WNS (HOLDINGS) LTD
Form 6-K
November 15, 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 September 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 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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The Company 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 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.

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;

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- 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)

	September 30, 2006 (Unaudited)	March 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 92,238	$ 18,549
Accounts receivable, net of allowance of $431 and $373, respectively	37,501	28,081
Funds held for clients	5,455	3,047
Deferred tax assets		353
Prepaid expenses	3,500	1,225
Other current assets	6,322	6,140
Total current assets	145,016	57,395
Goodwill	36,253	33,774
Intangible assets, net	7,938	8,713
Property and equipment, net	39,183	30,623
Deposits	2,450	2,990
Deferred tax assets	2,682	1,308
TOTAL ASSETS	**$ 233,522**	**$ 134,803**
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 22,201	$ 23,074
Accrued employee costs	12,085	11,336
Deferred revenue	8,502	8,994
Income taxes payable	517	726
Obligations under capital leases current	47	184
Deferred tax liabilities	1,143	368
Other current liabilities	14,210	8,781
Total current liabilities	58,705	53,463
Obligation under capital leases non current	17	2
Deferred rent	917	824
Deferred tax liabilities non current	1,634	2,350
Shareholders equity:		
Preference shares, $0.15 (10 pence) par value Authorized: 1,000,000 shares and none, respectively, Issued and outstanding none		

Ordinary shares, $0.15 (10 pence) par value Authorized: 50,000,000 shares and 40,000,000 shares, respectively		
Issued and outstanding: 39,918,332 and 35,321,511 shares, respectively	6,144	5,290
Additional paid-in-capital	141,814	62,228
Ordinary shares subscribed, 163,511 and 4,346 shares, respectively	421	10
Retained earnings	14,721	4,104
Deferred share-based compensation	(180)	(582)
Accumulated other comprehensive income	9,329	7,114
Total shareholders equity	172,249	78,164
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 233,522**	**$ 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 September 30,		Six months ended September 30,	
	2006	**2005**	**2006**	**2005**
Revenue				
Third parties	$ 84,856	$ 44,679	$ 133,905	$ 91,436
Related parties	1,734	4,268	5,711	8,693
	86,590	48,947	139,616	100,129
Cost of revenue	67,337	35,584	104,767	74,320
Gross profit	19,253	13,363	34,849	25,809
Operating expenses				
Selling, general and administrative expenses	12,076	8,241	22,207	15,310
Amortization of intangible assets	480	51	951	119
Operating income	6,697	5,071	11,691	10,380
Other (expense) income, net	(48)	(2)	(81)	66
Interest expense	(68)	(124)	(101)	(261)
Income before income taxes	6,581	4,945	11,509	10,185
Provision for income taxes	(557)	(539)	(892)	(1,403)
Net income	$ 6,024	$ 4,406	$ 10,617	$ 8,782
Basic income per share	$ 0.16	$ 0.14	$ 0.29	$ 0.28
Diluted income per share	$ 0.15	$ 0.13	$ 0.27	$ 0.26

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,	
	2006	**2005**
Cash flows from operating activities		
Net cash provided by operating activities	$ 7,862	$ 10,795
Cash flows from investing activities		
Acquisitions	(795)	
Purchase of property and equipment	(16,414)	(4,185)
Proceeds from sale of property and equipment	42	
Net cash used in investing activities	(17,167)	(4,185)
Cash flows from financing activities		
Proceeds from initial public offering (IPO), net of expenses	80,697	
Excess tax benefits from share-based compensation	814	
Proceeds from exercise of stock options	726	803
Principal payments under capital leases	(123)	(189)
Net cash provided by financing activities	82,114	614
Effect of exchange rate changes on cash and cash equivalents	880	(290)
Net change in cash and cash equivalents	73,689	6,934
Cash and cash equivalents at beginning of period	18,549	9,099
Cash and cash equivalents at end of period	$ 92,238	$ 16,033

See accompanying notes.

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WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 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 the instructions in 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 and six month periods ended September 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, except for the adoption of Statement of Financial Accounting Standard (SFAS) No. 123(R), *Share-Based Payment* , as discussed in Note 2.

2. Share-based compensation

Adoption of SFAS 123(R)

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 SFAS No. 123(R), 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.

In accordance with SFAS No. 123 (R) share-based compensation for all awards granted, modified or settled on or after April 1, 2006 that the Company expect to vest is recognized on a straight line basis over the vesting period of the award.

