance December 31, 2018
Long-term debt (including current portion)	$ 89,131	$ (14,050)	$ 283	$ 75,364

See accompanying notes

8

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), Germany, London (UK), New Jersey (US), New Zealand, Singapore and Switzerland 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, Spain, the United Kingdom (UK) and the United States (US). The Company s clients are primarily in the travel, shipping and logistics services and utilities; retail and consumer products group; banking and financial, healthcare and insurance and consulting and professional services industries.

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 31, 2019.

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 the 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, 2018.

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, 2018, except as mentioned below.

Adoption of IFRS 15

Effective April 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15). As a result, the Company has changed its accounting policy for revenue recognition, which has been detailed below.

The Company has applied the standard retrospectively with the cumulative effect being recognized as a transition adjustment to the Company s opening retained earnings as at April 1, 2018. The comparative information has not been restated and continues to be reported in accordance with the principles of IAS 18 Revenue . The initial application of the standard applies to active contracts as at April 1, 2018.

The key area impacted upon adoption of IFRS 15 relates to the accounting for sales commission costs. Specifically, under IFRS 15, a portion of sales commission costs have been recorded as an asset and amortized on a straight-line basis over the expected life of contract rather than expensed as incurred under the Company s erstwhile accounting policy (Refer Note 19).

Revenue recognition

The Company derives revenue from BPM services, comprising back office administration, data management, customer interaction services management, and Auto Claims handling services.

Revenue from rendering services is recognized on an accrual basis when the promised services are performed for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Revenue from the end of last billing to the reporting date is recognized as unbilled revenue. Unbilled revenue for certain contracts is classified as contract assets, as the right to consideration is conditional on factors other than the passage of time. Revenue is net of value-added taxes and includes reimbursements of out-of-pocket expenses.

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue earned by back office administration, data management and customer interaction services management services

Back office administration, data management and customer interaction services contracts are based on the following pricing models:

a) per full-time-equivalent arrangements, which typically involve billings based on the number of full-time employees (or equivalent) deployed on the execution of the business process outsourced;

b) per transaction arrangements, which typically involve billings based on the number of transactions processed (such as the number of e-mail responses, or airline coupons or insurance claims processed);

c) subscription arrangements, which typically involve billings based on per member per month, based on contractually agreed rates;

d) fixed-price arrangements, which typically involve billings based on achievements of pre-defined deliverables or milestones;

e) outcome-based arrangements, which typically involve billings based on the business result achieved by our clients through our service efforts (such as measured based on a reduction in days sales outstanding, improvement in working capital, increase in collections or a reduction in operating expenses); or

f) other pricing arrangements, including cost-plus arrangements, which typically involve billing the contractually agreed direct and indirect costs and a fee based on the number of employees deployed under the arrangement.

Revenues under time-and-material contracts and subscription arrangements are recognized as the services are performed. Revenues are recognized on cost-plus contracts on the basis of contractually agreed direct and indirect costs incurred on a client contract plus an agreed upon profit mark-up. Revenues are recognized on unit-price based contracts based on the number of specified units of work delivered to a client. Such revenues are recognized as the related services are provided in accordance with the client contract.

Revenue for performance obligations that are satisfied over time is recognized in accordance with the methods prescribed for measuring the progress. The input method (cost or efforts expended) has been used to measure progress towards completion as there is a direct relationship between inputs and productivity.

In respect of arrangements involving subcontracting, in part or whole of the assigned work, the Company evaluates revenues to be recognized under criteria established by IFRS 15, Application guidance in paragraphs B34 to B38 *Principal versus agent considerations*.

Contracts with customers includes variability in transaction price primarily due to service level agreements, gain share, minimum commitment and volume discounts. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

Amounts billed or payments received, where revenue recognition criteria have not been met, are recorded as deferred revenue and classified as contract liabilities. These are recognized as revenue when all the recognition criteria have been met. The costs related to the performance of BPM services unrelated to transition services (discussed below) are fulfilment costs classified as contract cost assets and recognized immediately when the conditions for revenue recognition have been met. Any upfront payment received towards future services is recognized over the period when such services are provided.

