WNS (HOLDINGS) LTD
Form 6-K
August 21, 2006

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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 June 30, 2006
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
+91-22-6797-6100
(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 by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g 3-2(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 12g 3-2(b):
Not applicable.

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The Company is incorporating by reference the information 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 GBP or pounds sterling or £ are to the legal currency of the UK and all references to EUR or to Euros. 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.

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.

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Special note regarding forward looking statements

This report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, intend, will, project, seek, should and simi Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. 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 factors include but are not limited to:

- 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;
- our ability to attract and retain clients;
- 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;
- regulatory, legislative and judicial developments;
- increasing competition in the business process outsourcing industry;
- political or economic instability in India, Sri Lanka and Jersey;
- worldwide economic and business conditions; and
- our ability to successfully consummate strategic acquisitions.

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 registration statement on Form F-1, as amended (Registration No. 333-135590). 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)

	June 30, 2006 (Unaudited)	March 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,645	$ 18,549
Accounts receivable, net of allowance of $404 and $373, respectively	30,101	28,081
Funds held for clients	3,001	3,047
Deferred tax assets	339	353
Prepaid expenses	2,578	1,225
Other current assets	7,216	6,140
Total current assets	54,880	57,395
Goodwill	34,542	33,774
Intangible assets, net	8,243	8,713
Property and equipment, net	34,369	30,623
Deposits	2,394	2,990
Deferred tax assets	2,604	1,308
TOTAL ASSETS	**$137,032**	**$134,803**
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 17,286	$ 23,074
Line of credit	4,347	
Accrued employee costs	8,237	11,336
Deferred revenue	6,810	8,994
Income taxes payable	566	726
Obligations under capital leases current	121	184
Deferred tax liabilities	895	368
Other current liabilities	12,184	8,781
Total current liabilities	50,446	53,463
Obligation under capital leases non current	21	2
Deferred rent	859	824
Deferred tax liabilities non current	2,146	2,350
Shareholders equity:		
Preference shares, $0.15 (£0.10) par value Authorized: 1,000,000 shares and none, respectively. Issued and outstanding none		

Ordinary shares, $0.15 (£0.10) par value Authorized: 50,000,000 shares and 40,000,000 shares, respectively		
Issued and outstanding: 35,328,173 and 35,321,511 shares, respectively	5,291	5,290
Additional paid-in-capital	63,026	62,228
Ordinary shares subscribed, 57,337 and 4,346 shares, respectively	142	10
Retained earnings	8,697	4,104
Deferred share-based compensation	(387)	(582)
Accumulated other comprehensive income	6,791	7,114
Total shareholders equity	83,560	78,164
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$137,032**	**$134,803**

See accompanying notes.

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WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(Amounts in thousands, except per share data)

	Three months ended June 30,	
	2006	**2005**
Revenue		
Third parties	$49,049	$46,757
Related parties	3,977	4,425
	53,026	51,182
Cost of revenue	37,430	38,736
Gross profit	15,596	12,446
Operating expenses		
Selling, general and administrative expenses	10,130	7,069
Amortization of intangible assets	471	68
Operating income	4,995	5,309
Other (expense) income, net	(35)	68
Interest expense	(32)	(137)
Income before income taxes	4,928	5,240
Provision for income taxes	(335)	(864)
Net income	$ 4,593	$ 4,376
Basic income per share	$ 0.13	$ 0.14
Diluted income per share	$ 0.12	$ 0.13

See accompanying notes.

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WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in thousands)

	Three months ended June 30, 2006	Three months ended June 30, 2005
Cash flows from operating activities		
Net cash used in operating activities	$ (1,795)	$ (2,371)
Cash flows from investing activities		
Purchase of property and equipment	(9,014)	(1,579)
Proceeds from sale of property and equipment	14	
Net cash used in investing activities	(9,000)	(1,579)
Cash flows from financing activities		
Ordinary shares issued and subscribed	147	65
Proceeds from line of credit	4,404	
Principal payments under capital leases	(74)	(100)
Offering costs	(32)	
Net cash provided by (used in) financing activities	4,445	(35)
Effect of exchange rate changes on cash and cash equivalents	(554)	(186)
Net change in cash and cash equivalents	(6,904)	(4,171)
Cash and cash equivalents at beginning of period	18,549	9,099
Cash and cash equivalents at end of period	$ 11,645	$ 4,928

See accompanying notes.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006 AND 2005
(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) have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions of Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles 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 months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending March 31, 2007.