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(UNAUDITED)
SEPTEMBER 30, 2006 AND 2005 (continued)
(Amounts in thousands, except share and per share data)

Share-based compensation during the three and six month periods ended September 30, 2006 and 2005 are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2006	**2005**	**2006**	**2005**
Share-based compensation recorded in				
Cost of revenue	$ 153	$	$ 153	$
Selling, general and administrative expenses	757	47	969	337
Total share-based compensation	910	47	1,122	337
Estimated income tax benefit included in provision for income taxes	(163)		(163)	
Share-based compensation, net of estimated taxes	747	47	959	337

If the Company had continued to account for share-based compensation in accordance with APB Opinion No. 25, income before income taxes and net income for the three and six month periods ended September 30, 2006 would have been higher by $0.2 million and the basic and diluted earnings per share for the three and six month periods ended September 30, 2006, would remain unchanged.

Stock Incentive Plans

The Company adopted the 2002 Stock Incentive Plan on July 1, 2002 and the 2006 Incentive Award Plan on June 1, 2006, collectively referred to as the Plans . Options are generally granted for a term of ten years and vests over a period of upto three years. The Company settles employee share-based option exercises with newly issued ordinary shares.

As of September 30, 2006, the Company had 2,251,623 ordinary shares available for future grants.

The following table summarizes the stock options activity for the six month period ended September 30, 2006:

	Number of options	Weighted average exercise price	Weighted average remaining contract term (in years)	Aggregate intrinsic value (in millions)
Outstanding at April 1, 2006	3,938,404	$ 4.39		
Granted	624,000	20.64		
Forfeited	(68,425)	3.50		
Exercise of options	(282,302)	2.30		
Outstanding at September 30, 2006	4,211,677	6.95	8.21	$ 91.0
Options vested and exercisable	1,988,086	$ 2.86	7.20	$ 51.1
Options expected to vest	2,223,591	$ 10.61	9.11	$ 39.9

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The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of $28.55 of the Company s American Depositary Shares (one ADS is equivalent to one ordinary share) on September 30, 2006.

As of September 30, 2006, there was $6.6 million of unrecognized compensation cost related to outstanding share options. This amount is expected to be recognized over a weighted average period of 2.8 years. Total cash received as a result of option exercises was approximately $0.6 million and $0.7 million for the three and six month periods ended September 30, 2006, respectively. The aggregate intrinsic value of all options exercised during the three and six month periods ended September 30, 2006 was $6.0 million and $6.1 million, respectively. In connection with these exercises, the tax benefits realized by the company for the six month period ended September 30, 2006 was $1.02 million. The adoption of SFAS No. 123(R) requires cash flow classification of certain tax benefits received from share option exercises beginning April 1, 2006. Of the total tax benefits received, the Company classified excess tax benefits from share-based compensation of $0.81 million as cash flows from financing activities rather than cash flows from operating activities for the six month period ended September 30, 2006.

Valuation of options granted

The fair value of options granted during the six month period ended September 30, 2006 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected life	6 years
Risk free interest rates	5.02%
Volatility	49%
Dividend yield	0%

The expected life is based on the midpoint of the vesting and the contracted term of the option, the risk free interest rate is based on United States Treasury instruments. Volatility was calculated based on the historical volatility of similar public companies. The Company will assess expected volatility by reference to the Company s historical stock price volatility when such data provides a meaningful benchmark to make such assessment. The Company does not currently pay cash dividends on its ordinary share and does not anticipate doing so in the foreseeable future. Accordingly, the expected dividend yield is zero. The weighted average grant date fair value of options granted during the six month period ended September 30, 2006 was $11.02.

Restricted Shares Units (RSU)

The Company granted 243,500 RSU s during the six month period ended September 30, 2006. Each RSU represents the right to receive one ordinary share and vests in three equal annual installments. The RSU s were valued at the grant date fair value of the Company s ordinary shares and weighted average grant date fair value of the RSU s granted was $20.57 per share. All the RSU s were outstanding as of September 30, 2006 and the unrecognized share-based compensation expense related to unvested RSU s was $4.7 million as of September 30, 2006. Such unrecognized share-based compensation expense is expected to be recognized over a period of 2.8 years.

WNS (HOLDINGS) LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2006 AND 2005 (continued)
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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 September 30, 2006, the Company expects to reclassify the currently unrealized $0.2 million of profits on derivative instruments included in other comprehensive income to earnings during the next six months. 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

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

inter-company revenue with the related cost of revenue is recorded in other (expense) income and amounted to a net loss of $0.9 million and $1.5 million for the three and six month periods ended September 30, 2006, respectively.

