WNS (HOLDINGS) LTD
Form 6-K
October 27, 2010

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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 of the Securities Exchange Act of 1934
For the quarter ended September 30, 2010
Commission File Number 001 32945
WNS (HOLDINGS) LIMITED
(Exact name of registrant as specified in the charter)
Not Applicable
(Translation of Registrant s name into English)
Jersey, Channel Islands
(Jurisdiction of incorporation or organization)
Gate 4, Godrej & Boyce Complex
Pirojshanagar, Vikroli (W)
Mumbai 400 079, India
+91-22 - 4095 -2100
(Address of principal executive offices)

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 þ Form 40-F o

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): o

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): o

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): **Not applicable.**

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WNS (Holdings) Limited is incorporating by reference the information and exhibits set forth in this Form 6-K into its registration statement on Form S-8 (Registration No: 333-136168).

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 $ or dollars or US dollars are to the legal currency of the US and references to Rs. or rupees or Indian rupees are to the legal currency o India. References to pound sterling or £ are to the legal currency of the UK. References to the Euro are to the legal currency of the European Monetary Union References to pence are to the legal currency of Jersey, Channel Islands.

Our financial statements are presented in US dollars and are prepared in accordance with US generally accepted accounting principles, or US GAAP. References to a particular fiscal year are to our fiscal year ended March 31 of that year. 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.

We also refer in various places within this report to revenue less repair payments, which is a non-GAAP measure that is calculated as revenue less payments to automobile repair centers and more fully explained in Management s Discussion and Analysis of Financial Condition and Results of Operations. The presentation of this non-GAAP information is not meant to be considered in isolation or as a substitute for our financial results prepared in accordance with US GAAP.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, intend, will, project, seek, should and simi Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement 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;
- regulatory, legislative and judicial developments;
- our ability to attract and retain clients
- technological innovation;
- telecommunications or technology disruptions;
- future regulatory actions and conditions in our operating areas;
- our dependence on a limited number of clients in a limited number of industries;

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- the implications of the accounting changes and restatement of our financial statements described in Explanatory Note Regarding our Consolidated Financial Statements for our reporting with the Commission, and any adverse developments in existing legal proceedings or the initiation of new legal proceedings;
- our ability to expand our business or effectively manage growth;
- our ability to hire and retain enough sufficiently trained employees to support our operations;
- negative public reaction in the US or the UK to offshore outsourcing;
- increasing competition in the BPO industry;
- our ability to successfully grow our revenue, expand our service offerings and market share and achieve accretive benefits from our acquisition of Aviva Global Services Singapore Pte. Ltd., or Aviva Global (which we have renamed as WNS Customer Solutions (Singapore) Private Limited, or WNS Global Singapore following our acquisition) and our master services agreement with Aviva Global Services (Management Services) Private Limited, or AVIVA MS, as described below;
- our ability to successfully consummate strategic acquisitions; and
- volatility of our ADS price.

These and other factors are more fully discussed in our other filings with the Securities and Exchange Commission, or 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, 2010. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans, objectives or projected financial results referred to in any of the forward-looking statements. Except as required by law, we do not undertake to release revisions of any of these forward-looking statements to reflect future events or circumstances.

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Part I FINANCIAL INFORMATION
WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	September 30, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,648	$ 32,311
Bank deposits and marketable securities	12	45
Accounts receivable, net of allowance of $3,483 and $3,152 respectively	70,401	44,082
Accounts receivable related parties	319	739
Unbilled revenue	32,602	40,892
Funds held for clients	1,865	11,372
Employee receivables	2,018	1,526
Prepaid expenses	3,400	2,101
Prepaid income taxes	5,343	5,602
Deferred tax assets	2,353	1,959
Other current assets	30,938	36,308
Total current assets	173,899	176,937
Goodwill	92,820	90,662
Intangible assets, net	172,380	188,079
Property and equipment, net	48,982	51,700
Other assets	5,074	10,242
Deposits	7,047	7,086
Deferred tax assets	29,297	25,184
TOTAL ASSETS	$ 529,499	$ 549,890
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current liabilities:		
Accounts payable	$ 28,901	$ 27,900
Current portion of long term debt	40,000	40,000
Short term line of credit	10,980	
Accrued employee cost	26,342	30,977
Deferred revenue	6,610	4,891
Income taxes payable	2,540	2,550
Other current liabilities	61,765	67,585
Total current liabilities	177,138	173,903
Long term debt	72,715	95,000
Deferred revenue	7,474	3,515
Other liabilities	2,571	3,727
Accrued pension liability	4,432	3,921

Deferred tax liabilities		8,113		8,343
Derivative contracts		3,557		7,600
TOTAL LIABILITIES		276,000		296,009
Commitments and contingencies				
Redeemable noncontrolling interest				278
WNS (Holdings) Limited shareholders equity:				
Ordinary shares, $0.16 (10 pence) par value, authorized: 50,000,000 shares; Issued and outstanding: 44,329,959 and 43,743,953 shares, respectively		6,937		6,848
Additional paid-in-capital		205,313		203,531
Retained earnings		49,670		50,797
Accumulated other comprehensive loss		(8,421)		(7,573)
Total WNS (Holdings) Limited shareholders equity		253,499		253,603
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY	$	529,499	$	549,890

See accompanying notes.