The balance sheet at March 31, 2006, has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. For further information, refer to the audited consolidated financial statements and footnotes thereto of WNS (Holdings) Limited for the year ended March 31, 2006.

2. Share-based compensation

Prior to April 1, 2006, the Company accounted for its employee share-based compensation plan using the intrinsic value method of accounting prescribed by the Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation* . Effective April 1, 2006, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 123(R), *Share-Based Payment* using the prospective transition method. Under that transition method, non public entities that used the minimum-value method for pro forma disclosure purposes would continue to account for non vested equity awards outstanding at the date of adoption of SFAS No. 123(R) in the same manner as they had been accounted for prior to adoption.

All awards granted, modified, or settled on or after April 1, 2006 are accounted for using the measurement, recognition, and attribution provisions of SFAS No. 123(R). During the three months ended June 30, 2006, there were no share-based awards granted, modified, or settled by the Company.

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

3. Derivative instruments

SFAS No. 133, Accounting *for Derivative Instruments and Hedging Activities*, requires companies to recognize all of its derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the same line item associated with the hedged item in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in other income/expense in current earnings during the period of change. For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign currency, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment to the extent it is effective. Any ineffective portions of net investment hedges are recognized in other income/expense in current earnings during the period of change. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in other income/expense in current earnings during the period of change.

To protect against exchange gains (losses) on forecasted inter-company revenue, the Company has instituted a foreign currency cash flow hedging program. The operating entity in India hedges a part of its forecasted inter company revenue denominated in foreign currencies with forward contracts and options. When the functional currency of the operating entity strengthens significantly against a currency other than the operating entity s functional currency, the decline in value of future foreign currency revenue is offset by gains in the value of the forward contracts designated as hedges. Conversely, when the functional currency of the operating entity 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.

At June 30, 2006, the Company expects to reclassify the currently unrealized $0.6 million of net losses on derivative instruments included in other comprehensive income to earnings during the next six months.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006 AND 2005 (continued)
(Amounts in thousands, except share and per share data)

The forecasted inter-company revenue discussed above, relates to cost of revenue of certain non-Indian 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 (expense) income and amounted to a net loss of $0.5 million for the three months ended June 30, 2006.

4. Comprehensive income

Components of comprehensive income for the quarter ended June 30, 2006 and 2005 is as follows:

	Three months ended June 30,	
	2006	**2005**
Net income	$4,593	$4,376
Foreign currency translation adjustment	237	(741)
Loss on derivative instrument	(560)	
Comprehensive income	$4,270	$3,635

5. Capital structure

The following table sets forth the movement of the number of ordinary shares:

	Three months ended June 30,	
	2006	**2005**
Shares outstanding at the beginning of the period	35,321,511	31,194,553
Shares issued upon exercise of options	6,662	23,737
Shares outstanding at the end of the period	35,328,173	31,218,290

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006 AND 2005 (continued)
(Amounts in thousands, except share and per share data)

6. Earnings per share

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

	Three months ended June 30, 2006	Three months ended June 30, 2005
Numerator:		
Net income	$ 4,593	$ 4,376
Denominator:		
Basic weighted average ordinary shares outstanding	35,220,868	31,209,074
Dilutive impact of stock options	2,801,081	2,446,491
Diluted weighted average ordinary shares outstanding	38,021,949	33,655,565

7. Retirement benefits

Defined Contribution Plan

	Three months ended June 30, 2006	Three months ended June 30, 2005
Provident fund India	$ 682	$ 389
Pension scheme UK	123	106
401(k) plan US	111	55
	$ 916	$ 550

Defined benefit plan gratuity

	Three months ended June 30, 2006	Three months ended June 30, 2005
Net periodic gratuity cost		
Service cost	$105	$54
Interest cost	13	9
Expected return on plan asset	(9)	(7)
Recognized net actuarial loss	9	2
Net periodic gratuity cost for the period	$118	$58

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006 AND 2005 (continued)
(Amounts in thousands, except share and per share data)

8. Segments

The Company uses revenue less repair payments 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. 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.