All incremental and direct costs incurred for acquiring contracts, such as certain sales commission, are classified as contract cost assets. Such costs are amortized over the expected life of the contract.

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Other upfront fees paid to customers are classified as contract assets. Such costs are amortized over the expected life of the contract and recorded as an adjustment to the transaction price and reduced from revenue. For certain BPM customers, the Company performs transition activities at the outset of entering into a new contract. The Company has determined these transition activities do not meet the criteria of IFRS 15 to be accounted for as a separate performance obligation and has deferred revenue attributable to these activities. Accordingly, transition revenues are classified as contract liabilities and are subsequently recognized ratably over the period in which the BPM services are performed. Costs related to such transition services are fulfillment costs which are directly related to the contract and result in generation or enhancement of resources and are expected to be recoverable under the contract and thereby classified as contract cost assets and are recognized ratably over the estimated life of the contract. Further, the deferral of costs is limited to the amount of the deferred revenue. Any costs in excess of the deferred transition revenue are recognized in the period they are incurred.

All contracts entered into by the Company specify the payment terms. Usual payment terms range between 30 - 60 days.

Revenue earned by auto claims handling services

Auto claims handling services include claims handling and administration (Claims Handling), car hire and arranging for repairs with repair centers across the UK and the related payment processing for such repairs (Accident Management). With respect to Claims Handling, the Company receives either a per-claim fee or a fixed fee. Revenue for per claim fee is recognized over the estimated processing period of the claim, which currently ranges from one to two months and revenue for fixed fee is recognized on a straight line basis over the period of the contract. In certain cases, the fee is contingent upon the successful recovery of a claim on behalf of the customer. In these circumstances, the revenue is deferred until the contingency is resolved. Revenue in respect of car hire is recognized over the car hire term.

In order to provide Accident Management services, the Company arranges for the repair through a network of repair centers. The repair costs are invoiced to customers. In determining whether the receipt from the customers related to payments to repair centers should be recognized as revenue, the Company considers the criteria established by IFRS 15, Application guidance in paragraphs B34 to B38 *Principal versus agent considerations* . When the Company determines that it is the principal in providing Accident Management services, amounts received from customers are recognized and presented as third party revenue and the payments to repair centers are recognized as cost of revenue in the consolidated statement of income. Factors considered in determining whether the Company is the principal in the transaction include whether:

a) the Company has the primary responsibility for providing the services,

b) the Company negotiates labor rates with repair centers, and

c) the Company is responsible for timely and satisfactory completion of repairs.

If there are circumstances where the above criteria are not met and therefore the Company is not the principal in providing Accident Management services, amounts received from customers are recognized and presented net of payments to repair centers in the consolidated statement of income. Revenue from Accident Management services is recorded net of the repairer referral fees passed on to customers.

Revenue from legal services in the Auto Claims BPM segment is recognized on the admission of liability by the third party to the extent of fixed fees earned at each stage and any further income on the successful settlement of the claim.

Incremental and direct costs incurred to contract with a claimant are classified as contract cost assets and amortized over the expected period of benefit, not exceeding 15 months. All other costs to the Company are expensed as incurred.

For a description of the Company s revenue recognition accounting policy in effect before the Company s adoption of IFRS 15, see Note 2 Summary of significant accounting policies under Item 18 Financial Statements and Part I, Item 5 Operating and Financial review and prospects Critical Accounting Policies in the Company s annual report on Form 20-F for the year ended March 31, 2018.

Significant judgments

The Company s determination of whether BPM services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Adoption of IFRS 9

On April 1, 2018, the Company adopted the standard IFRS 9 Financial Instruments (IFRS 9) by availing the relief from restating comparative information. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The cumulative impact on adoption of the standard has been recognized as an adjustment to the Company s opening retained earnings as at April 1, 2018.

