

WNS (HOLDINGS) LTD
Form 6-K
July 28, 2017
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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 June 30, 2017
Commission File Number 001 32945

WNS (HOLDINGS) LIMITED

(WNS (Holdings) Limited)

Gate 4, Godrej & Boyce Complex

Pirojshanagar, Vikhroli (W)

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Mumbai 400 079, India

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(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 (Registration 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 currency of India, references to **£** or **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** or **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 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 June 30, 2017. To the extent the IASB issues any amendments or any new standards subsequent to June 30, 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 similar. 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.

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 June 30, 2017 (Unaudited)	As at March 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	5	\$ 105,102	\$ 69,803
Investments	6	88,985	111,992
Trade receivables, net	7	62,727	60,423
Unbilled revenue		54,819	48,915
Funds held for clients		8,943	9,135
Derivative assets	13	26,898	35,401
Prepayments and other current assets	8	30,367	27,385
Total current assets		377,841	363,054
Non-current assets:			
Goodwill	9	135,024	134,008
Intangible assets	10	94,086	96,624
Property and equipment	11	58,004	54,796
Derivative assets	13	3,790	6,581
Deferred tax assets		19,712	16,687
Investments	6	439	429
Other non-current assets	8	32,184	31,944
Total non-current assets		343,239	341,069
TOTAL ASSETS		\$ 721,080	\$ 704,123
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables		\$ 18,372	\$ 14,239
Provisions and accrued expenses	15	29,486	27,217
Derivative liabilities	13	5,224	3,947
Pension and other employee obligations	14	39,637	52,933
Current portion of long term debt	12	27,645	27,613
Deferred revenue	16	4,649	5,478
Current taxes payable		1,950	1,322
Other liabilities	17	16,006	16,015

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Total current liabilities		142,969	148,764
Non-current liabilities:			
Derivative liabilities	13	1,191	836
Pension and other employee obligations	14	12,001	10,680
Long term debt	12	89,230	89,130
Deferred revenue	16	534	378
Other non-current liabilities	17	17,070	18,469
Deferred tax liabilities		20,302	20,800
Total non-current liabilities		140,328	140,293
TOTAL LIABILITIES		\$ 283,297	\$ 289,057
Shareholders equity:			
Share capital (ordinary shares \$0.16 (10 pence) par value, authorized 60,000,000 shares; issued: 53,848,955 shares and 53,312,559 shares; each as at June 30, 2017 and March 31, 2017, respectively)	18	8,402	8,333
Share premium		346,254	338,284
Retained earnings		294,684	277,988
Other components of equity		(116,872)	(114,854)
Total shareholders equity, including shares held in treasury		532,468	509,751
Less: 3,300,000 shares as at June 30, 2017 and March 31, 2017, held in treasury, at cost	18	(94,685)	(94,685)
Total shareholders equity		437,783	415,066
TOTAL LIABILITIES AND EQUITY		\$ 721,080	\$ 704,123

See accompanying notes.

Table of Contents**WNS (HOLDINGS) LIMITED****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

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

		Three months ended June 30,	
	Notes	2017	2016
		(Unaudited)	
Revenue		\$ 180,123	\$ 147,980
Cost of revenue	19	124,747	98,684
Gross profit		55,376	49,296
Operating expenses:			
Selling and marketing expenses	19	9,025	7,698
General and administrative expenses	19	27,484	20,863
Foreign exchange gain, net		(4,812)	(130)
Amortization of intangible assets		3,923	6,325
Operating profit		19,756	14,540
Other income, net	21	(2,779)	(2,329)
Finance expense	20	1,092	68
Profit before income taxes		21,443	16,801
Provision for income taxes	23	4,747	4,639
Profit		\$ 16,696	\$ 12,162
Earnings per ordinary share	24		
Basic		\$ 0.33	\$ 0.24
Diluted		\$ 0.32	\$ 0.23

See accompanying notes.

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WNS (HOLDINGS) LIMITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Amounts in thousands)

	Three months ended June 30,	
	2017	2016
Profit	\$ 16,696	\$ 12,162
Other comprehensive loss, net of taxes		
Items that will not be reclassified to profit or loss:		
Pension adjustment	(832)	(2,833)
Items that will be reclassified subsequently to profit or loss:		
Changes in fair value of investment in mutual funds	(2)	
Changes in fair value of cash flow hedges:		
Current period (loss)/gain	(1,162)	10,786
Reclassification to profit/(loss)	(8,769)	(3,729)
Foreign currency translation	5,621	(15,912)
Income tax (provision)/benefit relating to above	3,126	(2,208)
	\$ (1,186)	\$ (11,063)
Total other comprehensive loss, net of taxes	\$ (2,018)	\$ (13,896)
Total comprehensive income/(loss)	\$ 14,678	\$ (1,734)

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		Share	Retained	Other components of equity			Treasury shares	Total	
	Number	Par value	premium	earnings	Foreign currency translation reserve	Cash flow hedging reserve	Pension adjustments	Number	Amount	shareholder equity
Balance as at April 1, 2016	52,406,304	\$ 8,211	\$ 306,874	\$ 240,225	\$ (124,357)	\$ 5,928	\$ 1,769	1,100,000	\$ (30,461)	\$ 408,189
Shares issued for exercised options and RSUs (Refer Note 22)	260,785	37	602							639
Purchase of treasury shares (Refer Note 18)								750,000	(22,931)	(22,931)
Share-based compensation expense (Refer Note 22)			5,386							5,386
Excess tax benefits relating to share-based options and RSUs			(439)							(439)
Transactions with owners	260,785	37	5,549					750,000	(22,931)	(17,345)
Profit				12,162						12,162
Other comprehensive income/(loss), net of taxes					(15,912)	4,849	(2,833)			(13,896)
Total comprehensive				12,162	(15,912)	4,849	(2,833)			(1,734)

income/(loss)
for the period

Balance as at June 30, 2016	52,667,089	\$ 8,248	\$ 312,423	\$ 252,387	\$ (140,269)	\$ 10,777	\$ (1,064)	1,850,000	\$ (53,392)	\$ 389,110
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Share capital		Share premium	Retained earnings	Other components of equity				Treasury shares		Total shareholdings
	Number	Par value			Foreign currency translation reserve	Cash flow hedging reserve	Investment in mutual funds fair value adjustments	Pension adjustments	Number	Amount	
Balance as at April 1, 2017	53,312,559	\$ 8,333	\$ 338,284	\$ 277,988	\$ (132,174)	\$ 17,348	7	\$ (35)	3,300,000	\$ (94,685)	\$ 415,000
Shares issued and exercised options and Warrants (Refer to Note 22)	536,396	69	1,239								1,300
Share-based compensation expense (Refer to Note 22)			6,362								6,362
Acquisition of subsidiary from non-controlling interest			(52)								(52)
Share-based compensation benefits relating to options and Warrants			421								421
Transactions with owners	536,396	69	7,970								8,000
Net Profit				16,696							16,696
Other comprehensive income/(loss), net of taxes					5,621	(6,805)	(2)	(832)			(2,016)

al												
prehensive												
ome/(loss)												
the period				16,696	5,621	(6,805)	(2)	(832)				14,6
ance as at												
e 30, 2017	53,848,955	\$ 8,402	\$ 346,254	\$ 294,684	\$ (126,553)	\$ 10,543	\$ 5	\$ (867)	3,300,000	\$ (94,685)	\$ 437,7	

Table of Contents**WNS (HOLDINGS) LIMITED****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

	Notes	Three months ended June 30,	
		2017	2016
Cash flows from operating activities:			
Cash generated from operations		\$ 19,468	\$ 20,688
Income taxes paid		(4,894)	(3,155)
Interest paid		(880)	(31)
Interest received		398	180
Net cash provided by operating activities		14,092	17,682
Cash flows from investing activities:			
Acquisition of Value Edge, net of cash acquired	4(c)		(11,956)
Restricted cash, held in escrow	4(c)		(5,112)
Purchase of property and equipment and intangible assets		(7,276)	(5,174)
Deferred consideration paid towards acquisition of Denali	4(b)	(522)	
Proceeds from restricted cash held in escrow		239	
Government grant received		168	
Proceeds from sale of property and equipment		25	29
Dividends received		873	1,322
Marketable securities sold/(purchased), net		23,507	48,824
Net cash provided by investing activities		17,014	27,933
Cash flows from financing activities:			
Buyback of shares			(22,931)
Proceeds from exercise of stock options		1,308	639
Excess tax benefit from share-based compensation expense		130	191
Purchase of equity of non-controlling interest		(52)	
Payment of debt issuance cost		(298)	
Net cash provided by/(used) in financing activities		1,088	(22,101)
Exchange difference on cash and cash equivalents		3,105	(954)
Net change in cash and cash equivalents		35,299	22,560
Cash and cash equivalents at the beginning of the period		69,803	41,854
Cash and cash equivalents at the end of the period		\$ 105,102	\$ 64,414

Non-cash transactions:**Investing activities**

(i) Liability towards property and equipment and intangible assets purchased on credit	\$	6,354	\$	3,376
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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	Closing balance June 30, 2017
Long term debt (including current portion)	\$ 116,743	\$	\$ 132	\$ 116,875

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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 July 28, 2017.

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 IASB. They do not include all of the information required in annual financial statements in accordance with IFRS, as issued by 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, 2017 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

SIC-31 Revenue - Barter Transactions Involving Advertising Services

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).

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

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. Earlier application is permitted. 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). Further, the Company is currently evaluating the impact that this new standard will have on its consolidated financial statements.

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 (FVTOCI)

amortized cost

Eliminates the requirement for separation of embedded derivatives from hybrid financial assets, 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 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) Entity may choose as its accounting policy choice to continue to apply hedge accounting requirements of IAS 39 instead of 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.

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NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

iii. In January 2016, the IASB has 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.

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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 to 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 is currently evaluating the impact of these amendments 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 tax 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.

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 \$68,337, subject to adjustments for cash and working capital, including 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.

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)

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Current liabilities	(2,688)
Non-current liabilities	(1,423)
Deferred tax liability	(18,146)
Net assets acquired	\$ 29,495
Less: Purchase consideration	68,337
Goodwill on acquisition	\$ 38,842

Goodwill of \$14,643 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 June 30, 2017 to reflect the final valuation of assets acquired or liabilities assumed.