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WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, amounts in thousands, except per share data)

	Three months ended September 30		Six months ended September 30	
	2010	2009 (As restated See Note 2)	2010	2009 (As restated See Note 2)
Revenue:				
Third parties	$ 153,090	$ 145,342	$ 302,144	$ 278,385
Related parties	1,069	635	1,979	685
	154,159	145,977	304,123	279,070
Cost of revenue	120,990	109,075	244,217	205,023
Gross profit	33,169	36,902	59,906	74,047
Operating expenses:				
Selling, general and administrative expenses	19,654	22,098	39,234	42,864
Amortization of intangible assets	7,922	8,081	15,902	16,281
Operating income	5,593	6,723	4,770	14,902
Other (income) expenses, net	(1,907)	2,058	399	4,882
Interest expense	1,921	3,445	4,614	7,561
Income (loss) before income taxes	5,579	1,220	(243)	2,459
Provision for income taxes	752	225	1,249	541
Net income (loss)	4,827	995	(1,492)	1,918
Less: Net loss attributable to redeemable noncontrolling interest	(94)	(356)	(368)	(470)
Net income (loss) attributable to WNS (Holdings) Limited shareholders	$ 4,921	$ 1,351	$ (1,124)	$ 2,388
Earnings per share of ordinary share				
Basic	$ 0.11	$ 0.02	$ (0.03)	$ 0.04
Diluted	$ 0.11	$ 0.02	$ (0.03)	$ 0.04

See accompanying notes.

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WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Six months ended September 30, 2010	Six months ended September 30, 2009 (As restated See Note 2)
Cash flows from operating activities		
Net cash provided by operating activities	$ 8,981	$ 31,512
Cash flows from investing activities		
Acquisition, net of cash acquired	(494)	
Facility and property cost	(6,779)	(6,365)
Proceeds from sale of property and equipment, net	158	462
Marketable securities sold and deposits, net	34	5,987
Net cash (used in) provided by investing activities	(7,081)	84
Cash flows from financing activities		
Ordinary shares issued and subscribed	714	1,021
Excess tax benefits from share-based compensation	313	969
Proceeds from long term debt	64,895	
Repayment of long term debt	(87,750)	(30,000)
Payment of debt issuance cost	(890)	(47)
Proceeds from (repayments of) short term borrowings, net	10,631	(4,814)
Principal payments under capital leases		(57)
Net cash used in financing activities	(12,087)	(32,928)
Effect of exchange rate changes on cash	2,524	2,612
Net change in cash and cash equivalents	(7,663)	1,280
Cash and cash equivalents at beginning of period	32,311	38,931
Cash and cash equivalents at end of period	$ 24,648	$ 40,211

See accompanying notes.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(Unaudited, amounts in thousands, except share and per share data)

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements of WNS (Holdings) Limited (the Company or WNS) have been prepared in accordance with United States generally accepted accounting principles (US GAAP) for interim financial reporting and with the instructions of Rule 10-01 of Regulation S-X. Accordingly, they do not include all information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending March 31, 2011. The balance sheet at March 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by US GAAP for complete financial statements. These condensed consolidated financial statements is to be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 20-F for the fiscal year ended March 31, 2010.

Consolidation

The Company consolidates all the subsidiaries where it holds, directly or indirectly, more than 50% of the total voting power or where it exercises control.

2. Restatement and reclassification of previously issued consolidated financial statements

In the audited consolidated financial statements for the year ended March 31, 2010, the Company restated its previously issued consolidated financial statements for the years ended March 31, 2009 and 2008. The Company also restated its previously issued condensed consolidated income statements for the first, second and third quarters of fiscal year ended March 31, 2010 included in its annual report on Form 20-F for the year ended March 31, 2010 filed with the US Securities and Exchange Commission. The restatement resulted from a correction in the income statement characterization of referral fees and the timing of recognition of revenue and cost for completed but unbilled repair costs. The restatement adjustments resulted in a decrease in previously reported revenue, cost of revenue and net income by $7,070, $7,064 and $4, respectively, for the three month period ended September 30, 2009 and $10,672, $10,625 and $34 for the six month period ended September 30, 2009. Accordingly, the consolidated financial information presented in the accompanying unaudited condensed consolidated financial statements for the three and six month periods ended September 30, 2009 is restated to give effect to such adjustments.

3. Adoption of new accounting principles

Effective January 1, 2010, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* , to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance is effective for interim and annual reporting period beginning after December 15, 2009, except for the disclosure about purchases, sales, issuance, and settlements in the roll forward of activity in level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company adopted the disclosure provisions on the transfers of assets and liabilities between Level 1 and Level 2 in the quarter ended December 31, 2009.

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(Unaudited, amounts in thousands, except share and per share data)

4. Acquisitions

Business Applications Associates Limited (BizAps)

On June 12, 2008, the Company acquired all outstanding shares of BizAps, a provider of systems applications and products solutions to optimize enterprise resource planning functionality for finance and accounting processes. The purchase price for the acquisition was a cash payment of £5,000 ($9,749) plus direct transaction costs of $469. The consideration also included a contingent earn-out consideration of up to £4,500 ($9,000) based on satisfaction of certain performance obligation over a two-year period up to June 2010 as set out in the share purchase agreement. Consequent to the satisfaction of certain performance obligations for the 12 month period ended June 30, 2009; the Company paid an earn-out consideration of $1,111. Such amount was recorded as an addition to goodwill. On June 6, 2010, the Company entered into an amendment to the acquisition agreement with the sellers, pursuant to which, the Company settled the earn-out consideration for performance obligations for the period ended on June 30, 2010 at $471. Such amount is recorded as an addition to goodwill.