The standard provides limited exception from prospective application of the new standard for the time value of options, when only the intrinsic value is designated by restating the comparative periods. The time value of options did not have any material impact on the consolidated financial statements. Hence, prior period comparative figures have not been restated and the cumulative impact has been recognized as an adjustment to the Company s retained earnings as at April 1, 2018.

The key areas impacted upon adoption of the standard relates to the recognition of gains/losses on cash flow hedges on intercompany forecasted revenue transactions as part of revenues which had previously been recognized in the foreign exchange gains/losses, net, accounting for time value of options and the presentation of classification and measurement of the Company s financial instruments.

The impact of this standard resulted in an increase in retained earnings of $2,777 as at April 1, 2018 with corresponding increase in the losses in other components of equity of $2,761, in trade receivables of $74 and a decrease in other non-current assets of $84.

Below are the accounting policies for financial instruments consequent to the adoption of IFRS 9:

Financial instruments initial recognition and subsequent measurement

A Financial instruments are classified in the following categories:

Non-derivative financial assets comprising at amortized cost or at fair value through profit or loss (FVTPL).

Non-derivative financial liabilities comprising at FVTPL or at amortized cost.

Derivative financial instruments under the category of financial assets or financial liabilities at FVTPL or at fair value through other comprehensive income (FVOCI).

The classification of financial instruments depends on the purpose for which those were acquired. Management determines the classification of the Company s financial instruments at initial recognition.

Non-derivative financial instruments are recognized initially at fair value. Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

i. Non-derivative financial assets:

a) Financial assets at amortized cost

Financial assets that meet the following criteria are measured at amortized cost (except for investments that are designated at FVTPL on initial recognition):

i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Financial assets at amortized costs are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. They are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

b). Financial assets at FVTPL:

Financial assets that do not meet the amortized cost or FVOCI criteria are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the consolidated statement of income. The gains or losses on disposal of financial assets at FVTPL are recognized in the consolidated statement of income.

Interest income on financial assets at FVTPL is recognized in the consolidated statement of income. Dividend on financial assets at FVTPL is recognized when the Company s right to receive dividend is established.

ii. Non-derivative financial liabilities

All financial liabilities are recognized initially at fair value, except in the case of loans and borrowings which are recognized at fair value net of directly attributable transaction costs. The Company s financial liabilities include trade and other payables, bank overdrafts, contingent consideration and loans and borrowings.

Trade and other payables maturing later than 12 months after the reporting date are presented as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

After initial recognition, contingent consideration are subsequently measured at fair value and the changes to the fair value are recognized in the consolidated statement of income.

iii. Derivative financial instruments and hedge accounting

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities, net investment in foreign operations and forecasted cash flows denominated in foreign currency. The Company limits the effect of foreign exchange rate fluctuation by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments where the counter party is primarily a bank. The Company holds derivative financial instruments such as foreign exchange forwards, option contracts and interest rate swaps to hedge certain foreign currency and interest rate exposures.

Cash flow hedges

The Company recognizes derivative instruments as either assets or liabilities in the statement of financial position at fair value. 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.

For derivative instruments where hedge accounting is applied, the Company records the effective portion of derivative instruments that are designated as cash flow hedges in other comprehensive income/(loss) in the statement of comprehensive income, which is reclassified into earnings in the same period during which the hedged item affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffective portion) or hedge components excluded from the assessment of effectiveness, and changes in fair value of other derivative instruments not designated as qualifying hedges is recorded as gains/losses, net in the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in the cash flow hedging reserve (in other comprehensive income/(loss)) until the period the hedge was effective, remains in the cash flow hedging reserve until the forecasted transaction occurs. Cash flow hedge on interest rate swaps are recorded under finance expense, net. Cash flows from the derivative instruments are classified within cash flows from operating activities in the statement of cash flows.

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).