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 \$39,635 (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), subject to adjustments for cash and 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 quarter ended June 30, 2017, the Company made the payment of \$522 towards deferred consideration.

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	3,093
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)

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Short-term line of credit	(475)
Non-current liabilities	(343)
Deferred tax liability	(5,020)
Net assets acquired	\$ 9,351
Less: Purchase consideration	39,635
Goodwill on acquisition	\$ 30,284

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 June 30, 2017 to reflect the final valuation of assets acquired or liabilities assumed.

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.

During the quarter ended June 30, 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. 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 months ended June 30, 2016 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.

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	
	June 30, 2017	March 31, 2017
Cash and bank balances	\$ 52,441	\$ 46,110
Short term deposits with banks	52,661	23,693
Total	\$ 105,102	\$ 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.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

6. Investments

Investments consist of the following:

	As at	
	June 30, 2017	March 31, 2017
Investments in marketable securities and mutual funds ⁽¹⁾	\$ 64,550	\$ 87,652
Investments in fixed maturity plans (FMPs)	98	96
Investment in fixed deposits	24,776	24,673
Total	\$ 89,424	\$ 112,421

Note:

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

	As at	
	June 30, 2017	March 31, 2017
Current investments	\$ 88,985	\$ 111,992
Non-current investment	439	429
Total	\$ 89,424	\$ 112,421

7. Trade receivables, net

Trade receivables consist of the following:

	As at	
	June 30, 2017	March 31, 2017

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Trade receivables	\$ 64,415	\$ 62,136
Less: Allowances for doubtful accounts receivable	(1,688)	(1,713)
Total	\$ 62,727	\$ 60,423

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

	Three months ended June 30,	
	2017	2016
Balance at the beginning of the period	\$ 1,713	\$ 4,446
Charged to operations	203	332
Write-offs, net of collections	(118)	(2,454)
Reversals	(159)	(208)
Translation adjustment	49	(113)
Balance at the end of the period	\$ 1,688	\$ 2,003

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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	
	June 30, 2017	March 31, 2017
Current:		
Service tax and other tax receivables	\$ 7,607	\$ 8,029
Deferred transition cost	425	423
Employee receivables	1,157	1,215
Advances to suppliers	1,656	2,087
Prepaid expenses	12,388	8,819
Restricted cash, held in escrow (Refer Note 4 (c))	1,535	1,611
Others assets	5,599	5,201
Total	\$ 30,367	\$ 27,385
Non-current:		
Deposits	\$ 7,935	\$ 7,569
Income tax assets	11,053	10,202
Service tax and other tax receivables	7,127	6,236
Deferred transition cost	468	365
Restricted cash, held in escrow (Refer Note 4 (c))	1,535	3,222
Others assets	4,066	4,350
Total	\$ 32,184	\$ 31,944

9. Goodwill

	As at	
	June 30, 2017	March 31, 2017
Gross carrying amount	\$ 157,550	\$ 155,681
Accumulated impairment of goodwill	(22,526)	(21,673)

Total	\$ 135,024	\$ 134,008
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The movement in goodwill balance by reportable segment as at June 30, 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(b))	410		410
Foreign currency translation adjustment	443	1,016	1,459
Balance as at June 30, 2017	\$ 130,731	\$ 26,819	\$ 157,550

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		853	853
Balance as at June 30, 2017	\$	\$ 22,526	\$ 22,526

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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, 2017 are as follows:

Gross carrying value	Intellectual				Covenant				Total	
	Customer contracts	Customer relationships	property rights	Trade names	Technology	Leasehold benefits	not-to- compete	Service mark		
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 three months ended June 30, 2017 are as follows:

Gross carrying value	Intellectual				Covenant				Total
	Customer contracts	Customer relationships	property rights	Trade names	Technology	Leasehold benefits	not-to- compete	Service mark	

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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									1,193	1,193
Translation adjustments	397	320	152	1	6		19		229	1,124
Balance as at June 30, 2017	\$ 167,398	\$ 122,242	\$ 4,013	\$ 654	\$ 6,137	\$ 1,835	\$ 9,470	\$ 400	\$ 27,008	\$ 339,157
Accumulated amortization										
Balance as at April 1, 2017	\$ 157,976	\$ 62,175	\$ 3,861	\$ 80	\$ 172	\$ 1,835	\$ 964	\$	\$ 13,153	\$ 240,216
Amortization	693	924		59	198		589		1,460	3,923
Translation adjustments	368	300	152				10		102	932
Balance as at June 30, 2017	\$ 159,037	\$ 63,399	\$ 4,013	\$ 139	\$ 370	\$ 1,835	\$ 1,563	\$	\$ 14,715	\$ 245,071
Net carrying value as at June 30, 2017	\$ 8,361	\$ 58,843	\$	\$ 515	\$ 5,767	\$	\$ 7,907	\$ 400	\$ 12,293	\$ 94,086

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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 three months ended June 30, 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		841	1,863	75	1,956	4,735

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Disposals/retirements		(66)	(209)	(23)	(985)	(1,283)
Translation adjustments	19	845	442	4	370	1,680
Balance as at June 30, 2017	\$ 10,265	\$ 71,491	\$ 70,973	\$ 643	\$ 62,333	\$ 215,705

Accumulated depreciation

Balance as at April 1, 2017	\$ 4,208	\$ 59,811	\$ 51,431	\$ 429	\$ 41,180	\$ 157,059
Depreciation	128	1,635	1,535	28	1,475	4,801
Disposals/retirements		(66)	(142)	(23)	(985)	(1,216)
Translation adjustments	8	760	313	2	229	1,312
Balance as at June 30, 2017	\$ 4,344	\$ 62,140	\$ 53,137	\$ 436	\$ 41,899	\$ 161,956

Capital work-in-progress 4,255

Net carrying value as at June 30, 2017 \$ 58,004

Certain property and equipment are pledged as collateral against borrowings with a carrying amount of \$150 and \$170 as at June 30, 2017 and March 31, 2017, respectively.

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

12. Loans and borrowings*Long-term debt*

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

Currency	Interest rate	Final maturity (fiscal year)	Foreign currency	As at	
				June 30, 2017	March 31, 2017
				Total	Total
US dollars	3M USD Libor +1.27%	2020	\$	34,000	34,000
US dollars	3M USD Libor +0.95%	2022	\$	84,000	84,000
Total				118,000	118,000
Less: Debt issuance cost				1,125	1,257
Total				116,875	116,743

Current portion of long term debt

\$ 27,645 \$ 27,613

Long term debt

\$ 89,230 \$ 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, the Company repaid the first scheduled repayment of \$5,650. As at June 30, 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. The first scheduled repayment is in September 2017. As at June 30, 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 \$94,125 and \$88,730 as of June 30, 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 \$63,157. The Company has also established a line of credit in the UK amounting to £9,880 (\$12,823 based on the exchange rate on June 30, 2017). Further the Company has also established a line of credit in South Africa amounting to ZAR 20,800 (\$1,593 based on the exchange rate on June 30, 2017).

As at June 30, 2017, no amounts were drawn under these lines of credit.

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

13. Financial instruments**Financial instruments by category**

The carrying value and fair value of financial instruments by class as at June 30, 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	\$ 105,102	\$	\$	\$	\$ 105,102	\$ 105,102
Investment in fixed deposits	24,776				24,776	24,776
Investments in marketable securities and mutual funds				64,550	64,550	64,550
Investment in FMPs		98			98	98
Trade receivables	62,727				62,727	62,727
Unbilled revenue	54,819				54,819	54,819
Funds held for clients	8,943				8,943	8,943
Prepayments and other assets ⁽¹⁾	4,581				4,581	4,581
Other non-current assets ⁽²⁾	9,470				9,470	9,470
Derivative assets		3,353	27,335		30,688	30,688
Total carrying value	\$ 270,418	\$ 3,451	\$ 27,335	\$ 64,550	\$ 365,754	\$ 365,754

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	\$	\$	\$ 18,372	\$ 18,372	\$ 18,372
Long term debt (includes current portion) ⁽³⁾			118,000	118,000	118,000

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Other employee obligations ⁽⁴⁾			32,808	32,808	32,808
Provision and accrued expenses ⁽⁵⁾			29,486	29,486	29,486
Other liabilities ⁽⁶⁾	17,974		644	18,618	18,618
Derivative liabilities	1,330	5,085		6,415	6,415
Total carrying value	\$ 19,304	\$ 5,085	\$ 199,310	\$ 223,699	\$ 223,699

Notes:

- (1) Excluding non-financial assets \$25,786.
- (2) Excluding non-financial assets \$22,714.
- (3) Excluding non-financial asset (unamortized debt issuance cost) \$1,125.
- (4) Excluding non-financial liabilities \$18,830.
- (5) Excluding non-financial liabilities \$Nil.
- (6) Excluding non-financial liabilities \$14,458.