5. Property and equipment, net

Property and equipment, net consist of the following:

	As at	
	September 30, 2010	March 31, 2010
Property and equipment, gross	$ 179,308	$ 171,505
Less: Accumulated depreciation	(130,326)	(119,805)
Property and equipment, net	$ 48,982	$ 51,700

Depreciation expense on property and equipment for the three months ended September 30, 2010 and 2009 was $4,808 and $5,257, respectively, and for the six months ended September 30, 2010 and 2009 was $10,147 and $10,563, respectively.

6. Share-based compensation

Share-based compensation expense during the three and six months ended September 30, 2010 and 2009 are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Share-based compensation recorded in				
Cost of revenue	$ 302	$ 1,176	$ 404	$ 2,052
Selling, general and administrative expenses	708	3,153	1,099	5,573
Total share-based compensation expense	1,010	4,329	1,503	7,625
Estimated income tax benefit	(183)	(662)	(232)	(1,466)
Share-based compensation expense, net of estimated taxes	$ 827	$ 3,667	$ 1,271	$ 6,159

Upon exercise of stock options and Restricted Share Units (RSUs) the Company issued 212,874 and 256,803 shares, respectively, for the three months ended September 30, 2010 and 2009 and 586,006 and 469,056 shares, respectively, for the six months ended September 30, 2010 and 2009.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited, amounts in thousands, except share and per share data)

7. Comprehensive income (loss)

The changes in the components of comprehensive income (loss), net of taxes for the three and six month periods ended September 30, 2010 and 2009 are as follows:

	Three months ended September 30, 2010	Three months ended September 30, 2009 (As restated See Note 2)	Six months ended September 30, 2010	Six months ended September 30, 2009 (As restated See Note 2)
Net income (loss)	$ 4,827	$ 995	$ (1,492)	$ 1,918
Cumulative translation adjustment	9,915	(3,543)	4,512	14,594
Change in fair value of cash flow hedges, net of tax	(2,458)	2,816	(5,165)	(5,439)
Unrecognized actuarial gain (loss) and prior service cost on pension liability	81	380	(108)	481
Total comprehensive income (loss)	12,365	648	(2,253)	11,554
Less: Comprehensive (loss) income attributable to redeemable noncontrolling interest	61	(352)	(281)	(474)
Comprehensive income (loss) attributable to WNS (Holdings) Limited shareholders	$ 12,304	$ 1,000	$ (1,972)	$ 12,028

The components of accumulated other comprehensive loss, net of taxes, were as follows:

	As at, September 30, 2010	As at, March 31, 2010
Net unrealized (loss) gain on cash flow hedges	$ (840)	$ 4,415
Cumulative translation adjustment	(7,017)	(11,534)
Unamortized net actuarial loss and prior service cost on pension plans	(564)	(454)
Accumulated other comprehensive loss	$ (8,421)	$ (7,573)

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WNS (HOLDINGS) LIMITED
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8. Equity and redeemable noncontrolling interest

A summary of the changes in equity and redeemable noncontrolling interest for the three and six month periods ended September 30, 2010 and 2009 is provided below:

	Three months ended September 30,			
	2010		2009	
	WNS (Holdings) Limited shareholders equity	Redeemable noncontrolling interest	WNS (Holdings) Limited shareholders equity	Redeemable noncontrolling interest
			(As restated See Note 2)	
Balance at beginning of period	$ 240,392	$	$ 202,211	$
Shares issued for exercised options	267		846	
Ordinary shares subscribed			68	
Share-based compensation charge	1,009		4,311	
Excess tax benefits from exercise of share-based options, net	(534)		394	
Accretion to redeemable noncontrolling interest (Refer note 18)	61	(61)	(352)	352
Comprehensive income (loss):				
Consolidated net income (loss)	4,921	(94)	1,351	(356)
Foreign currency translation gain (loss)	9,879	36	(3,556)	13
Change in fair value of cash flow hedges, net of tax	(2,732)	274	2,825	(9)
Pension adjustments	236	(155)	380	
Balance at end of period	$ 253,499	$	$ 208,478	$

	Six months ended September 30,			
	2010		2009	
	WNS (Holdings) Limited shareholders equity	Redeemable noncontrolling interest	WNS (Holdings) Limited shareholders equity	Redeemable noncontrolling interest
			(As restated See Note 2)	
Balance at beginning of period	$ 253,603	$ 278	$ 188,126	$ 13
Shares issued for exercised options	714		953	

Ordinary shares subscribed			68	
Share-based compensation charge	1,503		7,628	
Excess tax benefits from exercise of share-based options, net	(346)		136	
Accretion to redeemable noncontrolling interest (Refer note 18)	(3)	3	(461)	461
Comprehensive income (loss):				
Consolidated net income (loss)	(1,124)	(368)	2,388	(470)
Foreign currency translation gain (loss)	4,517	(5)	14,589	5
Change in fair value of cash flow hedges, net of tax	(5,255)	90	(5,430)	(9)
Pension adjustments	(110)	2	481	
Balance at end of period	$ 253,499	$	$ 208,478	$