4. Comprehensive income

Components of comprehensive income for the three and six month periods ended September 30, 2006 and 2005 are as follows:

	Three months ended September 30		Six months ended September 30	
	2006	**2005**	**2006**	**2005**
Net income	$ 6,024	$ 4,406	$ 10,617	$ 8,782
Foreign currency translation	1,754	(1,103)	1,990	(1,844)
Change in fair value of cash flow hedges	784		225	
Comprehensive income	$ 8,562	$ 3,303	$ 12,832	$ 6,938

5. Capital structure

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

	Three months ended September 30		Six months ended September 30	
	2006	**2005**	**2006**	**2005**
Shares outstanding at the beginning of the period	35,328,173	31,218,290	35,321,511	31,194,553
Shares issued in initial public offering	4,473,684		4,473,684	
Shares issued upon exercise of options	116,475	440,204	123,137	463,941
Shares outstanding at the end of the period	39,918,332	31,658,494	39,918,332	31,658,494

On July 31, 2006, the Company completed its IPO 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 shareholders. The Company received gross proceeds of $89.5 million from the IPO and incurred $10.8 million towards underwriting discounts and commissions and offering expenses.

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(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 September 30,		Six months ended September 30,	
	2006	2005	2006	2005
Numerator:				
Net income	$ 6,024	$ 4,406	$ 10,617	$ 8,782
Denominator:				
Basic weighted average ordinary shares outstanding	38,372,397	31,439,757	36,805,243	31,325,046
Dilutive impact of share options	2,720,649	2,190,654	2,715,801	2,318,573
Diluted weighted average ordinary shares outstanding	41,093,046	33,630,411	39,521,044	33,643,619

7. Retirement benefits

Defined Contribution Plan

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
Provident fund India	$ 741	$435	$1,423	$ 824
Pension scheme UK	151	92	274	198
401(k) plan US	115	59	226	114
	$1,007	$586	$1,923	$1,136

Defined benefit plan gratuity

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
Net periodic gratuity cost				
Service cost	$84	$54	$189	$108
Interest cost	13	9	26	17
Expected return on plan asset	(9)	(7)	(17)	(13)
Recognized net actuarial loss	9	2	17	5
Net periodic gratuity cost for the period	$97	$58	$215	$117

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 and six month periods ended September 30, 2006 and 2005 are as follows:

	Three months ended September 30, 2006			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 46,107	$40,483		$ 86,590
Segmental revenue	46,511	40,483	(404)	86,590
Payments to repair centers		33,626		33,626
Revenue less repair payments	46,511	6,857	(404)	52,964
Depreciation	2,890	597		3,487
Other costs	36,582	5,212	(404)	41,390
Segment operating income	7,039	1,048		8,087
Unallocated share-based compensation expense				(910)
Amortization of intangible assets				(480)
Other expense, net				(48)
Interest expense				(68)
Income before income taxes				6,581
Provision for income taxes				(557)
Net income				$ 6,024
Capital expenditure	$ 7,035	$ 365		$ 7,400
Segment assets, net of eliminations as at September 30, 2006	$176,449	$57,073		$233,522

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

	Three months ended September 30, 2005			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$28,539	$20,408		$48,947
Segmental revenue	29,131	20,408	(592)	48,947
Payments to repair centers		14,109		14,109
Revenue less repair payments	29,131	6,299	(592)	34,838
Depreciation	1,839	450		2,289
Other costs	23,335	4,637	(592)	27,380
Segment operating income	3,957	1,212		5,169
Unallocated share-based compensation expense				(47)
Amortization of intangible assets				(51)
Other expense, net				(2)
Interest expense				(124)
Income before income taxes				4,945
Provision for income taxes				(539)
Net income				$ 4,406
Capital expenditure	$ 2,277	$ 329		$ 2,606
Segment assets, net of eliminations as at September 30, 2005	$54,767	$43,312		$98,079