Table of Contents**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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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as at June 30, 2017 are as follows:

Description of types of financial assets	Gross amounts		Net amounts			
	of recognized financial assets	of financial position	of financial position	of financial instruments	Cash collateral received	Net Amount
Derivative assets	\$ 30,688	\$	\$ 30,688	\$ (2,066)	\$	\$ 28,622
Total	\$ 30,688	\$	\$ 30,688	\$ (2,066)	\$	\$ 28,622

Description of types of financial liabilities	Gross amounts		Net amounts			
	of recognized financial liabilities	of financial position	of financial position	of financial instruments	Cash collateral pledged	Net Amount
Derivative liabilities	\$ 6,415	\$	\$ 6,415	\$ (2,066)	\$	\$ 4,349
Total	\$ 6,415	\$	\$ 6,415	\$ (2,066)	\$	\$ 4,349

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		Net amounts of financial liabilities offset assets Related amount not set off in presented in financial instruments		Cash collateral received	Net Amount
	in the statement recognized financial assets	of the statement financial position	in the statement of financial position	Financial instruments		
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		Net amounts of financial liabilities Related amount not set off in presented in financial instruments		Cash collateral pledged	Net Amount
	in the statement recognized financial liabilities	of the statement financial position	in the statement of financial position	Financial Instruments		
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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WNS (HOLDINGS) LIMITED

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 June 30, 2017 are as follows:

Description	Fair value measurement at reporting date using			
	June 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
<i>Financial assets at FVTPL</i>				
Foreign exchange contracts	\$ 3,353	\$	\$ 3,353	\$
Investment in FMPs	98	98		
<i>Financial assets at fair value through other comprehensive income</i>				
Foreign exchange contracts	27,297		27,297	
Interest rate swaps	38		38	
Investments in marketable securities and mutual funds	64,550	64,111	439	
Total assets	\$ 95,336	\$ 64,209	\$ 31,127	\$
Liabilities				
<i>Financial liabilities at FVTPL</i>				
Foreign exchange contracts	\$ 1,330	\$	\$ 1,330	\$
Contingent consideration	17,974			17,974
<i>Financial liabilities at fair value through other comprehensive income</i>				
Foreign exchange contracts	4,517		4,517	
Interest rate swaps	568		568	
Total liabilities	\$ 24,389	\$	\$ 6,415	\$ 17,974

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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:-

Description	March 31, 2017	Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
<i>Financial assets at FVTPL</i>				
Foreign exchange contracts	\$ 5,041	\$	\$ 5,041	\$
Investment in FMPs	96	96		
<i>Financial assets at fair value through other comprehensive income</i>				
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				
<i>Financial liabilities at FVTPL</i>				
Foreign exchange contracts	\$ 26	\$	\$ 26	\$
Contingent consideration	19,678			19,678
<i>Financial liabilities at fair value through other comprehensive income</i>				
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 three months ended June 30, 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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(Amounts in thousands, except share and per share data)

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

	As at	
	June 30, 2017	March 31, 2017
Forward contracts (Sell)		
In US dollars	\$ 253,871	\$ 241,673
In United Kingdom pound sterling	136,890	126,441
In Euro	21,276	14,769
In Australian dollars	53,426	43,474
Others	3,971	3,511
	\$ 469,434	\$ 429,868
Option contracts (Sell)		
In US dollars	\$ 83,806	\$ 84,490
In United Kingdom pound sterling	98,704	94,094
In Euro	19,954	14,494
In Australian dollars	22,585	19,412
Others	1,757	1,978
	\$ 226,806	\$ 214,468
Interest Rate Swap contracts		
In US dollars	118,000	118,000

The amount of gain/ (loss) reclassified from other comprehensive income into consolidated statement of income in respective line items for the three months ended June 30, 2017 and 2016 are as follows:

	Three months ended June 30,	
	2017	2016
Revenue	\$ 3,778	\$ 1,453
Foreign exchange gain, net	5,202	2,276
Finance expense	(211)	(1,421)
	(3,231)	(1,421)

Income tax related to amounts reclassified into consolidated statement of income

Total	\$ 5,538	\$ 2,308
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As at June 30, 2017, the gain amounting to \$11,017 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 loss amounting to \$474 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 57 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 for the three months ended June 30, 2017 and 2016 a loss of \$152 and gain of \$666, 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 June 30, 2017	March 31, 2017
Current:		
Salaries and bonus	\$ 32,808	\$ 46,701
Pension	873	770
Withholding taxes on salary and statutory payables	5,956	5,462
Total	\$ 39,637	\$ 52,933
Non-current:		
Pension and other obligations	\$ 12,001	\$ 10,680
Total	\$ 12,001	\$ 10,680

15. Provisions and accrued expenses

Provisions and accrued expenses consist of the following:

	As at June 30, 2017	March 31, 2017
Accrued expenses	29,486	27,217
Total	\$ 29,486	\$ 27,217

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

16. Deferred revenue

Deferred revenue consists of the following:

	June 30,	As at March 31,
	2017	2017
Current:		
Payments in advance of services	\$ 689	\$ 717
Advance billings	2,814	4,014
Others	1,146	747
Total	\$ 4,649	\$ 5,478

	June 30,	As at March 31,
	2017	2017
Non-current:		
Payments in advance of services	\$ 515	\$ 359
Others	19	19
Total	\$ 534	\$ 378

17. Other liabilities

Other liabilities consist of the following:

	June 30,	As at March 31,
	2017	2017
Current:		
Withholding taxes and value added tax payables	\$ 5,594	\$ 5,356
Contingent consideration (Refer note 4(a), 4(b) and 4(c))	8,235	8,252
Deferred rent	682	677

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Other liabilities	1,495	1,730
Total	\$ 16,006	\$ 16,015
Non-current:		
Deferred rent	\$ 5,640	\$ 5,292
Contingent consideration (Refer note 4(a), 4(b) and 4(c))	9,739	11,426
Other liabilities	1,691	1,751
Total	\$ 17,070	\$ 18,469

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Amounts in thousands, except share and per share data)****18. Share capital**

As at June 30, 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 50,548,955 ordinary shares (excluding 3,300,000 treasury shares) outstanding as at June 30, 2017. There were no preferred shares outstanding as at June 30, 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 3.3 million 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 quarter ended June 30, 2017, the Company has not made any share repurchases under the said share repurchase program.

19. Expenses by nature

Expenses by nature consist of the following:

	Three months ended June 30,	
	2017	2016
Employee cost	\$ 108,721	\$ 81,314
Repair payments	4,844	7,192
Facilities cost	21,939	17,926

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Depreciation	4,801	4,123
Legal and professional expenses	5,574	3,271
Travel expenses	5,920	4,602
Others	9,457	8,817
Total cost of revenue, selling and marketing and general and administrative expenses	\$ 161,256	\$ 127,245

20. Finance expense

Finance expense consists of the following:

	Three months ended June 30,	
	2017	2016
Interest expense	\$ 749	\$ 68
Interest rate swaps	211	
Debt issue cost	132	
Total	\$ 1,092	\$ 68

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

21. Other income, net

Other income, net consists of the following:

	Three months ended June 30,	
	2017	2016
Interest income	\$ 791	\$ 470
Dividend income	873	1,323
Net gain arising on financial assets designated as FVTPL	2	
Others, net	1,113	536
Total	\$ 2,779	\$ 2,329

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 the 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 three years. The Company settles employee share-based option exercises with newly issued ordinary shares. As at June 30, 2017, the Company had 2,530,364 ordinary shares available for future grants.

Share-based compensation expense during the three months ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30,	
	2017	2016
Share-based compensation expense recorded in		
Cost of revenue	\$ 776	\$ 609
Selling and marketing expenses	524	295
General and administrative expenses	5,062	4,482
Total share-based compensation expense	\$ 6,362	\$ 5,386

Upon exercise of share-based options and RSUs, the Company issued 536,396 and 260,785 shares, respectively, for the three months ended June 30, 2017 and 2016, respectively.

RSUs related to Total Shareholder s Return (TSR)

During the quarter ended June 30, 2017, the Company has issued 135,630 RSUs to certain key employees linked to the TSR of the Company in addition to service and performance conditions.

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. As at June 30, 2017, there was \$4,717 of unrecognized compensation cost related to these RSUs.

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

	Three months ended June 30,	
	2017	2016
Domestic	\$ (808)	\$ (1,013)
Foreign	22,251	17,814
Profit before income taxes	\$ 21,443	\$ 16,801

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

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

	Three months ended June 30,	
	2017	2016
Current taxes		
Domestic taxes	\$	\$
Foreign taxes	4,726	6,314
	\$ 4,726	\$ 6,314
Deferred taxes		
Domestic taxes		
Foreign taxes	21	(1,675)
	21	(1,675)
Provision for income taxes	\$ 4,747	\$ 4,639

Domestic taxes are nil as there are no statutory taxes applicable in Jersey, Channel Islands at a rate of 0%. Foreign taxes are based on applicable tax rates in each subsidiary's jurisdiction.

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

	Three months ended June 30,	
	2017	2016
Income taxes on profit	\$ 4,747	\$ 4,639
Income taxes on other comprehensive income/(loss)		
Unrealized gain on cash flow hedging derivatives	(3,126)	2,208
Income taxes recognized in equity		
Excess tax deductions related to share based options and RSUs	(291)	642
Total income taxes	\$ 1,330	\$ 7,489

The Company has a delivery center located in Gurgaon, India registered under the Special Economic Zone (SEZ) scheme, and is eligible for 50% income tax exemption from fiscal 2013 to fiscal 2022. The Company in fiscal 2012

started operations in delivery centers in Pune, Mumbai and Chennai, India registered under the SEZ scheme which were eligible for a 100% income tax exemption until fiscal 2016 and is eligible for a 50% income tax exemption from fiscal 2017 to fiscal 2026. During fiscal 2015, the Company started its operations in new delivery centers in Gurgaon and Pune, India registered under the SEZ scheme that are eligible for a 100% income tax exemption until fiscal 2019, and a 50% income tax exemption from fiscal 2020 to fiscal 2029. 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 100% income tax exemption until fiscal 2017 and a 50% income tax exemption from fiscal 2018 to fiscal 2021. The Company's operations in one of the units located in the Philippines were eligible for tax exemptions which expired in fiscal 2016. 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, Manila and Alabang, Philippines which are eligible for a 100% tax exemption until fiscal 2021. 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.

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WNS (HOLDINGS) LIMITED

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

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 2013, which assess additional taxable income that could in the aggregate give rise to an estimated \$36,995 in additional taxes, including interest of \$13,701. 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.

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 \$45,003 in additional taxes, including interest of \$13,897. 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 June 30, 2017, the Company has provided a tax reserve of \$12,484 primarily on account of the Indian tax authorities denying the set off of brought forward business losses and unabsorbed depreciation.