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9. Earnings per share of ordinary shares

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three months ended September 30		Six months ended September 30	
	2010	2009 (As restated See Note 2)	2010	2009 (As restated See Note 2)
Numerator:				
Net income (loss) attributable to WNS (Holdings) Limited shareholders	$ 4,921	$ 1,351	$ (1,124)	$ 2,388
Impact on net income (loss) attributable to WNS (Holdings) Limited shareholders through changes in redeemable noncontrolling interest (Refer Note 18)	61	(352)	(3)	(461)
	$ 4,982	$ 999	$ (1,127)	$ 1,927
Denominator:				
Basic weighted average ordinary shares outstanding	44,253,774	42,941,588	44,117,597	42,838,295
Dilutive impact of equivalent stock options and RSUs outstanding	660,925	1,695,562		1,157,034
Diluted weighted average ordinary shares outstanding	44,914,698	44,637,150	44,117,597	43,995,329

The Company computes earnings per share in accordance with Accounting Standards Codification (ASC) 260-10, *Earnings Per Share* . The computation of earnings per ordinary share was determined by dividing net income (loss) attributable to the Company s shareholders by the weighted average ordinary shares outstanding during the respective periods.

The Company excludes options with exercise price that are greater than the average market price from the calculation of diluted EPS because their effect would be anti-dilutive. In the six months ended September 30, 2010 and 2009, the Company excluded from the calculation of diluted EPS options to purchase 1,181,882 shares and 905,539 shares, respectively.

Due to net losses in six months ended September 30, 2010, the assumed exercise of stock options and RSUs had an antidilutive effect and therefore was excluded from the computation of diluted loss per share.

WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited, amounts in thousands, except share and per share data)

10. Retirement benefits

Defined Contribution Plan

The following table sets forth the Company s contribution to defined contribution plans:

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
India	$ 1,304	$ 1,312	$ 2,668	$ 2,609
Philippines	8	5	19	11
Sri Lanka	82	138	166	275
United Kingdom	181	135	398	257
United States	78	129	176	259
	$ 1,653	$ 1,719	$ 3,427	$ 3,411

Defined Benefit Plan Gratuity

The following table sets forth the net periodic cost recognized by the Company in respect of gratuity payments under the Company s gratuity plans covering eligible employees of the Company in India, the Philippines and Sri Lanka.

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Net periodic gratuity cost				
Service cost	$ 347	$ 284	$ 698	$ 546
Interest cost	109	85	220	170
Expected return on plan asset	(4)	(34)	(8)	(43)
Prior service cost	26		26	
Recognized net actuarial loss	23	41	46	100
Net periodic gratuity cost for the period	$ 501	$ 376	$ 982	$ 773

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WNS (HOLDINGS) LIMITED
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CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited, amounts in thousands, except share and per share data)

11. Segments

The Company has several operating segments based on a mix of industry, geography, customers and the types of services. The composition and organization of these operating segments is fluid and the structure changes regularly in response to the growth of the overall business acquisitions and changes in reporting structure, customers, services, industries served and delivery centers. These operating segments include travel, insurance, research and analytics, legal, financial services, auto claims and others. The Company believes that the business process outsourcing services that it provides to customers other than automobile claims handling services are similar in terms of services, service delivery methods, use of technology, and long-term gross profit and hence meet the aggregation criteria under ASC 280, *Segmental Reporting* (ASC 280) and referred to as WNS Global BPO. WNS Auto Claims BPO, which provides automobile claims handling services, does not meet the aggregation criteria under ASC 280. Accordingly, the Company has determined that it has two reportable segments WNS Global BPO and WNS Auto Claims BPO .

In the WNS Auto Claims BPO segment, 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. The Company uses revenue less repair payments 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 revenue less payments to repair centers. 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. The Company believes that the presentation of this non-GAAP measure in the segmental information provides useful information for investors regarding the segment s financial performance. The presentation of this non-GAAP information is not meant to be considered in isolation or as a substitute for the Company s financial results prepared in accordance with US GAAP.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(Unaudited, amounts in thousands, except share and per share data)

Segmental information for the three and six month periods ended September 30, 2010 and 2009 are as follows:

	Three months ended September 30, 2010			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 83,736	$ 70,423	$	$ 154,159
Segmental revenue	$ 83,941	$ 70,423	$ (205)	$ 154,159
Payments to repair centers		61,049		61,049
Revenue less repair payments	83,941	9,374	(205)	93,110
Depreciation	4,472	336		4,808
Other costs	67,531	6,451	(205)	73,777
Segment operating income	11,938	2,587		14,525
Other income, net	(1,825)	(82)		(1,907)
Interest expense	1,918	3		1,921
Segment income before income taxes	11,845	2,666		14,511
Provision for income taxes	48	704		752
Segment net income	11,797	1,962		13,759
Unallocated share-based compensation expense				1,010
Amortization of intangible assets				7,922
Net income				4,827
Less: Net loss attributable to redeemable noncontrolling interest				(94)
Net income attributable to WNS (Holdings) Limited shareholders				$ 4,921
Capital expenditure	$ 3,216	$ 813	$	$ 4,029
Segment assets, net of eliminations	$ 419,115	$ 110,384	$	$ 529,499