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

	Six months ended September 30, 2006			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$ 86,288	$53,328		$139,616
Segmental revenue	87,120	53,328	(832)	139,616
Payments to repair centers		41,143		41,143
Revenue less repair payments	87,120	12,185	(832)	98,473
Depreciation	5,640	1,090		6,730
Other costs	69,445	9,366	(832)	77,979
Segment operating income	12,035	1,729		13,764
Unallocated share-based compensation expense				(1,122)
Amortization of intangible assets				(951)
Other expense, net				(81)
Interest expense				(101)
Income before income taxes				11,509
Provision for income taxes				(892)
Net income				$ 10,617
Capital expenditure	$ 14,324	$ 2,090		$ 16,414
Segment assets, net of eliminations as at September 30, 2006	$176,449	$57,073		$233,522

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

	Six months ended September 30, 2005			
	WNS Global BPO	WNS Auto Claims BPO	Inter Segments	Total
Revenue from external customers	$54,578	$45,551		$100,129
Segmental revenue	55,744	45,551	(1,166)	100,129
Payments to repair centers		32,103		32,103
Revenue less repair payments	55,744	13,448	(1,166)	68,026
Depreciation	3,996	888		4,884
Other costs	43,969	9,503	(1,166)	52,306
Segment operating income	7,779	3,057		10,836
Unallocated share-based compensation expense				(337)
Amortization of intangible assets				(119)
Other income, net				66
Interest expense				(261)
Income before income taxes				10,185
Provision for income taxes				(1,403)
Net income				$ 8,782
Capital expenditure	$ 2,881	$ 1,304		$ 4,185
Segment assets, net of eliminations as at September 30, 2005	$54,767	$43,312		$ 98,079

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

9. Other (expense) income, net

Components of other (expense) income for the three and six month periods ended September 30, 2006 and 2005 are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
Interest income	$ 820	$ 39	$ 909	$ 108
Foreign exchange loss, net	(964)	(112)	(1,139)	(165)
Other income	96	71	149	123
	(48)	(2)	(81)	66

10. Recent accounting pronouncement

In September 2006, the Financial Accounting Standard Board (FASB) issued SFAS No. 157, *Fair Value Measurements* . SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 provides guidance on determination of fair value, and establishes a fair value hierarchy for assessing the sources of information used in fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this pronouncement on its financial statements.

In 2006, the FASB issued SFAS No. 158 *Employer s accounting for Defined Benefit Pension and Other Postretirement Plans* , an amendment of SFAS Nos. 87, 88, 106, and 132(R). SFAS No. 158 requires a public company to recognize, on the balance sheet, the funded status of pension and other postretirement benefit plans as of the end of fiscal years ending after December 15, 2005 (as of March 31, 2007 for the Company) and recognize actuarial gains and losses, prior service cost, and any remaining transition amounts from the initial application of SFAS Nos. 87 and 106 when recognizing a plan s funded status, with the offset to accumulated other comprehensive income. SFAS No. 158 will also require fiscal-year-end measurements of plan assets and benefit obligations. The new Statement amends SFAS Nos. 87, 88, 106, and 132R, but retains most of their measurement and disclosure guidance and will not change the amounts recognized in the income statement as net periodic benefit cost. The Company does not believe that the adoption of SFAS No. 158 will have a material impact on its financial statements.

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

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109, *Accounting for Income Taxes* , 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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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):

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
	(US dollars in millions)			
Revenue	$ 86.6	$ 48.9	$ 139.6	$ 100.1
Less: Payments to repair centers	33.6	14.1	41.1	32.1
Revenue less repair payments	53.0	34.8	98.5	68.0

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Revenue

We generate revenue by providing business process outsourcing services to our clients. For the three months ended September 30, 2006, our revenue was $86.6 million as compared to $48.9 million for the three months ended September 30, 2005, representing an increase of 76.9%. Our revenue less repair payments was $53.0 million for the three months ended September 30, 2006 as compared to $34.8 million for the three months ended September 30, 2005, representing an increase of 52.0%.

For the six months ended September 30, 2006, our revenue was $139.6 million as compared to $100.1 million for the six months ended September 30, 2005, representing an increase of 39.4%. Our revenue less repair payments was $98.5 million for the six months ended September 30, 2006 as compared to $68.0 million for the six months ended September 30, 2005, representing an increase of 44.8%. We have been successful in adding new clients who are diversified across industries and geographies 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 June 30, 2007 for the facility in Sri Lanka and on or after December 31, 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 are 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 expense, 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, insurance 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, Trinity Partners Inc., or Trinity Partners, in November 2005.

Non-Operating (Expense) Income, Net

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

Operating data (unaudited)

The following table presents certain operating data as of dates indicated:

	September 30, 2006	June 30, 2006	March 31, 2006	September 30, 2005
Total head count	13,064	11,970	10,433	8,491
Built up seats	7,787	7,539	6,534	5,059
Used seats	6,102	5,686	5,004	4,226

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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.