As at June 30, 2017, corporate tax returns for years ended March 31, 2014 (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 believes these orders are unlikely to be sustained at the higher appellate authorities. The Company has deposited \$12,081 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

On March 21, 2009, the Company received an assessment order from the Indian service tax authority, demanding payment of \$5,391 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 in April 2009, 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 June 30,	
	2017	2016
Numerator:		
Profit	\$ 16,696	\$ 12,162
Denominator:		
Basic weighted average ordinary shares outstanding	50,285,835	51,238,414
Dilutive impact of equivalent stock options and RSUs	2,273,014	2,100,814
Diluted weighted average ordinary shares outstanding	52,558,849	53,339,228

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

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The following is a list of subsidiaries of WNS as at June 30, 2017:

		Place of
Direct subsidiaries	Step subsidiaries	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 Research Services Private Limited ⁽¹⁰⁾	India

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- 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.
- (2) WNS Global Services (UK) is being jointly held by WNS Holdings Limited and WNS Global Services Private Limited. The percentage of holding of WNS Holdings Limited is 49.3% and of WNS Global Services Private Limited is 50.7%.
- (3) The WNS B-BBEE Staff Share Trust (the trust) was registered on April 26, 2017 with the principal object of creating meaningful participation of our Black employees in the growth of our Company. The trust holds 10% of the equity capital of WNS Global Services SA (Pty) Limited and the balance 90% is held by WNS Global Services (UK) Limited. The financial statements of the trust are included in the consolidated financial statements of the Company.
- (4) Ucademy (Pty) Limited has been incorporated as a subsidiary of WNS Global Services SA (Pty) Limited with effect from June 20, 2016.
- (5) WNS Assistance (Legal) Limited, a wholly owned subsidiary of WNS Assistance Limited, was incorporated on April 20, 2016.
- (6) WNS Legal Assistance LLP is a limited liability partnership, organized under the laws of England and Wales in November 2014. WNS Legal Assistance LLP provides legal services in relation to personal injury claims within the Auto Claims BPM (as defined in Note 26) segment in the UK. During the quarter ended June 30, 2017, the Company acquired 20% equity shares from Prettys Solicitors; the non-controlling interest in WNS Legal Assistance LLP, as a consequence of which, WNS Legal Assistance LLP has become a wholly owned subsidiary of WNS Assistance Limited. As at June 30, 2017, WNS Legal Assistance LLP is 98.75% owned by WNS Assistance Limited and 1.25% owned by WNS Assistance (Legal) Limited.
- (7) WNS New Zealand Limited, a wholly owned subsidiary of WNS Global Services (Australia) Pty Ltd, was incorporated on June 13, 2017.
- (8) WNS Global Services Private Limited is being held jointly by WNS (Mauritius) Limited and WNS Customer Solutions (Singapore) Private Limited. The percentage of holding for WNS (Mauritius) Limited is 80% and for WNS Customer Solutions (Singapore) Private Limited is 20%.
- (9) On March 15, 2017, the Company acquired all ownership interests of MTS HealthHelp Inc. and its subsidiaries, which existed on that date. HealthHelp Holdings LLC is 63.5% owned by MTS HealthHelp Inc. and 36.5% owned by WNS North America Inc.
- (10) On June 14, 2016, the Company acquired all outstanding equity shares of Value Edge Research Services Private Limited. As part of the acquisition, the Company also acquired the three subsidiaries of Value Edge Research Services Private Limited, which existed on that date.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(Amounts in thousands, except share and per share data)****26. Operating segments**

The Company has several operating segments based on a mix of industry and the types of services. The composition and organization of these operating segments currently is designed in such a way that the back office shared processes, i.e. the horizontal structure, delivers service to industry specific back office and front office processes i.e. the vertical structure. These structures represent a matrix form of organization structure, accordingly operating segments have been determined based on the core principle of segment reporting in accordance with IFRS 8 Operating segments (IFRS 8). These operating segments include travel, insurance, banking and financial services, healthcare, utilities, retail and consumer products groups, auto claims and others. The Company believes that the business process outsourcing services that it provides to customers in industries other than auto claims such as travel, insurance, banking and financial services, healthcare, utilities, retail and consumer products groups and others that are similar in terms of services, service delivery methods, use of technology, and long-term gross profit and hence meet the aggregation criteria in accordance with IFRS 8. WNS Assistance and Accidents Happen Assistance Limited (which provide automobile repair through a network of third party repair centers), and WNS Legal Assistance LLP (which provides legal services in relation to personal injury claims), which constitute WNS Auto Claims BPM, do not meet the aggregation criteria. Accordingly, the Company has determined that it has two reportable segments WNS Global BPM and WNS Auto Claims BPM.

The Group Chief Executive Officer has been identified as the Chief Operating Decision Maker (CODM). The CODM evaluates the Company s performance and allocates resources based on revenue growth of vertical structure.

In order to provide accident management services, the Company arranges for the repair through a network of repair centers. Repair costs paid to automobile repair centers are invoiced to customers and recognized as revenue except in cases where the Company has concluded that it is not the principal in providing claims handling services and hence it would be appropriate to record revenue from repair services on a net basis i.e. net of repair cost. The Company uses revenue less repair payments (non-GAAP) for Fault repairs as a primary measure to allocate resources and measure segment performance. Revenue less repair payments is a non-GAAP measure which is calculated as (a) revenue less (b) in the Company s auto claims business, payments to repair centers for Fault repair cases where the Company acts as the principal in its dealings with the third party repair centers and its clients. For Non-fault repairs, revenue including repair payments is used as a primary measure. As the Company provides a consolidated suite of accident management services including credit hire and credit repair for its Non-fault repairs business, the Company believes that measurement of that line of business has to be on a basis that includes repair payments in revenue.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The segment results for the three months ended June 30, 2017 are as follows:

	Three months ended June 30, 2017			Total
	WNS Global BPM	WNS Auto Claims BPM	Inter segments*	
Revenue from external customers	\$ 170,718	\$ 9,405	\$	\$ 180,123
Segment revenue	\$ 170,734	\$ 9,405	\$ (16)	\$ 180,123
Payments to repair centers		4,844		4,844
Revenue less repair payments (non-GAAP)	170,734	4,561	(16)	175,279
Depreciation	4,731	70		4,801
Other costs	136,233	4,220	(16)	140,437
Segment operating profit	29,770	271		30,041
Other income, net	(2,390)	(389)		(2,779)
Finance expense	1,092			1,092
Segment profit before income taxes	31,068	660		31,728
Provision for income taxes	4,649	98		4,747
Segment profit	26,419	562		26,981
Amortization of intangible assets				3,923
Share based compensation expense				6,362
Profit				\$ 16,696
Addition to non-current assets	\$ 8,897	\$ 66	\$	\$ 8,963
Total assets, net of elimination	604,182	116,898		721,080
Total liabilities, net of elimination	\$ 206,502	\$ 76,795	\$	\$ 283,297

* Transactions between inter segments represent invoices issued by WNS Global BPM to WNS Auto Claims BPM for business process management services rendered by the former to the latter.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The segment results for the three months ended June 30, 2016 are as follows:

	Three months ended June 30, 2016			Total
	WNS Global BPM	WNS Auto Claims BPM	Inter segments*	
Revenue from external customers	\$ 134,992	\$ 12,988	\$	\$ 147,980
Segment revenue	\$ 135,036	\$ 12,988	\$ (44)	\$ 147,980
Payments to repair centers		7,192		7,192
Revenue less repair payments (non-GAAP)	135,036	5,796	(44)	140,788
Depreciation	4,039	84		4,123
Other costs	104,765	5,693	(44)	110,414
Segment operating profit	26,232	19		26,251
Other income, net	(2,098)	(231)		(2,329)
Finance expense	68			68
Segment profit before income taxes	28,262	250		28,512
Provision for income taxes	4,581	58		4,639
Segment profit	23,681	192		23,873
Amortization of intangible assets				6,325
Share based compensation expense				5,386
Profit				\$ 12,162
Addition to non-current assets	\$ 4,053	\$ 229	\$	\$ 4,282
Total assets, net of elimination	365,178	148,681		513,859
Total liabilities, net of elimination	\$ 42,992	\$ 81,757	\$	\$ 124,749

* Transactions between inter segments represent invoices issued by WNS Global BPM to WNS Auto Claims BPM for business process management services rendered by the former to the latter.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

External Revenue

Revenues from the geographic segments are based on domicile of the customer. The Company's external revenue by geographic area is as follows:

	Three months ended June 30,	
	2017	2016
Jersey, Channel Islands	\$	\$
UK	66,092	65,795
US	73,071	45,132
Europe (excluding UK)	9,851	9,376
South Africa	10,509	9,479
Australia	13,519	10,597
Rest of the world	7,081	7,601
Total	\$ 180,123	\$ 147,980

27. Commitment and Contingencies*Leases*

The Company has entered into various non-cancelable operating lease agreements for certain delivery centers and offices with original lease periods expiring between 2018 and 2028 that are renewable on a periodic basis at the option of the lessor and the lessee and have rent escalation clause. The details of future minimum lease payments under non-cancelable operating leases as at June 30, 2017 are as follows:

	Operating Lease
Less than 1 year	\$ 25,566
1-3 years	41,647
3-5 years	26,711
More than 5 years	26,822
Total minimum lease payments	\$ 120,746

Rental expenses were \$7,987 and \$6,487 for the three months ended June 30, 2017 and 2016, respectively.

Capital commitments

As at June 30, 2017 and March 31, 2017, the Company had committed to spend approximately \$7,460 and \$6,257, respectively, under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Bank guarantees and others

Certain subsidiaries of the Company hold bank guarantees aggregating \$2,237 and \$1,190 as at June 30, 2017 and March 31, 2017, respectively. These guarantees have a remaining expiry term ranging from one to five years.

Restricted time deposits placed with bankers as security for guarantees given by them to regulatory authorities aggregating \$426 and \$355 as at June 30, 2017 and March 31, 2017, respectively, are included in other current assets. These deposits represent cash collateral against bank guarantees issued by the banks on behalf of the Company to third parties.

Contingencies

In the ordinary course of business, the Company is involved in lawsuits, claims and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, the Company believes, after consultation with counsel, that the disposition of these proceedings will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

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**Part II MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

You should read the following discussion in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report. We urge you to carefully review and consider the various disclosures made by us in this report and in our other SEC filings, including our annual report on Form 20-F for our fiscal year ended March 31, 2017. Some of the statements in the following discussion are forward-looking statements. See Special note regarding forward-looking statements.

Overview

We are a leading global provider of BPM services, offering comprehensive data, voice, analytical and business transformation services with a blended onshore, near shore and offshore delivery model. We transfer the business processes of our clients to our delivery centers, located in China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Sri Lanka, Turkey, the UK, and the US, with a view to offer cost savings, operational flexibility, improved quality and actionable insights to our clients. We seek to help our clients transform their businesses by identifying business and process optimization opportunities through technology-enabled solutions, process design improvements, analytics and improved business understanding.