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(Unaudited, amounts in thousands, except share and per share data)

	Three months ended September 30, 2009 (As restated See Note 2)			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 86,436	$ 59,541	$	$ 145,977
Segmental revenue	$ 86,735	$ 59,541	$ (299)	$ 145,977
Payments to repair centers		46,318		46,318
Revenue less repair payments	86,735	13,223	(299)	99,659
Depreciation	5,006	251		5,257
Other costs	64,685	10,581	(299)	74,967
Segment operating income	17,044	2,391		19,435
Other expense (income), net	3,446	(1,388)		2,058
Interest expense (income), net	3,483	(38)		3,445
Segment income before income taxes	10,115	3,817		13,932
(Benefit) provision for income taxes	(632)	857		225
Segment net income	10,747	2,960		13,707
Unallocated share-based compensation expense (including related fringe benefit taxes $302)				4,631
Amortization of intangible assets				8,081
Net income				995
Less: Net loss attributable to redeemable noncontrolling interest				(356)
Net income attributable to WNS (Holdings) Limited shareholders				$ 1,351
Capital expenditure	$ 2,453	$ 146	$	$ 2,599
Segment assets, net of eliminations	$ 445,668	$ 100,221	$	$ 545,889

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	Six months ended September 30, 2010			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 163,741	$ 140,382	$	$ 304,123
Segmental revenue	$ 164,149	$ 140,382	$ (408)	$ 304,123
Payments to repair centers		121,705		121,705
Revenue less repair payments	164,149	18,677	(408)	182,418
Depreciation	9,546	601		10,147
Other costs	137,413	13,091	(408)	150,096
Segment operating income	17,191	4,984		22,175
Other expense (income), net	601	(202)		399
Interest expense	4,611	3		4,614
Segment income before income taxes	11,978	5,184		17,162
Provision for income taxes	83	1,166		1,249
Segment net income	11,895	4,018		15,913
Unallocated share-based compensation expense				1,503
Amortization of intangible assets				15,902
Net loss				(1,492)
Less: Net loss attributable to redeemable noncontrolling interest				(368)
Net loss attributable to WNS (Holdings) Limited shareholders				$ (1,124)
Capital expenditure	$ 5,426	$ 1,353	$	$ 6,779
Segment assets, net of eliminations	$ 419,115	$ 110,384	$	$ 529,499

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	Six months ended September 30, 2009 (As restated See Note 2)			
	WNS Global BPO	**WNS Auto Claims BPO**	**Inter Segments**	**Total**
Revenue from external customers	$ 171,811	$ 107,259	$	$ 279,070
Segmental revenue	$ 172,430	$ 107,259	$ (619)	$ 279,070
Payments to repair centers		81,525		81,525
Revenue less repair payments	172,430	25,734	(619)	197,545
Depreciation	10,095	468		10,563
Other costs	127,835	20,499	(619)	147,715
Segment operating income	34,500	4,767		39,267
Other expense (income), net	6,458	(1,576)		4,882
Interest expense	7,497	64		7,561
Segment income before income taxes	20,545	6,279		26,824
(Benefit) provision for income taxes	(1,048)	1,589		541
Segment net income	21,593	4,690		26,283
Unallocated share-based compensation expense (including related fringe benefit taxes $459)				8,084
Amortization of intangible assets				16,281
Net income				1,918
Less: Net loss attributable to redeemable noncontrolling interest				(470)
Net income attributable to WNS (Holdings) Limited shareholders				$ 2,388
Capital expenditure	$ 5,331	$ 1,034	$	$ 6,365
Segment assets, net of eliminations	$ 445,668	$ 100,221	$	$ 545,889

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12. Other (income) expense, net

Components of other (income) expense for the three and six month periods ended September 30, 2010 and 2009 are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2010	**2009**	**2010**	**2009**
Foreign exchange loss (gain), net	$ 3,371	$ (60)	$ 1,601	$ 122
Interest income	(42)	(128)	(76)	(251)
Ineffective portion of interest rate swap (Refer Note 15)	(436)		4,415	
Forward/option contract (gain) loss, net	(4,722)	3,231	(5,654)	6,301
Other	(78)	(985)	113	(1,290)
Total other (income) expense, net	**$ (1,907)**	**$ 2,058**	**$ 399**	**$ 4,882**

13. Fair value disclosures

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market based measurement that should be determined based on assumption that market participant would use in pricing an asset or a liability. A three tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 Includes other inputs that are directly or indirectly observable in the market price

Level 3 Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The Company measures derivative instruments at fair value. The derivative instruments are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments in inactive markets. The Company holds non speculative forwards, options and swaps to hedge certain foreign currency and interest rate exposures. When active quotes are not available, the Company uses industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies.