Results of Operations

The following table sets forth certain unaudited financial information as a percentage of revenue and revenue less repair payments:

	Revenue		Revenue less repair payments		Revenue		Revenue less repair payments	
	Three months ended September 30,		Three months ended September 30,		Six months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005	2006	2005	2006	2005
Cost of revenue	77.8%	72.7%	63.6%	61.6%	75.0%	74.2%	64.6%	62.1%
Gross profit	22.2%	27.3%	36.4%	38.4%	25.0%	25.8%	35.4%	37.9%
Operating expenses								
SG&A	13.9%	16.8%	22.8%	23.7%	15.9%	15.3%	22.6%	22.5%
Amortization of intangible assets	0.6%	0.1%	0.9%	0.1%	0.7%	0.1%	1.0%	0.2%
Operating income	7.7%	10.4%	12.6%	14.6%	8.4%	10.4%	11.9%	15.3%
Non-operating expense	(0.1)%	(0.3)%	(0.2)%	(0.4)%	(0.1)%	(0.2)%	(0.2)%	(0.3)%
Provision for income taxes	(0.6)%	(1.1)%	(1.1)%	(1.5)%	(0.6)%	(1.4)%	(0.9)%	(2.1)%
Net income	7.0%	9.0%	11.4%	12.6%	7.6%	8.8%	10.8%	12.9%

The following table reconciles revenue less repair payments to revenue and sets forth payments to repair centers and revenue less revenue less repair payments as a percentage of revenue:

	Three months ended September 30,				Six months ended September 30,			
	2006	2005	2006	2005	2006	2005	2006	2005
	(US dollars in millions)				(US dollars in millions)			
Revenue	$86.6	$48.9	100%	100%	$139.6	$100.1	100%	100%
Less: Payments to repair centers	33.6	14.1	39%	29%	41.1	32.1	29%	32%
Revenue less repair payments	53.0	34.8	61%	71%	98.5	68.0	71%	68%

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

	Three months ended,		Six months ended,	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
	(US dollars in millions)			
Revenue	$86.6	$ 48.9	$139.6	$ 100.1
Cost of revenue *(note 1)*	67.3	35.6	104.8	74.3
Gross profit	19.3	13.4	34.8	25.8
Operating expenses				
SG&A *(note 2)*	12.1	8.2	22.2	15.3
Amortization of intangible assets	0.5	0.1	1.0	0.1
Operating income	6.7	5.1	11.7	10.4
Non-operating expense	(0.1)	(0.1)	(0.2)	(0.2)
Provision for income taxes	(0.6)	(0.5)	(0.9)	(1.4)
Net income	6.0	4.4	10.6	8.8

Note 1: Includes share-based compensation expense of $0.1 million for the three months and six months ended September 30, 2006 and $0.0 million for the three months and six months ended September 30, 2005.

Note 2: Includes share-based compensation expense of $0.8 million for the three months ended September 30, 2006 and $1.0 million for the six months ended September 30, 2006 and $0.0 million for the three months ended September 30, 2005 and $0.3 million for the six months ended September 30, 2005.

Results for Three months ended September 30, 2006 Compared to Three months ended September 30, 2005

Revenue

Revenue for the three months ended September 30, 2006 was $86.6 million as compared with $48.9 million for the three months ended September 30, 2005, representing an increase of $37.7 million or 76.9%.

WNS Global BPO s revenue for the three months ended September 30, 2006 was $46.1 million as compared with $28.5 million for the three months ended September 30, 2005, representing an increase of $17.6 million or 61.6%. Of this increase, $12.8 million was from new clients added since October 2005 and the balance was from existing clients.

WNS Auto Claims BPO s revenue for the three months ended September 30, 2006 was $40.5 million as compared with $20.4 million for the three months ended September 30, 2005, representing an increase of $20.1 million or 98.4%. The increase in revenue for the WNS Auto Claims BPO segment was on account of the addition of a significant new client and the assumption of the role of the principal in dealings with third-party repair centers for accident management services as part of a renegotiated contract for an existing significant client. This increase was partially offset by the loss of clients that contributed to revenue in the quarter ended September 30, 2005.

Revenue Less Repair Payments

Revenue less repair payments for the three months ended September 30, 2006 was $53.0 million as compared with $34.8 million for the three months ended September 30, 2005, representing an increase of $18.2 million or 52.0%.