Gains/losses on cash flow hedges on forecasted revenue transactions are recorded in foreign exchange gains/losses forming part of revenue and changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognized in the statement of income and reported within foreign exchange gains, net within results from operating activities.

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

iv. Offsetting of financial instruments

Financial assets and financial liabilities are offset against each other and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

v. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies.

vi. Impairment of non-derivative financial assets

The Company applies the forward-looking expected credit loss model (ECL) for recognizing impairment loss on financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables and unbilled revenue with no significant financing component are measured at an amount equal to lifetime ECL. The simplified approach for determining the lifetime ECL allowance is performed in two steps:

- all trade receivables and unbilled revenue that are in default, as defined above, are individually assessed for impairment; and

- a general reserve is recognized for all other trade receivables (including those not past due) based on historical loss rates.

For all other financial assets, expected credit losses are measured at an amount equal to the twelve-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain/loss in the consolidated statement of income.

vii. Investments

a. Marketable securities and mutual funds

The Company s marketable securities represent liquid investments and are acquired principally for the purpose of earning daily income. Investments in mutual funds represent investments in mutual fund schemes wherein the mutual fund issuer has invested these funds in enterprise development funds. Investments which are expected to be redeemed within 12 months from the reporting date are classified as current investments, otherwise they are classified as non-current.

These investments are designated at fair value through profit or loss and changes in fair value recognized in the consolidated statement of income. The fair value represents the original cost of the investment and the investment s fair value at each reporting period.

b. Investments in fixed maturity plans

The Company s investments in fixed maturity plans (FMPs) represent investments in mutual fund schemes wherein the mutual fund issuer has invested these funds in certificate of deposits with banks in India. The investments in FMPs are designated as fair value through profit or loss and change in fair value is recognized in the consolidated statement of income. The fair value represents original cost of an investment and the investment s fair value at each reporting period or net asset value (NAV) as quoted.

The Company manages FMPs on a fair value basis in accordance with the entity s documented risk management, investment strategy and information provided to the key managerial personnel. The returns on the investment are measured based on the fair value movement rather than looking at the overall returns on the maturity. The Company s investment purchase and sale decisions are also based on the fair value fluctuations rather than a predetermined policy to hold the investment until maturity. Key management personnel believe that recording these investments through the consolidated statement of income would provide more relevant information to measure the performance of the investment.

For a description of the Company s accounting policy for Financial instruments initial recognition and subsequent measurement in effect before the Company s adoption of IFRS 9, see Note 2 Summary of significant accounting policies under Item 18 Financial Statements and Part I, Item 5 Operating and Financial review and prospects Criti Accounting Policies in the Company s annual report on Form 20-F for the year ended March 31, 2018.

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The cumulative effect of the changes made to the Company s consolidated statement of financial position as at April 1, 2018 for the adoption of IFRS 15 and IFRS 9 is as follows:

	As at March 31, 2018 (as previously reported)	Transition adjustments on adoption of IFRS 15	Transition adjustments on adoption of IFRS 9	As at April 1, 2018 (as adjusted)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 99,829	$	$	$ 99,829
Investments	120,960			120,960
Trade receivables, net	71,388		74	71,462
Unbilled revenue	61,721			61,721
Funds held for clients	10,066			10,066
Derivative assets	11,738			11,738
Prepayments and other current assets	24,847	1,520		26,367
Total current assets	**400,549**	**1,520**	**74**	**402,143**
Non-current assets:				
Goodwill	135,186			135,186
Intangible assets	89,652			89,652
Property and equipment	60,606			60,606
Derivative assets	3,245			3,245
Deferred tax assets	27,395	(1,803)	27	25,619
Investments	542			542
Other non-current assets	42,388	5,861	(84)	48,165
Total non-current assets	**359,014**	**4,058**	**(57)**	**363,015**
TOTAL ASSETS	**759,563**	**5,578**	**17**	**765,158**
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	19,703			19,703
Provisions and accrued expenses	28,826			28,826
Derivative liabilities	6,466			6,466
	64,617			64,617