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The assets and liabilities measured at fair value on a recurring basis are summarized below:-

Description	September 30, 2010	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				
Derivative contracts				
current	$ 18,353	$	$ 18,353	$
non current	3,361		3,361	
Total Assets	**$ 21,714**	**$**	**$ 21,714**	**$**
Liabilities				
Derivative contracts				
current	$ 5,071	$	$ 5,071	$
non current	1,332		1,332	
Total liabilities	**$ 6,403**	**$**	**$ 6,403**	**$**

Description	March 31, 2010	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				
Derivative contracts				
current	$ 22,808	$	$ 22,808	$
non current	8,374		8,374	
Total Assets	**$ 31,182**	**$**	**$ 31,182**	**$**

Liabilities						
Derivative contracts						
current	$	6,750	$	$	6,750	$
non current		1,992			1,992	
Total liabilities	**$**	**8,742**	**$**	**$**	**8,742**	**$**

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Fair value of cash equivalents, funds held for clients, bank deposits and marketable securities, accounts receivable, employee receivables, other current assets, accounts payables, short term loan, accrued expenses and other current liabilities appropriate their fair values due to short term maturing of these items. The fair value of deposits and long term debt is $7,029 and $110,506, respectively, at September 30, 2010 and $7,073 and $91,192, respectively, at March 31, 2010. The fair value is estimated using the discounted cash flow approach and market rates of interest. The valuation technique involves assumption and judgments regarding risk characteristics of the instruments, discount rates, future cash flows and other factors.

As of September 30, 2010, the Company did not have any significant non-recurring measurements of nonfinancial assets and nonfinancial liabilities.

14. Debt

Long term debt

On July 11, 2008, the Company entered into a term loan facility agreement to provide for a secured term loan of $200,000 which was fully utilized by the Company to finance the acquisition of Aviva Global Services. In connection with the financing, the Company incurred $1,891 as debt issuance costs, which was deferred and amortized as an adjustment to interest expense over the term of the loan using the effective interest method.

The term loan bore interest at three month US dollar LIBOR plus a margin of 3.5% per annum (3% through January 9, 2009), payable on a quarterly basis. Effective October 10, 2008, the Company entered into interest rate swap agreements with the notional amount totaling $200,000, to effectively convert the term loan into a fixed-rate debt. The Company had an option to prepay the whole or a part of the debt without any prepayment penalty by giving ten days prior notice to the lenders. Pursuant to the prepayment option, the Company made a prepayment of $5,000 on April 14, 2009, $5,000 on July 10, 2009 and $15,000 on January 11, 2010. The Company also repaid the scheduled repayment installments of the loan of $20,000 each on July 10, 2009, January 11, 2010 and July 12, 2010.

On July 12, 2010 the balance of $115,000 was prepaid with cash on hand and proceeds from a new term loan facility for $94,000 obtained pursuant to a facility agreement dated July 2, 2010.

The new facility provides for a term loan of $94,000 with interest equal to the three month US dollar LIBOR plus a margin of 2% per annum. The variable interest rate at September 30, 2010 was 2.53%. As on September 30, 2010 the Company s interest rate swap agreement converts the floating rate loan to weighted average effective fixed rate of 5.84%. This term loan is repayable in semi-annual installments of $20,000 each on January 10, 2011 and July 11, 2011 and $30,000 on January 10, 2012 with the final installment of $24,000 payable on July 10, 2012. The facility is secured by, among other things, guarantees and pledges of shares provided by the Company and certain of its subsidiaries, a pari-passu fixed and floating charge over the assets of a UK subsidiary of the Company and charges over certain bank accounts. The facility agreement contains certain restrictive covenants on the indebtedness of the Company, total borrowings to tangible net worth ratio, total borrowings to Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) ratio and a minimum interest coverage ratio. As of September 30, 2010 the Company was in compliance with all of its financial covenants and the amount outstanding under the facility was $94,000.

The Company has also established a £19,760 (equivalent of $30,000), line of credit in UK pursuant to a facility agreement dated June 30, 2010. This facility consists of a two year term loan facility of £9,880 at the Bank of England base rate plus a margin of 1.95% per annum and a working capital facility of £9,880 at the Bank of England base rate plus a margin of 2.45% per annum. This facility is secured by, among other things, guarantees and pledges of shares provided by the Company and certain of its subsidiaries, a pari-passu fixed and floating charge over the assets of the Company s UK subsidiaries and a charge over a bank account. This facility agreement contains certain restrictive covenants on the indebtedness of the Company, total borrowings to tangible net worth ratio, total borrowings to EBITDA ratio, a minimum interest coverage ratio and a minimum current ratio. As of September 30, 2010 the Company was in compliance with all of its financial covenants and the amount outstanding under the term loan facility was £9,880.

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In connection with the refinancing of the debt, the Company has incurred an upfront fees and debt issuance cost totaling $1,213 a portion of which is amortized as an adjustment to interest expense over the remaining term of the new loan. As both the old and the new loan are syndicated loan, to the extent that the loan was refinanced by the old lenders, the Company has determined that the new loan is not substantially different from the old loan under the guidance provided by ASC 470-50 *Modifications and Extinguishments* , and accordingly the unamortized costs of $228 of the old loan pertaining to old lenders continuing as new lenders has been recorded as an adjustment to interest expense over the remaining term of the new loan and the debt issuance cost for the new loan of $375 pertaining to old lenders continuing as new lenders is charged to the income statement**.** Under ASC 860 *Transfers and Servicing* , the Company determined that since the outstanding amount from one of the old lenders not continuing as a new lender is fully repaid, it is an extinguishment of a loan, and thus the balance of unamortized debt cost of $424 of the old loan was charged to the income statement. The balance of unamortized cost as of September 30, 2010 after the above adjustment is $910.