WNS Global BPO s revenue less repair payments for the three months ended September 30, 2006 was $46.1 million as compared with $28.5 million for the three months ended September 30, 2005, representing an increase of $17.6 of 61.6%. Of this increase, $12.8 million was from new clients added since October 2005 and balance was from existing clients.

WNS Auto Claims BPO s revenue less repair payments for the three months ended September 30, 2006 was $6.9 million as compared with $6.3 million for the three months ended September 30, 2005, representing an increase of $0.6 million or 8.8%. This increase of $0.6 million was on account of the addition of a significant new client, partially offset by the decline in revenue from the loss of clients that contributed to revenue in the three months ended September 30, 2005.

Cost of Revenue

Cost of revenue for the three months ended September 30, 2006 was 77.8% of revenue as compared to 72.7% of revenue for the three months ended September 30, 2005.

Cost of revenue for the three months ended September 30, 2006 was $67.3 million against $35.6 million for the three months ended September 30, 2005, representing an increase of $31.7 million or 89.2%. This increase was primarily on account of an increase in cost of revenues of $11.4 million in the WNS Global BPO segment and of $20.3 million in the WNS Auto Claims BPO segment.

The increase in the cost of revenue in the WNS Global BPO segment was mainly attributable to increases of approximately $7.6 million in employee costs including share-based compensation expense. It was also attributable to an increase of $3.1 million in infrastructure costs on account of increased capacity and $1.0 million in depreciation expenses partially offset by a reduction in travel expense amounting to $0.3 million.

The increase in cost of revenue in the WNS Auto Claims BPO segment was mainly attributable to higher payments of $19.5 million to repair centers primarily on account of the addition of a significant new client and on account of the assumption of the role of the principal in dealings with third-party repair centers for accident management services as part of a renegotiated contract for an existing significant client, partially offset by reduction in repairs payment cost on account of the loss of certain clients.

Gross Profit

Gross profit for the three months ended September 30, 2006 was $19.3 million, or 22.2% of revenue, as compared to $13.4 million, or 27.3% of revenue, for the three months ended September 30, 2005. The decrease in gross profit as a percentage of revenue was due to higher payments to repair centers on account of the addition of a significant new client and the assumption of the role of the principal in dealings with third-party repair centers for accident management services as part of a renegotiated contract for an existing significant client.

Gross profit as a percentage of revenue less repair payments was 36.4% for the three months ended September 30, 2006 as compared to 38.4% for the three months ended September 30, 2005. The decrease in gross profit percentage to revenue less repair payments was due to higher employee and infrastructure cost.

SG&A Expenses

SG&A expenses for the three months ended September 30, 2006 were $12.1 million, or 13.9% of revenue, as compared to $8.2 million, or 16.8% of revenue, in the three months ended September 30, 2005.

SG&A expenses for the three months ended September 30, 2006 were 12.1 million, or 22.8% of revenue less repair payments, as compared to $8.2 million, or 23.7 % of revenue less repair payments, in the three months ended September 30, 2005.

The increase in SG&A expenses was primarily attributable to the increase of approximately $1.3 million for employee related costs primarily on account of the increase in share-based compensation expense, $1.0 million in administrative expenses, $0.7 million each in travel and legal and professional charges.

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Amortization of Intangible Assets

Amortization of intangible assets was $0.5 million for the three months ended September 30, 2006, as compared to $0.1 million for the three months ended September 30, 2005. The increase in amortization was primarily on account of intangible assets amounting to $9.4 million acquired through our acquisition of Trinity Partners in November 2005.

Operating Income

Income from operations for the three months ended September 30, 2006 was $6.7 million, or 7.7% of revenue, as compared to $5.1 million, or 10.4% of revenue, in the three months ended September 30, 2005.

Income from operations for the three months ended September 30, 2006 was $6.7 million, or 12.6% of revenue less repair payments, as compared to $5.1 million, or 14.6% of revenue less repair payments, in the three months ended September 30, 2005.

Other (Expense) Income, Net

Other expense for the three months ended September 30, 2006 and 2005 was each $0.0.

We recorded a foreign exchange loss of $1.0 million during the three months ended September 30, 2006 compared to foreign exchange loss of $0.1 million during the three months ended September 30, 2005. This loss on foreign exchange was on account of the forward and options derivative contracts entered into by the company during the current fiscal year.