Segmental information for the three months ended June 30, 2006 and 2005 is as follows:

	Three months ended June 30, 2006			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 40,181	$ 12,845		$ 53,026
Segmental revenue	$ 40,609	$ 12,845	$ (428)	$ 53,026
Payments to repair centers		7,517		7,517
Revenue less repair payments	40,609	5,328	(428)	45,509
Depreciation	2,750	493		3,243
Other costs	32,862	4,154	(428)	36,588
Segment operating income	4,997	681		5,678
Unallocated share-based compensation expense				(212)
Amortization of intangible assets				(471)
Other expense				(35)
Interest expense				(32)
Income before income taxes				4,928
Provision for income taxes				(335)
Net income				$ 4,593
Capital expenditure	$ 7,290	$ 1,724		$ 9,014
Segment assets, net of eliminations as at June 30, 2006	$ 86,939	$ 50,093		$ 137,032

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006 AND 2005 (continued)
(Amounts in thousands, except share and per share data)

	Three months ended June 30, 2005			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 26,039	$ 25,143		$ 51,182
Segmental revenue	$ 26,613	$ 25,143	$ (574)	$ 51,182
Payments to repair centers		17,994		17,994
Revenue less repair payments	26,613	7,149	(574)	33,188
Depreciation	2,157	438		2,595
Other costs	20,634	4,865	(574)	24,925
Segment operating income	3,822	1,846		5,668
Unallocated share-based compensation expense				(291)
Amortization of intangible assets				(68)
Other income				68
Interest expense				(137)
Income before income taxes				5,240
Provision for income taxes				(864)
Net income				$ 4,376
Capital expenditure	$ 604	$ 975		$ 1,579
Segment assets, net of eliminations as at June 30, 2005	$ 46,559	$ 46,705		$ 93,264

9. Recent accounting pronouncement

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FAS109, *Accounting for Income Taxes* (FIN 48), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after

December 15, 2006. The Company will adopt FIN 48 as of April 1, 2007, as required. The Company has not determined the effect, if any, the adoption of FIN 48 will have on the Company s financial position and results of operations.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006 AND 2005 (continued)
(Amounts in thousands, except share and per share data)

10. Subsequent event Initial Public Offering

On July 31, 2006, the Company completed its initial public offering of American Depositary Shares (ADSs), priced at US$20 per ADS (one ADS is equivalent to one ordinary share). 12,763,708 ADSs were issued of which 4,473,684 related to new ordinary shares and 8,290,024 related to shares sold by selling share holders. We received net proceeds of approximately $78.1 million after deducting underwriting discounts and commissions and estimated offering expenses.

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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 registration statement on Form F-1, as amended (Registration No. 333-135590). Some of the statements in the following discussion are forward-looking statements. See Special Note Regarding Forward-Looking Statements.

Overview

We are a leading provider of offshore business process outsourcing, or BPO, services. We provide comprehensive data, voice and analytical services to our clients, which are typically companies located in Europe and North America. Although we usually 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 outsourcing 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 focus, however, is on deepening our client relationships and maximizing shareholder value over the life of a clients relationship with us.

Our revenue is generated primarily from providing business process outsourcing services. We have two reportable segments for financial statement reporting purposes WNS Global BPO and WNS Auto Claims BPO. In our WNS Auto Claims BPO segment we provide claims handling and accident management services, where we arrange for automobile repairs through a network of third party repair centers. In our accident management services, we act as the principal in our dealings with the third party repair centers and our clients. The amounts we invoice to our clients for payments made by us to third party repair centers is reported as revenue. Since we wholly subcontract the repairs to the repair centers, we evaluate our financial performance based on revenue less repair payments to third party repair centers which is a non-GAAP measure. We believe that revenue less repair payments reflects more accurately the value addition of the business process outsourcing services that we directly provide to our clients. 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. Our revenue less repair payments 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 measure) to revenue less repair payments (a non-GAAP measure):

	Quarters ended June 30,	
	2006	**2005**
	(US dollars in millions)	
Revenue	$53.0	$51.2
Less: Payments to repair centers	7.5	18.0
Revenue less repair payments	45.5	33.2

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Revenue

We generate revenue by providing business process outsourcing services to our clients. For the quarter ended June 30, 2006, our revenue was $53.0 million as compared to $51.2 million for the quarter ended June 30, 2005, representing an increase of 3.6%. Our revenue less repair payments was $45.5 million for the quarter ended June 30, 2006 as compared to $33.2 million for the quarter ended June 30, 2005, representing an increase of 37.1%. We have been successful in adding new clients who are diversified across industry and geography to our existing large client base.