The Company has also established a $3,200 line of credit in the Philippines pursuant to a facility agreement dated September 8, 2010. This facility consists of a three year term loan facility at the three month US dollar LIBOR plus a margin of 3% per annum. This facility is secured by, among other things, a guarantee provided by the Company and contains certain restrictive covenants on the indebtedness of the Company, total borrowings to tangible net worth ratio, total borrowings to EBITDA ratio and a minimum interest coverage ratio. As of September 30, 2010 the Company was in compliance with all of its financial covenants and the amount outstanding under the facility was $3,200.

Short-term debt and line of credit

As at September 30, 2010, the Company s Indian subsidiary had an unsecured line of credit for $10,457, interest on which is determined on the date of borrowing. As at September 30, 2010 out of this facility, $356 was utilized for obtaining the bank guarantees.

As at September 30, 2010, the Company s UK subsidiary had a secured working capital line of credit for £9,880 (equivalent of $15,000), interest on which is at the Bank of England base rate plus a margin of 2.45% per annum. As at September 30, 2010 out of this facility, £6,992 (equivalent of $10,980) was utilized.

15. Derivative instruments and hedging activities

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange risk and interest rate risk. Forward and option contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenue denominated in foreign currencies. Interest rate swaps are entered into to manage interest rate risk associated with the Company s floating rate borrowings.

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Cash flow hedges

The Company has instituted a foreign currency cash flow hedging program to protect against the reduction in value of forecasted foreign currency cash flows resulting from forecasted revenue of up to two years denominated in foreign currencies. The Company s subsidiaries in Mauritius, the UK and the US use foreign currency forward and option contracts designated as cash flow hedges to hedge its forecasted revenue transactions denominated in a currency other than its functional currency. The operating subsidiaries in India, the Philippines and Sri Lanka also hedge a part of their forecasted inter-company revenue denominated in US dollar and pound sterling, with foreign currency forward and option contracts. These hedges mature on a monthly basis and the hedging contracts have a term of up to two years. When the functional currency of the subsidiary strengthens against a currency other than its functional currency, the decline in value of future foreign currency revenue is offset by gains in the value of the derivative contracts designated as hedges. Conversely, when the functional currency of the subsidiary weakens, the increase in the value of future foreign currency cash flows is offset by losses in the value of the forward contracts. The fair value of both the foreign currency forward contracts and options are reflected in other assets or other liabilities as appropriate. The forecasted inter-company revenue relates to cost of revenue of certain subsidiaries and is recorded by those subsidiaries in their functional currency at the time services are provided. The resulting difference upon the elimination of inter-company revenue with the related cost of revenue is recorded in other income.

The Company had entered into interest rate swap agreements to manage interest rate risk exposure. The swap agreements cover the outstanding amount of the term loan described in note 14. The swaps convert the floating rate of three month US dollar LIBOR rate under the loan to an average fixed rate of 3.84% per annum. The cash flows under the swap cover the entire tenor of the original loan and exactly match the interest payouts under the original loan. The interest rate swap effectively modified the Company s exposure to interest rate risk by converting the Company s floating rate debt to a fixed rate basis for the entire term of the debt, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

Pursuant to the refinancing described in note 14, in accordance with the guidance in ASC 815-20-55 *Derivative and Hedging Implementation Guidance and Illustrations* the Company had discontinued the hedge relationship as it was probable that the forecasted transactions on the specific loan identified in the hedge documentation would not occur by the end of the date originally specified. Hence as on June 30, 2010, the date of the refinancing, the mark-to-market loss on the interest rate swap was reclassified from other comprehensive income into earnings. As on July 12, 2010, in accordance with the guidance in ASC 815-20-55-88 *Derivative and Hedging Implementation Guidance and Illustrations* and ASC 815-30-40-1 *Derivative and Hedging De-recognition* the Company has redesignated this hedge as cash flow hedge and mark-to-market loss/gain on this contract is recorded in other comprehensive income.

Other

The Company has entered into foreign currency average rate option contracts to cover the foreign currency risk associated with the translation of the forecasted profits of up to 12 months of a subsidiary, the functional currency of which is not US dollars. The Company has also entered into foreign currency forward contract to cover the foreign currency risk associated with revaluation of assets/liabilities. The Company s subsidiary in the UK has also entered into a foreign currency forward and option contracts of up to 24 months to hedge a part of the US dollar /Romanian leu risk associated with the forecasted inter-company revenue of one of the Company s subsidiaries in Romania. These contracts do not qualify for hedge accounting and have not been designated as hedging instruments under ASC 815-10. The Company does not use derivative instruments for trading purposes.