This loss was offset by an increase in interest income earned from the IPO proceeds held in short-term money market accounts. Interest income for the three months ended September 30, 2006 was $0.8 million compared to $0.0 million for the three months ended September 30, 2005.

Interest Expense

Interest expense for the three months ended September 30, 2006 and 2005 was each $0.1. The interest expense incurred in the three months ended September 30, 2006 was due to short-term borrowing prior to our initial public offering.

Provision for Income Taxes

Provision for income taxes for the three months ended September 30, 2006 was $0.6 million, an increase of 3.4% from our provision for income taxes of $0.5 million for the three months ended September 30, 2005. The effective tax rate for the three months ended September 30, 2006 was 8.5% as compared to 10.9% in the corresponding three months ended September 30, 2005. This decrease in effective tax rate was primarily due to an increase in the share of profits of our operations arising out of entities falling under the tax holiday period.

Net Income

Net income for the three months ended September 30, 2006 was $6.0 million as compared to $4.4 million for the three months ended September 30, 2005.

Net income as a percentage of revenue was 7.0% for the three months ended September 30, 2006 as compared to 9.0% for the three months ended September 30, 2005.

Net income as a percentage of revenue less repair payments was 11.4% for the three months ended September 30, 2006 as compared to 12.6% for the three months ended September 30, 2005.

The decrease in net income as a percentage of revenue and revenue less repair payments was due to the increase in share-based compensation expense of $0.9 million in the three months ended September 30, 2006 as compared to

$0.0 million in the three months ended September 30, 2005 as well as the factors noted with respect to the change in gross margin as a percentage of revenue.

Results for Six months ended September 30, 2006 Compared to Six months ended September 30, 2005

Revenue

Revenue for the six months ended September 30, 2006 was $139.6 million as compared with $100.1 million for the six months ended September 30, 2005, representing an increase of $39.5 million or 39.4%.

WNS Global BPO s revenue for the six months ended September 30, 2006 was $86.3 million as compared with $54.6 million for the six months ended September 30, 2005, representing an increase of $31.7 million or 58.1%. Of this increase, approximately $21.5 million was from new clients added since October 2005 and the balance was from existing clients.

WNS Auto Claims BPO s revenue for the six months ended September 30, 2006 was $53.3 million as compared with $45.6 million for the six months ended September 30, 2005, representing an increase of $7.7 million or 17.1%. The increase in WNS Auto Claims BPO segment was due to the addition of a significant new client and on account of the assumption of the role of the principal in dealings with third-party repair centers for accident management services as part of a renegotiated contract for an existing significant client. This was partially offset by the loss of clients that contributed to revenue in the six months ended September 30, 2005.

Revenue Less Repair Payments

Revenue less repair payments for the six months ended September 30, 2006 was $98.5 million as compared with $68.0 million for the six months ended September 30, 2005, representing an increase of $30.5 million or 44.8%.

WNS Global BPO s revenue less repair payments for the six months ended September 30, 2006 was $86.3 million as compared with $54.6 million for the six months ended September 30, 2005, representing an increase of $31.7 million or 58.1%. Of this increase, $21.5 million was from new clients added since October 2005 and balance was from existing clients.

WNS Auto Claims BPO s revenue less repair payments for the six months ended September 30, 2006 was $12.2 million as compared with $13.5 million for the six months ended September 30, 2005, representing a decrease of $1.3 million or 9.4%. This decrease of $1.3 million was on account of the loss of clients. This was partially offset by the addition of a new client during the latter half of the six months ended September 30 2006.

Cost of Revenue

Cost of revenue for the six months ended September 30, 2006 was 75.0% of revenue as compared to 74.2% of revenue for the six months ended September 30, 2005.

Cost of revenue for the six months ended September 30, 2006 was $104.8 million against $74.3 million for the six months ended September 30, 2006, representing an increase of $30.5 million or 41.0%. This increase was primarily on account of an increase in cost of revenue of $21.0 million in the WNS Global BPO segment and of $9.5 million in the WNS Auto Claims BPO segment.

The increase in the cost of revenue in the WNS Global BPO segment was mainly attributable to increases of approximately $14.1 million due to increases in headcount, salaries and benefits and share-based compensation expense. It was also due to the $5.6 million increase in infrastructure costs on account of increased capacity of our delivery centers and $1.5 million in depreciation expenses, partially offset by a reduction in travel expenses of $0.2 million.