Pension and other employee obligations				
Current portion of long- term debt	27,740			27,740
Deferred revenue	2,908	27		2,935
Current taxes payable	1,262			1,262
Other liabilities	15,739			15,739
Total current liabilities	**167,261**	**27**		**167,288**
Non-current liabilities:				
Derivative liabilities	2,289			2,289
Pension and other employee obligations	9,621			9,621
Long- term debt	61,391			61,391
Deferred revenue	571	37		608
Other non-current liabilities	11,662			11,662
Deferred tax liabilities	11,812	3	1	11,816
Total non-current liabilities	**97,346**	**40**	**1**	**97,387**
TOTAL LIABILITIES	**264,607**	**67**	**1**	**264,675**
Share capital	8,533			8,533
Share premium	371,764			371,764
Retained earnings	364,424	5,511	2,777	372,712
Other components of equity	(115,534)		(2,761)	(118,295)
Less: shares, held in treasury, at cost	(134,231)			(134,231)
Total shareholders equity	**494,956**	**5,511**	**16**	**500,483**
TOTAL LIABILITIES AND EQUITY	**$ 759,563**	**$ 5,578**	**$ 17**	**$ 765,158**

Details showing the classification and measurement of the Company s financial instruments on adoption of IFRS 9 as at April 1, 2018:

	IAS 39 Category	**IFRS 9 Category**	**Total carrying value**	**Total fair value**
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	$ 99,829	$ 99,829
Investment in fixed deposits	Loans and receivables	Financial assets at amortized cost	21,548	21,548
Investments in marketable securities and mutual funds	Available for sale	Financial assets at FVTPL	99,954	99,954
Trade receivables	Loans and receivables	Financial assets at amortized cost	71,388	71,388

Unbilled revenue	Loans and receivables	Financial assets at amortized cost	61,721	61,721
Funds held for clients	Loans and receivables	Financial assets at amortized cost	10,066	10,066
Prepayments and other assets	Loans and receivables	Financial assets at amortized cost	4,410	4,410
Other non-current assets	Loans and receivables	Financial assets at amortized cost	10,243	10,243
Derivative assets	Financial assets at FVTPL	Financial assets at FVTPL	2,212	2,212
Derivative assets	Derivative designated as cash flow hedges (carried at fair value)	Financial assets at FVOCI	12,771	12,771
Total carrying value			**$ 394,142**	**$ 394,142**

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The impact of adoption of IFRS 15 and IFRS 9 on the Company s consolidated statement of financial position as at December 31, 2018 was as follows:

	As reported (includes the impact of adoption of IFRS 15 and IFRS 9)	Adjustments on adoption of IFRS 15	Adjustments on adoption of IFRS 9	Balances without adoption of IFRS 15 and IFRS 9
ASSETS				
Current assets:				
Cash and cash equivalents	$ 85,315	$	$	$ 85,315
Investments	49,607			49,607
Trade receivables, net	73,804		(16)	73,788
Unbilled revenue	55,712			55,712
Funds held for clients	9,936			9,936
Derivative assets	14,955			14,955
Prepayments and other current assets	20,718	(1,789)		18,929
Total current assets	**310,047**	**(1,789)**	**(16)**	**308,242**
Non-current assets:				
Goodwill	130,049			130,049
Intangible assets	82,098			82,098
Property and equipment	57,377			57,377
Derivative assets	6,742			6,742
Deferred tax assets	21,853	1,803	(27)	23,629
Investments	80,311			80,311
Other non-current assets	59,025	(5,311)	132	53,846
Total non-current assets	**437,455**	**(3,508)**	**105**	**434,052**
TOTAL ASSETS	**747,502**	**(5,297)**	**89**	**742,294**
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	20,002			20,002
Provisions and accrued expenses	27,703			27,703