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The fair values of derivative instruments are reflected in the consolidated balance sheet as follows:

	September 30, 2010			
	Foreign exchange forward contracts	Foreign Exchange option contracts	Interest rate contracts	Total derivatives
Assets				
Derivatives not designated as hedging instruments				
Other current assets	$ 3,311	$ 226	$	$ 3,537
Other assets non current	46	55		101
Total	$ 3,357	$ 281	$	$ 3,638
Derivatives designated as hedging instruments				
Other current assets	$ 6,478	$ 8,338	$	$ 14,816
Other assets non current	129	3,131		3,260
Total	$ 6,607	$ 11,469	$	$ 18,076
Total assets	$ 9,964	$ 11,750	$	$ 21,714
Liabilities				
Derivatives not designated as hedging instruments				
Other current liabilities	$ 97	$	$	$ 97
Derivative contracts	33			33
Total	$ 130	$	$	$ 130
Derivatives designated as hedging instruments				
Other current liabilities	$ 2,598	$	$ 2,376	$ 4,974
Derivative contracts	390		909	1,299
Total	$ 2,988	$	$ 3,285	$ 6,273
Total liabilities	$ 3,118	$	$ 3,285	$ 6,403

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	March 31, 2010			
	Foreign exchange forward contracts	Foreign exchange option contracts	Interest rate contracts	Total derivatives
Assets				
Derivatives not designated as hedging instruments				
Other current assets	$ 1,501	$ 550	$	$ 2,051
Other assets non current	28	76		104
Total	$ 1,529	$ 626	$	$ 2,155
Derivatives designated as hedging instruments				
Other current assets	$ 11,281	$ 9,476	$	$ 20,757
Other assets non current	642	7,628		8,270
Total	$ 11,923	$ 17,104	$	$ 29,027
Total assets	$ 13,452	$ 17,730	$	$ 31,182
Liabilities				
Derivatives not designated as hedging instruments				
Other current liabilities	$ 415	$	$	$ 415
Derivative contracts	11			11
Total	$ 426	$	$	$ 426
Derivatives designated as hedging instruments				
Other current liabilities	$ 1,836	$	$ 4,499	$ 6,335
Derivative contracts	86		1,895	1,981
Total	$ 1,922	$	$ 6,394	$ 8,316

Total liabilities	$	2,348		$	6,394	$	8,742

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The following tables summarize activities in the consolidated statement of income for the three months ended September 30, 2010 related to derivative instruments that are classified as cash flow hedges in accordance with ASC 815-10:

	Amount of gain (loss) recognized in AOCI on derivatives (effective portion) As at September 30, 2010	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) reclassified from AOCI into income (effective portion) Three months ended September 30, 2010	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) Three months ended September 30, 2010
Derivatives designated as hedges					
Foreign exchange forward contracts	$ 3,620	Revenue	$ (647)		$
		Other expense, net	2460	Other expense, net*	192
Foreign exchange option contracts	(4,163)	Revenue	(832)		
		Other expense, net	(292)	Other expense, net*	(62)
Interest rate swaps	(447)	Interest expense	(844)	Other expense, net*	436
	$ (990)		**$ (155)**		**$ 566**

Location of
gain or

	(loss) recognized in income on derivatives	Amount of gain (loss) recognized in income on Derivatives Three months ended September 30, 2010
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	Other expense, net	$ 2,570
Foreign exchange option contracts	Other expense, net	(144)
		$ 2,426

* The foreign exchange forward contract and option contracts include gain of $76 and loss of $25, respectively, which is reclassified into earnings as a result of the discontinuance of cash flow hedge due to the non-occurrence of original forecasted transactions by the end of the originally specified time period. The interest rate swap includes a gain of $436 on account of re-designation of interest rate swap.

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	Amount of gain (loss) recognized in AOCI on derivatives (effective portion) As at September 30, 2009	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) reclassified from AOCI into income (effective portion) Three months ended September 30, 2009	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) Three months ended September 30, 2009
Derivatives designated as hedges					
Foreign exchange forward contracts	$ (4,886)	Revenue	$ 1,497		$
		Other expense, net	(2,588)	Other expense, net*	160
Foreign exchange option contracts	(8,063)	Revenue	(254)		
		Other expense, net	(388)	Other expense, net*	(153)
Interest rate swaps	(8,911)	Interest expense	(1,419)		
	$ (21,860)		**$ (3,152)**		**$ 7**

	Location of gain or (loss)	Amount of gain or (loss)

		Location of (gain) or loss recognized in income on derivatives	Amount of (gain) or loss recognized in income on Derivatives Three months ended September 30, 2009
		recognized in income on derivatives	recognized in income on Derivatives Three months ended September 30, 2009
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other expense, net	$	(64)
Foreign exchange option contracts	Other expense, net		(190)
		$	**(254)**

* Represents amount reclassified into earnings as a result of the discontinuance of cash flow hedge due to non-occurence of original forecasted transactions by the end of the originally specified time period.

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The following tables summarize activities in the consolidated statement of income for the six months ended September 30, 2010 related to derivative instruments that are classified as cash flow hedges in accordance with ASC 815-10:

	Amount of gain (loss) recognized in AOCI on derivatives (effective portion) As at September 30, 2010	Location of gain (loss) reclassified from AOCI into income (effective portion)	Amount of gain (loss) reclassified from AOCI into income (effective portion) Six months ended September 30, 2010	Location of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) Six months ended September 30, 2010
Derivatives designated as hedges					
Foreign exchange forward contracts	$ 3,620	Revenue	$ (1,126)		$
		Other expense, net*	5,088	Other expense, net*	205
Foreign exchange option contracts	(4,163)	Revenue	(1,712)		
		Other expense, net	(239)	Other expense, net*	(455)
Interest rate swaps	(447)	Interest expense	(2,045)	Other expense, net*	(4,415)
	$ (990)				