We win outsourcing engagements from our clients based on our domain knowledge of their business, our experience in managing the specific processes they seek to outsource and our customer-centric approach. Our company is organized into vertical business units in order to provide more specialized focus on each of the industries that we target, to more effectively manage our sales and marketing process and to develop in-depth domain knowledge. The major industry verticals we currently target are the insurance; travel and leisure; diversified businesses including manufacturing, retail, CPG, media and entertainment, and telecom; utilities; consulting and professional services; healthcare; banking and financial services; and shipping and logistics industries.

Our portfolio of services includes vertical-specific processes that are tailored to address our clients' specific business and industry practices. In addition, we offer a set of shared services that are common across multiple industries, including customer interaction services, finance and accounting, research and analytics, technology services, legal services, and human resources outsourcing.

Although we typically enter into long-term contractual arrangements with our clients, these contracts can usually be terminated with or without cause by our clients and often with short notice periods. Nevertheless, our client relationships tend to be long-term in nature given the scale and complexity of the services we provide coupled with risks and costs associated with switching processes in-house or to other service providers. We structure each contract to meet our clients' specific business requirements and our target rate of return over the life of the contract. In addition, since the sales cycle for offshore business process management is long and complex, it is often difficult to predict the timing of new client engagements. As a result, we may experience fluctuations in growth rates and profitability from quarter to quarter, depending on the timing and nature of new contracts. Our operating results may also differ significantly from quarter to quarter due to seasonal changes in the operations of our clients. For example, our clients in the travel and leisure industry typically experience seasonal changes in their operations in connection with the US summer holiday season, as well as episodic factors such as adverse weather conditions. Our focus, however, is on deepening our client relationships and maximizing shareholder value over the life of a client's relationship with us.

The following table represents our revenue (a GAAP financial measure) for the periods indicated:

	Three months ended June 30,	
	2017	2016
	(US dollars in millions)	
Revenue	\$ 180.1	\$ 148.0

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Our revenue is generated primarily from providing business process management services. We have two reportable segments for financial statement reporting purposes – WNS Global BPM and WNS Auto Claims BPM. In our WNS Auto Claims BPM segment, we provide both fault and non-fault repairs. For fault repairs, we provide claims handling and repair management services, where we arrange for automobile repairs through a network of third party repair centers. In our repair management services, where we act as the principal in our dealings with the third party repair centers and our clients, the amounts which we invoice to our clients for payments made by us to third party repair centers are reported as revenue. Where we are not the principal in providing the services, we record revenue from repair services net of repair cost. See Note 2.s of the consolidated financial statements included in our annual report on Form 20-F for our fiscal year ended March 31, 2017. Since we wholly subcontract the repairs to the repair centers, we evaluate the financial performance of our fault repair business based on revenue less repair payments to third party repair centers, which is a non-GAAP financial measure. We believe that revenue less repair payments (a non-GAAP financial measure) for fault repairs reflects more accurately the value addition of the business process management services that we directly provide to our clients. Management believes that revenue less repair payments (non-GAAP) may be useful to investors as a more accurate reflection of our performance and operational results.

For our non-fault repairs business, we generally provide a consolidated suite of accident management services including credit hire and credit repair, and we believe that measurement of such business on a basis that includes repair payments in revenue is appropriate. Revenue including repair payments is therefore used as a primary measure to allocate resources and measure operating performance for accident management services provided in our non-fault repairs business. Our non-fault repairs business where we provide accident management services accounts for a relatively small portion of our revenue for our WNS Auto Claims BPM segment. In our WNS Auto Claims BPM segment, effective July 1, 2015, WNS Legal Assistance LLP, a subsidiary of WNS Assistance Limited, received an approval from Solicitors Regulatory Authority, UK to provide legal services in relation to personal injury claims.

Revenue less repair payments is a non-GAAP financial measure which 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. Our revenue less repair payments (non-GAAP) may not be comparable to similarly titled measures reported by other companies due to potential differences in the method of calculation.

The following table reconciles our revenue (a GAAP financial measure) to revenue less repair payments (a non-GAAP financial measure) for the periods indicated:

	Three months ended June 30,	
	2017	2016
	(US dollars in millions)	
Revenue	\$ 180.1	\$ 148.0
Less: Payments to repair centers ⁽¹⁾	4.8	7.2
Revenue less repair payments (non-GAAP)	\$ 175.3	\$ 140.8

Note:

- 1) Consists of payments to repair centers in our auto claims business for fault repair cases where we act as the principal in our dealings with the third party repair centers and our clients.

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The following table sets forth our constant currency revenue less repair payments (a non-GAAP financial measure) for the periods indicated. Constant currency revenue less repair payments is a non-GAAP financial measure. We present constant currency revenue less repair payments (non-GAAP) so that revenue less repair payments (non-GAAP) may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of business performance. Constant currency revenue less repair payments (non-GAAP) is presented by recalculating prior periods' revenue less repair payments (non-GAAP) denominated in currencies other than in US dollars using the foreign exchange rate used for the latest period, without taking into account the impact of hedging gains/losses. Our non-US dollar denominated revenue includes, but is not limited to, revenue denominated in pound sterling, Australian dollars, South African rand and euros. Management believes constant currency revenue less repair payments (non-GAAP) may be useful to investors in evaluating the underlying operating performance of our company. 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. Our constant currency revenue less repair payments (non-GAAP) may not be comparable to similarly titled measures reported by other companies due to potential differences in the method of calculation.

	Three months ended June 30,	
	2017	2016
	(US dollars in millions)	
Revenue less repair payments (non-GAAP)	\$ 175.3	\$ 140.8
Exchange rate impact	(3.4)	(6.0)
Constant currency revenue less repair payments (non-GAAP)	\$ 171.9	\$ 134.8

Global Economic Conditions

Global economic conditions continue to show signs of turbulence. Although some key indicators of sustainable economic growth show signs of improvement, volatility in the domestic politics of major markets may lead to changes in the institutional framework of the international economy. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiated a withdrawal process on March 29, 2017, putting the United Kingdom on track to leave the European Union by April 2019. The referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations. China continues to have room for economic growth, but such growth opportunities remain subject to political developments and uncertainties in the regulatory framework of the economy. In the US, economic growth is tempered by continuing concerns over the failure to achieve a long term solution to the issues of government spending, the increasing US national debt, and their negative impact on the US economy as well as concerns over potential increases in cost of borrowing and reduction in availability of credit as the US Federal Reserve begins raising interest rates. The policies that may be pursued by the presidential administration in the US (such as the border adjustment tax under consideration) have added further uncertainty to the global economy, and the prevailing political climate may lead to more protectionist policies. Globally, countries may require additional financial support, sovereign credit ratings may

continue to decline, and there may be defaults on sovereign debt obligations of certain countries. Any of these may increase the cost of borrowing and cause credit to become more limited. Further, there continue to be signs of economic weakness, such as relatively high levels of unemployment, in major markets including Europe. Continuing conflicts and instability in various regions around the world may lead to additional acts of terrorism and armed conflict around the world. The ongoing refugee crisis in Europe, North Africa and the Middle East may contribute to political and economic instability in those regions. A resurgence of isolationist and/or protectionist policies in North America, Europe and Asia may curtail global economic growth.

These economic conditions may affect our business in a number of ways. The general level of economic activity, such as decreases in business and consumer spending, could result in a decrease in demand for our services, thus reducing our revenue. The cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Continued turbulence or uncertainty in the European, US, Asian and international financial markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. If these market conditions continue or worsen, they may limit our ability to access financing or increase our cost of financing to meet liquidity needs, and affect the ability of our customers to use credit to purchase our services or to make timely payments to us, resulting in adverse effects on our financial condition and results of operations.

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Furthermore, a weakening of the rate of exchange for the pound sterling, the US dollar or, to a lesser extent, the Australian dollar or the South African rand (in which our revenue is principally denominated) against the Indian rupee, or to a lesser extent, the South African rand (in which a significant portion of our costs are denominated) would also adversely affect our results. Fluctuations between the pound sterling, the Indian rupee, the Australian dollar or the South African rand, on the one hand, and the US dollar, on the other hand, also expose us to translation risk when transactions denominated in these currencies are translated into US dollars, our reporting currency. The exchange rates between each of the pound sterling, the Indian rupee, the Australian dollar and South African rand, on the one hand, and the US dollar, on the other hand, have changed substantially in recent years and may fluctuate substantially in the future. For example, the pound sterling depreciated against the US dollar by an average of 10.9%, the Indian rupee appreciated against the US dollar by an average of 3.7%, the Australian dollar appreciated against the US dollar by an average of 0.7%, and the South African rand appreciated by an average of 12.4% against the US dollar, for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016. The depreciation of the pound sterling against the US dollar, and the appreciation of the Indian rupee and the South African rand against the US dollar for the three months ended June 30, 2017 negatively impacted our results of operations whereas the appreciation of the Australian dollar against the US dollar positively impacted our results of operations during that period.

Uncertainty about current global economic conditions could also continue to increase the volatility of our share price. We cannot predict the timing or duration of an economic slowdown or the timing or strength of a subsequent economic recovery generally or in our targeted industries, including the travel and leisure and insurance industries. If macroeconomic conditions worsen or current global economic conditions continue for a prolonged period of time, we are not able to predict the impact that such worsening conditions will have on our targeted industries in general, and our results of operations specifically.

Revenue

We generate revenue by providing business process management services to our clients. The following table shows our revenue (a GAAP financial measure) and revenue less repair payments (a non-GAAP financial measure) for the periods indicated:

	Three months ended		Change	
	June 30,		\$	%
	(US dollars in millions)			
	2017	2016		
Revenue	\$ 180.1	\$ 148.0	32.1	21.7%
Revenue less repair payments (non-GAAP)	\$ 175.3	\$ 140.8	34.5	24.5%

Our revenue is characterized by client, industry, service type, geographic and contract type diversity, as the analysis below indicates.