Derivative liabilities		4,721					4,721
Pension and other employee obligations		55,649					55,649
Current portion of long- term debt		27,838					27,838
Contract liabilities		4,654		(13)			4,641
Current taxes payable		1,995					1,995
Other liabilities		14,691					14,691
Total current liabilities		**157,253**		**(13)**			**157,240**
Non-current liabilities:							
Derivative liabilities		542					542
Pension and other employee obligations		10,466					10,466
Long- term debt		47,526					47,526
Contract liabilities		1,185		(11)			1,174
Other non-current liabilities		10,402					10,402
Deferred tax liabilities		11,209		(3)		(1)	11,205
Total non-current liabilities		**81,330**		**(14)**		**(1)**	**81,315**
TOTAL LIABILITIES		**238,583**		**(27)**		**(1)**	**238,555**
Share capital		8,046					8,046
Share premium		262,168					262,168
Retained earnings		448,473		(5,856)		205	442,822
Other components of equity		(153,417)		586		(115)	(152,946)
Less: shares, held in treasury, at cost		(56,351)					(56,351)
Total shareholders equity		**508,919**		**(5,270)**		**90**	**503,739**
TOTAL LIABILITIES AND EQUITY	**$**	**747,502**	**$**	**(5,297)**	**$**	**89**	**$ 742,294**

16

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The impact of adoption of IFRS 15 and IFRS 9 on the Company s consolidated statement of income for the three months ended December 31, 2018 was as follows:

	Three months ended December 31, 2018			
	As reported (includes the impact of adoption of IFRS 15 and IFRS 9)	**Adjustments on adoption of IFRS 15**	**Adjustments on adoption of IFRS 9**	**Amounts without adoption of IFRS 15 and IFRS 9**
Revenue	$ 199,746	$	$ (29)	$ 199,717
Cost of revenue	125,205	(1,162)		124,043
Gross profit	74,541	1,162	(29)	75,674
Operating expenses:				
Selling and marketing expenses	10,905	354		11,259
General and administrative expenses	28,171		(39)	28,132
Foreign exchange gain, net	(1,854)		(5,279)	(7,133)
Amortization of intangible assets	3,945			3,945
Operating profit	33,374	808	5,289	39,471
Other income, net	(3,644)			(3,644)
Finance expense, net	812			812
Profit before income taxes	36,206	808	5,289	42,303
Income tax expense	7,623		1,090	8,713
Profit after tax	**$ 28,583**	**$ 808**	**$ 4,199**	**$ 33,590**

The impact of adoption of IFRS 15 and IFRS 9 on the Company s consolidated statement of income for the nine months ended December 31, 2018 was as follows:

	Nine months ended December 31, 2018			
	As reported (includes the impact of adoption of IFRS 15 and IFRS 9)	**Adjustments on adoption of IFRS 15**	**Adjustments on adoption of IFRS 9**	**Amounts without adoption of IFRS 15 and**

							IFRS 9
Revenue	$ 598,638	$		$	1,001	$	599,639
Cost of revenue	387,110		732				387,842
Gross profit	211,528		(732)		1,001		211,797
Operating expenses:							
Selling and marketing expenses	33,293		(387)				32,906
General and administrative expenses	83,936				(106)		83,830
Foreign exchange gain, net	(5,034)				(2,587)		(7,621)
Amortization of intangible assets	11,867						11,867
Operating profit	87,466		(345)		3,694		90,815
Other income, net	(10,003)						(10,003)
Finance expense, net	2,484						2,484
Profit before income taxes	94,985		(345)		3,694		98,334
Income tax expense	19,224				712		19,936
Profit after tax	**$ 75,761**	**$**	**(345)**	**$**	**2,982**	**$**	**78,398**

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

eliminates the requirement to classify a lease as either operating or finance lease in the books of lessee;

introduces a single lessee accounting model, which requires lessee to recognize assets and liabilities for all leases, initially measured at the present value of unavoidable future lease payment. Entity may elect not to apply this accounting requirement to short term leases and leases for which underlying asset is of low value;

replaces 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);

requires lessee 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

requires 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.