Our Contracts

We provide our services under contracts with our clients, the majority of which have terms ranging between three and 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 notice periods ranging from three to six months. 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 clients 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.

In the WNS Global BPO segment, we charge for our services primarily based on three pricing models per full-time-equivalent; per transaction; or cost-plus as follows:

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

- per transaction arrangements 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); and

- cost-plus arrangements typically involve billing the contractually agreed direct and indirect costs and a fee based on the number of employees deployed under the arrangement.

In July 2006, we entered into a definitive contract with a large client, British Airways, which extended the expiration of the term of our original contract from March 2007 to May 2012. Under the new contract, the parties have agreed to change the basis of pricing for a portion of the contracted services from a per full-time equivalent basis to a per unit transaction basis. This change could have the effect of reducing the amount of revenue that we receive under this contract for the same level of services. The change to a per unit transaction pricing basis could also allow us to share benefits from increases in efficiency in performing services under this contract. In our initial public offering, British Airways, one of the company s selling shareholders, sold 5,160,000 ordinary shares in the form of ADSs, reducing its ownership in WNS (Holdings) Limited to zero from 14.6%. For fiscal 2006, British Airways accounted for 7.2% of our revenue and 9.9% of our revenue less repair payments.

In July 2006, we also entered into a definitive amendment to the contract with another large client, AVIVA, that continues the relationship between the two companies. Under the contract, the date on which AVIVA could require us to transfer relevant projects and operations back to AVIVA has been extended to on or after

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June 30, 2007 for the facility in Sri Lanka and on or after December 30, 2007 for a larger facility in Pune. For fiscal 2006, AVIVA accounted for 9.8% of our revenue and 13.4% of our revenue less repair payments.

Expenses

The majority of our expenses is comprised of cost of revenue and operating expenses. The key components of our cost of revenue are payments to repair centers, employee costs and infrastructure-related costs. Our operating expenses include selling, general and administrative expenses, or SG&A, and amortization of intangible assets. Our non-operating expenses include interest expenses, other income and other expenses.

Cost of Revenue

Our WNS Auto Claims BPO segment includes automobile accident management services, where we arrange for repairs through a network of repair centers. The value of these payments in any given period is primarily driven by the volume of accidents and the amount of the repair costs related to such accidents.

Employee costs are also a significant component of cost of revenue. In addition to employee salaries, employee costs include costs related to recruitment, training and retention.

Our infrastructure costs are comprised of depreciation, lease rentals, 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 cap escalation of lease rentals.

SG&A Expenses

Our SG&A expenses are primarily comprised of corporate employee costs for sales and marketing, general and administrative and other support personnel, travel expenses, legal and professional fees, share-based compensation expense, brand building expenses, and other general expenses not related to cost of revenue.

Amortization of Intangible Assets

Amortization of intangible assets is associated with our acquisitions of Town & Country Assistance Limited in July 2002, Greensnow Inc. s health claims management business in September 2003 and Trinity Partners Inc., or Trinity Partners, in November 2005.

Non-Operating (Expense) Income, Net

Non-operating (expense) income, net is comprised of interest expenses, other expenses and other income. Other expenses and other income include interest income and foreign exchange gains or losses. Interest expense primarily relates to interest charges arising from short-term note payable and line of credit.

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Operating data (unaudited)

The following table presents certain operating data for the periods indicated:

		Quarters ended	
	June 30, 2006	**March 31, 2006**	**June 30, 2005**
Total head count	11,970	10,433	8,009
Built up seats	7,539	6,534	4,761
Used seats	5,686	5,004	4,070

Built up seats refer to the total number of production seats (excluding support functions like Finance, Human Resource and Administration) that are set up in any premises. Used seats refer to the number of built up seats that are being used by employees and billed to clients. The balance would be termed vacant seats. The vacant seats would get converted into used seats when we acquire a new client or increase head count.