Revenue by Top Clients

For the three months ended June 30, 2017 and 2016, the percentage of revenue and revenue less repair payments (non-GAAP) that we derived from our largest clients were in the proportions set forth in the following table:

	As a percentage of revenue		As a percentage of revenue less	
	Three months ended June		repair payments	
	30,		(non-GAAP)	
	2017	2016	2017	2016
	Three months ended June		Three months ended June	
	30,		30,	
	2017	2016	2017	2016
Top client	7.6%	10.1%	7.8%	10.7%
Top five clients	30.8%	32.7%	31.6%	34.4%
Top ten clients	44.3%	44.6%	45.5%	46.9%
Top twenty clients	55.9%	57.8%	57.4%	60.3%

Table of Contents**Revenue by Industry**

For financial statement reporting purposes, we aggregate our operating segments, except for the WNS Auto Claims BPM (which we market under the WNS Assistance brand) as it does not meet the aggregation criteria under IFRS. See Results by Reportable Segment.

We organize our company into the following industry-focused business units to provide more specialized focus on each of these industries: insurance; travel and leisure; diversified businesses including manufacturing, retail, CPG, media and entertainment, and telecom; healthcare; utilities; consulting and professional services; banking and financial services; and shipping and logistics.

For the three months ended June 30, 2017 and 2016, our revenue and revenue less repair payments (non-GAAP) were diversified across our industry-focused business units in the proportions set forth in the following table:

Business Unit	As a percentage of revenue		As a percentage of revenue less repair payments (non-GAAP)	
	Three months ended June 30,		Three months ended June 30,	
	2017	2016	2017	2016
Insurance	26.1%	30.4%	24.1%	26.9%
Travel and leisure	18.7%	21.0%	19.2%	22.1%
Diversified businesses including manufacturing, retail, CPG, media and entertainment, and telecom	17.4%	17.3%	17.9%	18.2%
Healthcare	14.6%	6.0%	15.0%	6.2%
Utilities	9.2%	9.4%	9.4%	9.9%
Consulting and professional services	5.4%	7.5%	5.6%	7.9%
Banking and financial services	4.6%	4.3%	4.7%	4.5%
Shipping and logistics	3.9%	4.1%	4.1%	4.3%
Total	100.0%	100.0%	100.0%	100.0%

Certain services that we provide to our clients are subject to the seasonality of our clients' business. Accordingly, we see an increase in transaction related services within the travel and leisure industry during holiday seasons, such as during the US summer holidays (our fiscal second quarter); an increase in business in the insurance industry during the beginning and end of the fiscal year (our fiscal first and last quarters) and during the US peak winter season (our fiscal third quarter); and an increase in business in the consumer product industry during the US festive season towards the end of the calendar year when new product launches and campaigns typically happen (our fiscal third quarter).

Revenue by Service Type

For the three months ended June 30, 2017 and 2016, our revenue and revenue less repair payments (non-GAAP) were diversified across service types in the proportions set forth in the following table:

Service Type	As a percentage of revenue		As a percentage of revenue less repair payments (non-GAAP)	
	Three months ended June 30,		Three months ended June 30,	
	2017	2016	2017	2016
Industry-specific	34.1%	28.2%	35.0%	29.7%
Customer interaction services	25.8%	27.6%	26.5%	29.0%
Finance and accounting	20.8%	20.2%	21.4%	21.2%
Research and analytics	11.8%	12.4%	12.1%	13.0%
Auto claims	5.2%	8.8%	2.6%	4.1%
Others ⁽¹⁾	2.3%	2.8%	2.3%	3.0%
Total	100.0%	100.0%	100.0%	100.0%

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1) Others includes revenue from technology services, legal services, and human resource outsourcing services.

Revenue by Geography

For the three months ended June 30, 2017 and 2016, our revenue and revenue less repair payments (non-GAAP) were derived from the following geographies (based on the location of our clients) in the proportions set forth below in the following table:

Geography	As a percentage of revenue Three months ended June 30,		As a percentage of revenue less repair payments (non-GAAP) Three months ended June 30,	
	2017	2016	2017	2016
North America (primarily the US)	40.6%	30.5%	41.7%	32.1%
UK	36.7%	44.5%	34.9%	41.6%
Australia	7.5%	7.2%	7.7%	7.5%
South Africa	5.8%	6.4%	6.0%	6.7%
Europe (excluding the UK)	5.5%	6.3%	5.6%	6.7%
Rest of the world	3.9%	5.1%	4.0%	5.4%
Total	100.0%	100.0%	100.0%	100.0%

Table of Contents**Revenue by Location of Delivery Centers**

For the three months ended June 30, 2017 and 2016, our revenue and revenue less repair payments (non-GAAP) were derived from the following geographies (based on the location of our delivery centers) in the proportions set forth in the following table:

Location of Delivery Center	As a percentage of revenue Three months ended June 30,		As a percentage of revenue less repair payments (non-GAAP) Three months ended June 30,	
	2017	2016	2017	2016
India	49.1%	58.8%	50.5%	61.8%
United States	17.8%	2.7%	18.3%	2.8%
Philippines	10.6%	10.0%	10.9%	10.5%
South Africa	9.5%	10.7%	9.8%	11.3%
UK	7.1%	10.4%	4.5%	5.8%
Sri Lanka	2.1%	2.6%	2.1%	2.8%
Romania	1.3%	2.0%	1.4%	2.1%
China	1.0%	1.2%	1.1%	1.3%
Poland	0.9%	0.9%	0.9%	0.9%
Costa Rica	0.6%	0.7%	0.6%	0.7%
Total	100.0%	100.0%	100.0%	100.0%

Our Contracts

We provide our services under contracts with our clients, which typically range from three to five years, with some being rolling contracts with no end dates. Typically, these contracts can be terminated by our clients with or without cause and with short notice periods. However, we tend to have long-term relationships with our clients given the complex and comprehensive nature of the business processes executed by us, coupled with the switching costs and risks associated with relocating these processes in-house or to other service providers.

Each client contract has different terms and conditions based on the scope of services to be delivered and the requirements of that client. Occasionally, we may incur significant costs on certain contracts in the early stages of implementation, with the expectation that these costs will be recouped over the life of the contract to achieve our targeted returns. Each client contract has corresponding service level agreements that define certain operational metrics based on which our performance is measured. Some of our contracts specify penalties or damages payable by us in the event of failure to meet certain key service level standards within an agreed upon time frame.

When we are engaged by a client, we typically transfer that client's processes to our delivery centers over a two to six month period. This transfer process is subject to a number of potential delays. Therefore, we may not recognize significant revenue until several months after commencing a client engagement.

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In the WNS Global BPM segment, we charge for our services based on the following pricing models:

- 1) 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 managed;
- 2) 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);
- 3) fixed-price arrangements, which typically involve billings based on achievements of pre-defined deliverables or milestones;
- 4) 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, an improvement in working capital, an increase in collections or a reduction in operating expenses); or
- 5) other pricing arrangements, including cost-plus arrangements, which typically involve billing the contractually agreed direct and indirect costs, a fee based on the number of employees deployed under the arrangement and subscription revenues recognized on per member per month based on contractually agreed rates.

Apart from the above-mentioned pricing methods, a small portion of our revenue comprises reimbursements of out-of-pocket expenses incurred by us in providing services to our clients.

Outcome-based arrangements are examples of non-linear pricing models where revenues from platforms and solutions and the services we provide are linked to usage or savings by clients rather than the efforts deployed to provide these services. We intend to focus on increasing our service offerings that are based on non-linear pricing models that allow us to price our services based on the value we deliver to our clients rather than the headcount deployed to deliver the services to them. We believe that non-linear pricing models help us to grow our revenue without increasing our headcount. Accordingly, we expect increased use of non-linear pricing models to result in higher revenue per employee and improved margins. Non-linear revenues may be subject to short-term pressure on margins, however, as initiatives in developing the products and services take time to deliver. Moreover, in outcome-based arrangements, we bear the risk of failure to achieve clients' business objectives in connection with these projects. For more information, see Part III Risk Factors. If our pricing structures do not accurately anticipate the cost and complexity of performing our work, our profitability may be negatively affected.

In our WNS Auto Claims BPM segment, we earn revenue from claims handling and repair management services. For claims handling, we charge on a per claim basis or a fixed fee per vehicle over a contract period. For automobile repair management services, where we arrange for the repairs through a network of repair centers that we have established, we invoice the client for the amount of the repair. When we direct a vehicle to a specific repair center, we receive a referral fee from that repair center. We also provide a consolidated suite of services towards accident management including credit hire and credit repair for non-fault repairs business. Effective July 1, 2015, our subsidiary WNS Legal Assistance LLP, commenced providing legal services in relation to personal injury claims.

Revenue by Contract Type

For the three months ended June 30, 2017 and 2016, our revenue and revenue less repair payments (non-GAAP) were diversified by contract type in the proportions set forth in the following table:

Contract Type	As a percentage of revenue Three months ended June 30,		As a percentage of revenue less repair payments (non-GAAP) Three months ended June 30,	
	2017	2016	2017	2016
Full-time-equivalent	62.7%	72.8%	64.4%	76.5%
Transaction	19.0%	18.7%	16.7%	14.6%
Fixed price	4.9%	3.3%	5.1%	3.4%
Outcome-based	0.2%	0.3%	0.2%	0.3%
Others	13.2%	4.9%	13.6%	5.2%
Total	100.0%	100.0%	100.0%	100.0%

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Expenses

The majority of our expenses consist of cost of revenue and operating expenses. The key components of our cost of revenue are employee costs, facilities costs, payments to repair centers, depreciation, travel expenses, and legal and professional costs. Our operating expenses include selling and marketing expenses, general and administrative expenses, foreign exchange gains and losses and amortization of intangible assets. Our non-operating expenses include finance expenses as well as other expenses recorded under other income, net.

Cost of Revenue

Employee costs represent the largest component of cost of revenue. In addition to employee salaries, employee costs include costs related to recruitment, training and retention and share-based compensation expense. Historically, our employee costs have increased primarily due to increases in number of employees to support our growth and, to a lesser extent, to recruit, train and retain employees. Salary levels in India and our ability to efficiently manage and retain our employees significantly influence our cost of revenue. Regulatory developments may still result in wage increases in India and increase our cost of revenue. For example, in December 2015, the Government of India amended the India Payment of Bonus Act, which mandated increased employee bonus amounts for certain wage categories, effective retroactively from April 1, 2014. See Part I Item 4. Information on the Company B. Business Overview Human Capital of our annual report on Form 20-F for the fiscal year ended March 31, 2017.