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

ii. 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 expects the adoption of this standard will have no material impact on its consolidated financial statements.

iii. In February 2018, the IASB issued amendments to IAS 19 Employee Benefits regarding plan amendments, curtailments and settlements. The amendments are as follows:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement;
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

The above amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted but must be disclosed.

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

iv. In October 2018, the IASB issued amendments to IFRS 3 Business Combinations regarding the definition of a Business . The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The above amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

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

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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 $68,910, including working capital adjustments of $573 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 funded the acquisition primarily with a five year secured term loan. The Company is expected to leverage Health Help s capability in care management to address the needs of payor, provider and insurance organizations.

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

During the year ended March 31, 2018, the Company made a payment of $573 towards working capital adjustments. During the year ended March 31, 2018, a contingent consideration of $3,114 was also paid by the Company to the sellers on achievement of the revenue target in relation to the identified client contract related to the first measurement period and an amount of $1,324 was reversed and credited to its consolidated income statement, due to the shortfall in revenue target achievement for the identified client contract, in accordance with the terms of the share purchase agreement.

The purchase price has been allocated, 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	2,016
Prepayments and other current assets	1,060
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	161
Term loan	(29,249)
Current liabilities	(2,555)
Non-current liabilities	(1,423)
Deferred tax liability	(18,163)
Net assets acquired	**$ 29,828**
Less: Purchase consideration	68,910
Goodwill on acquisition	**$ 39,082**

Goodwill of $14,876 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.

During the year ended March 31, 2018, the Company completed the accounting of the assets acquired and liabilities assumed on acquisition. Corresponding changes to the comparatives for the three and nine months ended December 31, 2017 were not made, as the impact of the change on finalization of purchase price allocation is not material.

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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 $38,668 (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.

Denali delivers global sourcing and procurement services to high-tech, retail and Consumer Packaged Goods (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 will enable the Company to offer procurement solutions to its clients.

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

During the year ended March 31, 2018, the Company made payment of $522 towards deferred consideration and an amount of $968 was reduced from the purchase consideration towards working capital adjustments. During the year ended March 31, 2018, a contingent consideration of $2,351 was also paid by the Company to the sellers on achievement of the revenue target related to the first measurement period.

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

	Amount
Cash	$ 1,204
Trade receivables	2,799
Unbilled revenue	1,258
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	(3,781)
Short-term line of credit	(475)
Non-current liabilities	(343)
Deferred tax liability	(5,020)
Net assets acquired	**$ 9,126**
Less: Purchase consideration	38,668
Goodwill on acquisition	**$ 29,542**

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.

During the year ended March 31, 2018, the Company completed the accounting of the assets acquired and liabilities assumed on acquisition. Corresponding changes to the comparatives for the three and nine months ended December 31, 2017 were not made, as the impact of the change on finalization of purchase price allocation is not material.

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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.

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

During the year ended March 31, 2018, the Company released from escrow an amount of $1,535 towards the first instalment of contingent consideration to the sellers. During the nine months ended December 31, 2018, the Company released from escrow an amount of $1,535 towards the second instalment of contingent consideration to the sellers.

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 24). Goodwill is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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, 2018	**March 31, 2018**
Cash and bank balances	$ 52,303	$ 47,738
Short term deposits with banks [1]	33,012	52,091
Total	**$ 85,315**	**$ 99,829**

Note:

(1) 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, 2018	**March 31, 2018**
Investments in marketable securities and mutual funds [1]	$ 116,381	$ 99,954
Investment in fixed deposits	13,537	21,548
Total	**$ 129,918**	**$ 121,502**

Note:

(1) Marketable securities are investments made principally for the purpose of earning daily income. Investments which are expected to be redeemed within 12 months from the reporting date are classified as current investments, otherwise they are classified as non-current.

	As at	
	December 31, 2018	**March 31, 2018**
Current investments	$ 49,607	$ 120,960
Non-current investments	80,311	542
Total	**$ 129,918**	**$ 121,502**

23

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

7. Trade receivables and unbilled revenue, net

Trade receivables and unbilled revenue consist of the following:

	As at	
	December 31, 2018	**March 31, 2018**
Trade receivables and unbilled revenue*	$ 130,067	$ 133,673
Less: Allowances for expected credit losses	(551)	(564)
Total	**$ 129,516**	**$ 133,109**

* As at December 31, 2018, unbilled revenue includes contract assets amounting to $1,412.

The movement in the allowances for expected credit losses is as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2018	**2017**	**2018**	**2017**
Balance as on March 31, 2018	$	$	$ 564	$
Impact of adoption of IFRS 9			(74)	
Balance at the beginning of the period	310	2,653	490	1,713
Charged to profit or loss	308	92	402	1,419
Write-offs, net of collections	(19)	(82)	(304)	(246)
Reversals	(33)	(138)	(41)	(449)
Translation adjustment	(15)	23	4	111
Balance at the end of the period	**$ 551**	**$ 2,548**	$ **551**	**$ 2,548**

24

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

8. Prepayment and other assets

Prepayment and other assets consist of the following:

	As at	
	December 31, 2018	**March 31, 2018**
Current:		
Service tax and other tax receivables	$ 810	$ 6,569
Deferred transition cost*		571
Contract assets	4,999	
Employee receivables	1,602	1,099
Advances to suppliers	2,249	2,877
Prepaid expenses	6,397	7,994
Restricted cash, held in escrow (Refer Note 4 (c))	1,535	1,535
Others assets	3,126	4,202
Total	**$ 20,718**	**$ 24,847**
Non-current:		
Deposits	$ 8,672	$ 8,708
Income tax assets	9,484	12,595
Service tax and other tax receivables	20,420	11,410
Deferred transition cost*		2,467
Contract assets	17,510	
Restricted cash, held in escrow (Refer Note 4 (c))		1,535
Others assets	2,939	5,673
Total	**$ 59,025**	**$ 42,388**

* As at December 31, 2018, deferred transition cost is included within contract assets in accordance with IFRS 15.

9. Goodwill

A summary of the carrying value of goodwill is as follows:

	As at December 31, 2018	As at March 31, 2018
Gross carrying amount	$ 152,212	$ 159,500
Accumulated impairment of goodwill	(22,163)	(24,314)
Total	**$ 130,049**	**$ 135,186**

The movement in goodwill balance by reportable segment as at December 31, 2018 and March 31, 2018 is as follows:

Gross carrying amount

	WNS Global BPM	WNS Auto Claims BPM	Total
Balance as at April 1, 2017	$ 129,878	$ 25,803	$ 155,681
Goodwill initially arising on acquisitions	(92)		(92)
Foreign currency translation adjustment	767	3,144	3,911
Balance as at March 31, 2018	**$ 130,553**	**$ 28,947**	**$ 159,500**
Foreign currency translation adjustment	(4,727)	(2,561)	(7,288)
Balance as at December 31, 2018	**$ 125,826**	**$ 26,386**	**$ 152,212**

Accumulated impairment losses on goodwill

	WNS Global BPM	WNS Auto Claims BPM	Total
Balance as at April 1, 2017	**$**	**$ 21,673**	**$ 21,673**
Foreign currency translation adjustment		2,641	2,641
Balance as at March 31, 2018	**$**	**$ 24,314**	**$ 24,314**
Foreign currency translation adjustment		(2,151)	(2,151)
Balance as at December 31, 2018	**$**	**$ 22,163**	**$ 22,163**

Table of Contents

WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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, 2018 are as follows:

Gross carrying value	Customer contracts	Customer relationships	Intellectual Property and other rights	Trade name	Technology	Leasehold benefits	Covenant not-to-compete	Service mark	Software	Total
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						7,369	7,619
Translation adjustments	93									