Our WNS Auto Claims BPM segment includes repair management services, where we arrange for automobile repairs through a network of third party repair centers. This cost is primarily driven by the volume of accidents and the amount of the repair costs related to such accidents. It also includes incremental and direct costs incurred to contract with claimants by WNS Legal Assistance LLP.

Our facilities costs comprise lease rentals, utilities cost, facilities management and telecommunication network cost. Most of our leases for our facilities are long-term agreements and have escalation clauses which provide for increases in rent at periodic intervals commencing between three and five years from the start of the lease. Most of these agreements have clauses that have fixed escalation of lease rentals.

We create capacity in our operational infrastructure ahead of anticipated demand as it takes six to nine months to build up a new site. Hence, our cost of revenue as a percentage of revenue may be higher during periods in which we carry such additional capacity.

Once we are engaged by a client in a new contract, we normally have a transition period to transfer the client's processes to our delivery centers and accordingly incur costs related to such transfer. Therefore, our cost of revenue in relation to our revenue may be higher until the transfer phase is completed, which may last for two to six months.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprise employee costs for sales and marketing personnel, travel expenses, legal and professional fees, share-based compensation expense, brand building expenses and other general expenses relating to selling and marketing.

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General and Administrative Expenses

Our general and administrative expenses primarily comprise employee costs for senior management and other support personnel, travel expenses, legal and professional fees, share-based compensation expense and other general expenses not related to cost of revenue and selling and marketing.

Foreign Exchange Loss / (Gain), Net

Foreign exchange gains or losses, net include:

marked to market gains or losses on derivative instruments that do not qualify for hedge accounting and are deemed ineffective;

realized foreign currency exchange gains or losses on settlement of transactions in foreign currency and derivative instruments; and

unrealized foreign currency exchange gains or losses on revaluation of other assets and liabilities.

Amortization of Intangible Assets

Amortization of intangible assets is primarily associated with our acquisitions of Aviva Global Services Singapore Pte. Ltd. (Aviva Global) in July 2008 (included up to November 2016) , Fusion Outsourcing Services (Proprietary) Limited in June 2012, Value Edge Research Services Private Limited and its subsidiaries (Value Edge) in June 2016, Denali Sourcing Services Inc. (Denali) in January 2017, HealthHelp Inc. (HealthHelp) in March 2017 and the acquisition of a customer contract from Telkom in May 2015.

Other Income, Net

Other income, net comprises interest income, income from investments, gain or loss on sale of assets and other miscellaneous expenses.

Finance Expense

Finance expense primarily relates to interest charges payable on our term loans and short term borrowings, transaction costs and the gains/losses on settlement of related derivative instruments.

Operating Data

Our profit margin is largely a function of our asset utilization and the rates we are able to recover for our services. One of the most significant components of our asset utilization is our seat utilization rate which is the average number of work shifts per day, out of a maximum of three, for which we are able to utilize our seats. Generally, an improvement in seat utilization rate will improve our profitability unless there are other factors which increase our costs such as an increase in lease rentals, large ramp-ups to build new seats, and increases in costs related to repairs and renovations to our existing or used seats. In addition, an increase in seat utilization rate as a result of an increase in the volume of work will generally result in a lower cost per seat and a higher profit margin as the total fixed costs of our built up

seats remain the same while each seat is generating more revenue.

The following table presents certain operating data as at the dates indicated:

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total head count	34,789	33,968	32,184	31,719	32,448	32,388
Built up seats ⁽¹⁾	28,932	28,008	27,142	26,996	27,123	26,407
Used seats ⁽¹⁾	22,331	20,795	20,035	20,562	20,433	20,063
Seat utilization rate ⁽²⁾	1.21	1.20	1.18	1.19	1.21	1.22

Notes:

- 1) Built up seats refer to the total number of production seats (excluding support functions like Finance, Human Resource, Administration and seats dedicated for business continuity planning) that are set up in any premises. Used seats refer to the number of built up seats that are being used by employees. The remainder would be termed vacant seats. The vacant seats would get converted into used seats when we increase headcount. Previously, our reported built up seats included seats dedicated for business continuity planning. Commencing fiscal 2016, we have been reporting our built up seats and computing our seat utilization rate excluding seats dedicated for business continuity planning to better reflect our business operations. The built up seats and seat utilization rate presented for prior years in the table above have been re-computed to exclude seats dedicated for business continuity planning.
- 2) The seat utilization rate is calculated by dividing the average total headcount by the average number of built up seats to show the rate at which we are able to utilize our built up seats. Average total headcount and average number of built up seats are calculated by dividing the aggregate of the total headcount or number of built up seats, as the case may be, as at the beginning and end of the quarter by two.

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The following table sets forth certain financial information as a percentage of revenue and revenue less repair payments (non-GAAP) for the periods indicated:

	As a percentage of			
	Revenue		Revenue less repair payments (non-GAAP)	
	Three months ended June 30,			
	2017	2016	2017	2016
Cost of revenue	69.3%	66.7%	68.4%	65.0%
Gross profit	30.7%	33.3%	31.6%	35.0%
Operating expenses:				
Selling and marketing expenses	5.0%	5.2%	5.1%	5.5%
General and administrative expenses	15.3%	14.1%	15.7%	14.8%
Foreign exchange loss/(gains), net	(2.7)%	(0.1)%	(2.7)%	(0.1)%
Amortization of intangible assets	2.2%	4.3%	2.2%	4.5%
Operating profit	11.0%	9.8%	11.3%	10.3%
Other (income)/expense, net	(1.5)%	(1.6)%	(1.6)%	(1.7)%
Finance expense	0.6%	0.0%	0.6%	0.0%
Provision for income taxes	2.6%	3.1%	2.7%	3.3%
Profit	9.3%	8.2%	9.5%	8.6%

The following table reconciles revenue (a GAAP financial measure) to revenue less repair payments (a non-GAAP financial measure) and sets forth payments to repair centers and revenue less repair payments (non-GAAP) as a percentage of revenue for the periods indicated:

	Three months ended June 30,			
	2017	2016	2017	2016
	(US dollars in millions)			
Revenue	\$ 180.1	\$ 148.0	100.0%	100.0%
Less: Payments to repair centers	4.8	7.2	2.7%	4.9%
Revenue less repair payments (non-GAAP)	\$ 175.3	\$ 140.8	97.3%	95.1%

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The following table presents our results of operations for the periods indicated:

	Three months ended June 30,	
	2017	2016
	(US dollars in millions)	
Revenue	\$ 180.1	\$ 148.0
Cost of revenue ⁽¹⁾	124.7	98.7
Gross profit	55.4	49.3
Operating expenses:		
Selling and marketing expenses ⁽²⁾	9.0	7.7
General and administrative expenses ⁽³⁾	27.5	20.9
Foreign exchange loss/(gains), net	(4.8)	(0.1)
Amortization of intangible assets	3.9	6.3
Operating profit	19.8	14.5
Other income, net	(2.8)	(2.3)
Finance expense	1.1	0.1
Profit before income taxes	21.4	16.8
Provision for income taxes	4.7	4.6
Profit	\$ 16.7	\$ 12.2

Notes:

- 1) Includes share-based compensation expense of \$0.8 million and \$0.6 million for the three months ended June 30, 2017 and 2016, respectively.
- 2) Includes share-based compensation expense of \$0.5 million and \$0.3 million for the three months ended June 30, 2017 and 2016, respectively.
- 3) Includes share-based compensation expense of \$5.1 million and \$4.5 million for the three months ended June 30, 2017 and 2016, respectively.

Results for the three months ended June 30, 2017 compared to the three months ended June 30, 2016

The following table sets forth our revenue and percentage change in revenue for the periods indicated:

Revenue

	Three months ended June 30,		Change	% Change
	2017	2016		
	(US dollars in millions)			
Revenue	\$180.1	\$148.0	\$32.1	21.7%

The increase in revenue of \$32.1 million was primarily attributable to revenue of \$34.3 million from new clients, including clients of businesses acquired since the comparative period last year and an increase in hedging gain on our revenue by \$2.2 million to a gain of \$3.4 million for the three months ended June 30, 2017 from a gain of \$1.2 million for the three months ended June 30, 2016 partially offset by a decrease in revenue from existing clients of \$4.4 million. The increase in revenue was primarily attributable to higher volumes in our healthcare, diversified businesses, travel, utilities, insurance, banking and financial services, and shipping and logistics verticals, partially offset by a lower volume from existing clients in our consulting and professional services vertical. The increase was partially offset by a depreciation of the pound sterling and euro by an average of 10.9% and 2.6%, respectively, against the US dollar for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016.

Table of Contents*Revenue by Geography*

The following table sets forth the composition of our revenue based on the location of our clients in our key geographies for the periods indicated:

	Revenue		As a percentage of Revenue	
	Three months ended June 30,		Three months ended June 30,	
	2017	2016	2017	2016
	(US dollars in millions)			
North America (primarily the US)	\$ 73.1	\$ 45.1	40.6%	30.5%
UK	66.1	65.8	36.7%	44.5%
Australia	13.5	10.6	7.5%	7.2%
South Africa	10.5	9.5	5.8%	6.4%
Europe (excluding the UK)	9.9	9.4	5.5%	6.3%
Rest of world	7.1	7.6	3.9%	5.1%
Total	\$ 180.1	\$ 148.0	100.0%	100.0%

The increase in revenue in North America (primarily the US) was primarily driven by higher volumes in our healthcare, diversified businesses, travel, banking and financial services, and insurance verticals including revenue from clients of businesses acquired in the fourth quarter of fiscal 2017, partially offset by a lower volume in our consulting and professional services vertical. The increase in revenue from the Australia region was primarily attributable to a higher volume in our insurance vertical, partially offset by a lower volume in our travel vertical. The increase in revenue from the South Africa region was primarily attributable to a higher volume in our diversified businesses vertical, partially offset by lower volumes in our travel, and banking and financial services verticals. The increase in revenue from the Europe (excluding the UK) region was primarily attributable to a higher volume in our healthcare vertical, partially offset by a lower volume in our diversified businesses vertical. The increase in revenue from the UK region was primarily attributable to higher volumes in our utilities, healthcare, and travel verticals, partially offset by a depreciation of the pound sterling by an average of 10.9% against the US dollar for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016 and lower volumes in our insurance, and consulting and professional services verticals. The decrease in revenue from the Rest of world region was primarily attributable to lower volumes in our diversified businesses, and banking and financial services verticals.

Revenue Less Repair Payments (non-GAAP)

The following table sets forth our revenue less repair payment (non-GAAP) and percentage change in revenue less repair payments (non-GAAP) for the periods indicated:

	Three months ended June 30,		Change	% Change
	2017	2016		
	(US dollars in millions)			
Revenue less repair payments (non-GAAP)	\$175.3	\$140.8	\$34.5	24.5%

The increase in revenue less repair payments (non-GAAP) of \$34.5 million was primarily attributable to revenue less repair payments (non-GAAP) of \$33.6 million from new clients, including clients of businesses acquired since the comparative period last year and an increase in hedging gain on our revenue less repair payments (non-GAAP) by \$2.2 million to a gain of \$3.4 million for the three months ended June 30, 2017 from a gain of \$1.2 million for the three months ended June 30, 2016, which was partially offset by a decrease in revenue less repair payments (non-GAAP) from existing clients of \$1.3 million. The increase in revenue less repair payments (non-GAAP) was primarily attributable to higher volumes in our healthcare, diversified businesses, insurance, travel, utilities, banking and financial services, and shipping and logistics verticals, partially offset by a lower volume from existing clients in our consulting and professional services vertical. The increase was partially offset by a depreciation of the pound sterling and euro by an average of 10.9% and 2.6%, respectively, against the US dollar for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016.

Table of Contents*Revenue Less Repair Payments (non-GAAP) by Geography*

The following table sets forth the composition of our revenue less repair payments (non-GAAP) based on the location of our clients in our key geographies for the periods indicated:

	As a percentage of revenue less repair payments			
	Revenue less repair payments			
	Three months ended June 30,			
	2017	2016	2017	2016
	(US dollars in millions)			
North America (primarily the US)	\$ 73.1	\$ 45.1	41.7%	32.1%
UK	61.2	58.6	34.9%	41.6%
Australia	13.5	10.6	7.7%	7.5%
South Africa	10.5	9.6	6.0%	6.7%
Europe (excluding the UK)	9.9	9.4	5.6%	6.7%
Rest of world	7.1	7.6	4.0%	5.4%
Total	\$ 175.3	\$ 140.8	100.0%	100.0%

The increase in revenue less repair payments (non-GAAP) in North America (primarily the US) was primarily driven by higher volumes in our healthcare, diversified businesses, travel, banking and financial services, and insurance verticals including revenue less repair payments (non-GAAP) from clients of businesses acquired in the fourth quarter of fiscal 2017, partially offset by a lower volume in our consulting and professional services vertical. The increase in revenue less repair payments (non-GAAP) from the Australia region was primarily attributable to a higher volume in our insurance vertical, partially offset by a lower volume in our travel vertical. The increase in revenue less repair payments (non-GAAP) from the UK region was primarily attributable to higher volumes in our utilities, healthcare and travel verticals, partially offset by a depreciation of the pound sterling by an average of 10.9% against the US dollar for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016 and lower volumes in our consulting and professional services, and insurance verticals. The increase in revenue less repair payments (non-GAAP) from the South Africa region was primarily attributable to a higher volume in our diversified businesses vertical, partially offset by lower volumes in our travel, and banking and financial services verticals. The increase in revenue less repair payments (non-GAAP) from the Europe (excluding the UK) region was primarily attributable to a higher volume in our healthcare vertical, partially offset by a lower volume in our diversified businesses vertical. The decrease in revenue less repair payments (non-GAAP) from the Rest of world region was primarily attributable to lower volumes in our diversified businesses, and banking and financial services verticals.

Cost of Revenue

The following table sets forth the composition of our cost of revenue for the periods indicated:

	Three months ended June 30,		
	2017	2016	Change

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	(US dollars in millions)		
Employee costs	\$ 82.1	\$ 59.7	\$ 22.4
Facilities costs	21.0	17.2	3.8
Repair payments	4.8	7.2	(2.3)
Depreciation	4.7	4.0	0.7
Travel costs	3.4	2.8	0.6
Legal and professional costs	2.8	1.6	1.2
Other costs	6.0	6.3	(0.2)
Total cost of revenue	\$ 124.7	\$ 98.7	\$ 26.1
As a percentage of revenue	69.3%	66.7%	

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The increase in cost of revenue was primarily due to higher employee cost on account of higher headcount (including headcount of businesses acquired since the comparative period last year) and wage inflation; higher facilities costs on account of expansion of existing facilities and addition of new facilities; higher legal and professional costs; higher depreciation costs; and higher travel costs. The cost of revenue was also driven by an appreciation of the Indian rupee and South African rand against the US dollar by an average of 3.7% and 12.4%, respectively, for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016, which resulted in an increase of approximately \$3.4 million. These increases were partially offset by lower repair payments, and lower other costs primarily due to a decrease in subcontracting costs. Further, the depreciation of the Philippines peso against the US dollar by an average of 7.1% for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016 resulted in a decrease of approximately \$0.7 million in the cost of revenue.

Gross Profit

The following table sets forth our gross profit for the periods indicated:

	Three months ended June 30,		
	2017	2016	Change
	(US dollars in millions)		
Gross profit	\$ 55.4	\$ 49.3	\$ 6.1
As a percentage of revenue	30.7%	33.3%	
As a percentage of revenue less repair payments (non-GAAP)	31.6%	35.0%	

Gross profit as a percentage of revenue and revenue less repair payments (non-GAAP) decreased primarily due to higher cost of revenue as discussed above. Cost of revenue was higher notwithstanding the depreciation of the Philippines peso against the US dollar by an average of 7.1% for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016. This increase in cost of revenue was partially offset by higher revenue, and an increase in hedging gain on our revenue by \$2.2 million to \$3.4 million for the three month ended June 30, 2017 from \$1.2 million for the three month ended June 30, 2016.

Our built up seats increased by 6.7% from 27,123 as at June 30, 2016 to 28,932 as at June 30, 2017, during which we expanded seating capacities in our existing delivery centers in Pune and Gurgaon, India and added new facilities in Philippines, South Africa, and Romania. This was part of our strategy to expand our delivery capabilities. Further, we added new facilities in Noida and Pune, India, the US, and Turkey due to our acquisitions of Value Edge, Denali and HealthHelp since the comparative period last year. Our total headcount increased by 7.2% from 32,448 as at June 30, 2016 to 34,789 as at June 30, 2017, resulting in a marginal decrease in our seat utilization rate from 1.211 for the three months ended June 30, 2016 to 1.208 for the three months ended June 30, 2017. This 0.004 decrease in seat utilization contributed in a decrease in our gross profit by approximately 0.04% as a percentage of revenue and revenue less repair payments (non-GAAP) in the three months ended June 30, 2017.

Selling and Marketing Expenses

The following table sets forth the composition of our selling and marketing expenses for the periods indicated:

	Three months ended June 30,		
	2017	2016	Change
	(US dollars in millions)		
Employee costs	\$ 6.5	\$ 5.7	\$ 0.8
Other costs	2.5	2.0	0.5
Total selling and marketing expenses	\$ 9.0	\$ 7.7	\$ 1.3
As a percentage of revenue	5.0%	5.2%	
As a percentage of revenue less repair payments	5.1%	5.5%	

The increase in selling and marketing expenses was primarily due to an increase in employee costs as a result of an increase in sales headcount and wage inflation, and an increase in other costs as a result of higher marketing related expenses, and higher travel cost. This increase was partially offset by the depreciation of the pound sterling against the US dollar by an average of 10.9% for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016 which resulted in a decrease of approximately of \$0.3 million of selling and marketing expenses. Our selling and marketing expenses also increased as a result of our acquisitions since the comparative period last year.

Table of Contents*General and Administrative Expenses*

The following table sets forth the composition of our general and administrative expenses for the periods indicated:

	Three months ended June 30,		
	2017	2016	Change
	(US dollars in millions)		
Employee costs	\$ 20.2	\$ 16.0	\$ 4.2
Other costs	7.3	4.9	2.5
Total general and administrative expenses	\$ 27.5	\$ 20.9	\$ 6.6
As a percentage of revenue	15.3%	14.1%	
As a percentage of revenue less repair payments	15.7%	14.8%	

The increase in general and administrative expenses was primarily due to an increase in employee costs as a result of higher salaries on account of higher headcount, wage inflation and higher share-based compensation, and an increase in other costs as a result of higher legal and professional costs, higher travel cost, higher other miscellaneous costs, and higher facilities cost. The increase in general and administrative expenses was also driven by appreciation of the Indian rupee and South African rand against the US dollar by an average of 3.7% and 12.4%, respectively, for the three months ended June 30, 2017 as compared to the average exchange rate for the three months ended June 30, 2016, resulted in an increase of approximately \$0.5 million.

Foreign Exchange Loss / (Gains), Net

The following table sets forth our foreign exchange loss / (gains), net for the periods indicated:

	Three months ended June 30,		
	2017	2016	Change
	(US dollars in millions)		
Foreign exchange loss / (gains), net	\$ (4.8)	\$ (0.1)	\$ (4.7)

The foreign exchange gains were higher primarily due to higher gains of \$11.4 million from our rupee and US dollar denominated hedges as a result of a depreciation of the pound sterling, partially offset by higher foreign currency revaluation loss of \$6.7 million arising from \$1.7 million loss for the three months ended June 30, 2017 as against a gain of \$5.0 million for the three months ended June 30, 2016.

Amortization of Intangible Assets

The following table sets forth our amortization of intangible assets for the periods indicated:

	Three months ended June 30,		
	2017	2016	Change
	(US dollars in millions)		

Amortization of intangible assets	\$ 3.9	\$ 6.3	\$ (2.4)
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The decrease in amortization of intangible assets was primarily attributable to the completion of amortization in November 2016 of intangible assets associated with our acquisition of Aviva Global made in July 2008, partially offset by the amortization of intangible assets arising out of our acquisitions of Value Edge, Denali and HealthHelp in June 2016, January 2017 and March 2017, respectively.

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Operating Profit

The following table sets forth our operating profit for the periods indicated:

Three months ended June 30,