The increase in cost of revenue in the WNS Auto Claims BPO segment was mainly attributable to higher payments of $9.0 million to repair centers on account of addition of a significant new client and due to the assumption of the

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role of the principal in dealings with third-party repair centers for accident management services as part of a renegotiated contract for an existing significant client. This was partially offset by reduction in repairs payment cost on account of loss of clients.

Gross Profit

Gross profit for the six months ended September 30, 2006 was $34.8 million, or 25.0% of revenue, as compared to $25.8 million, or 25.8% of revenue, for the six months ended September 30, 2005. The decrease in gross profit as a percentage of revenue was due to higher payments to repair centers on account of the addition of a significant new client in the WNS Auto Claims BPO segment and the assumption of the role of the principal in dealings with third-party repair centers for accident management services as part of a renegotiated contract for an existing significant client.

Gross profit as a percentage of revenue less repair payments was 35.4% for the six months ended September 30, 2006 as compared to 37.9% for the six months ended September 30, 2005. The decrease in gross profit as a percentage of revenue less repair payments was due to higher employee and infrastructure costs.

SG&A Expenses

SG&A expenses for the six months ended September 30, 2006 were $22.2 million, or 15.9% of revenue, as compared to $15.3 million, or 15.3% of revenue for the six months ended September 30, 2005.

SG&A expenses for the six months ended September 30, 2006 were $22.2 million, or 22.6% of revenue less repair payments, as compared to $15.3 million, or 22.5% of revenue less repair payments, in the six months ended September 30, 2005.

The increase of $6.9 million in SG&A expenses was primarily attributable to the increase of approximately $1.9 million for employee related cost primarily on account of the increase in share-based compensation expense, $2.5 million in administrative expense, $1.5 million in travel and $1.0 million in legal and professional charges.

Amortization of Intangible Assets

Amortization of intangible assets was $1.0 million for the six months ended September 30, 2006, as compared to $0.1 million for the six months ended September 30, 2005. The increase in amortization was primarily on account of intangible assets amounting to $9.4 million acquired through our acquisition of Trinity Partners in November 2005.

Operating Income

Income from operations for the six months ended September 30, 2006 was $11.7 million, or 8.4% of revenue, as compared to $10.4 million, or 10.4% of revenue, in the six months ended September 30, 2005.

Income from operations for the six months ended September 30, 2006 was $11.7 million, or 11.9% of revenue less repair payments, as compared to $10.4 million, or 15.3% of revenue less repair payments, in the six months ended September 30, 2005.

Other (Expense) Income, Net

Other expense for the six months ended September 30, 2006 was $0.1 million, as compared to an income of $0.1 million for the six months ended September 30, 2005.

We recorded a foreign exchange loss of $1.1 million during the six months ended September 30, 2006 compared to foreign exchange loss of $0.2 million during the six months ended September 30, 2005. The increase in loss on foreign exchange was on account of the forward and options derivative contracts entered into by the company.

This loss was offset by an increase in interest income earned from the IPO proceeds held in short-term money market accounts. Interest income for the six months ended September 30, 2006 was $0.9 million compared to $0.1 million for the six months ended September 30, 2005.

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Interest Expense

Interest expense for the six months ended September 30, 2006 was $0.1 million as compared to $0.3 million for the six months ended September 30, 2005.

Provision for Income Taxes

Provision for income taxes for the six months ended September 30, 2006 was $0.9 million, a decrease of 36.4% over our provision for income taxes of $1.4 million for the six months ended September 30, 2005. The effective tax rate for the six months ended September 30, 2006 was 7.8% as compared to 13.8% in the corresponding six months ended September 30, 2005. This decrease in effective tax rate was primarily due to an increase in the share of profits of our operations arising out of entities falling under the tax holiday period.

Net Income

Net income for the six months ended September 30, 2006 was $10.6 million as compared to $8.8 million for the six months ended September 30, 2005.

Net income as a percentage of revenue was 7.6% for the six months ended September 30, 2006 as compared to 8.8% for the six months ended September 30, 2005.

Net income as a percentage of revenue less repair payments was 10.8% for the six months ended September 30, 2006 as compared to 12.9% for the six months ended September 30, 2005.

The decrease in net income as a percentage of revenue and revenue less repair payments was primarily due to the increase in share-based compensation expense of $1.1 million in the six months ended September 30, 2006 as compared to $0.3 million in the six months ended September 30, 2005 as well as the reasons noted for change in gross margin as a percentage of revenue.

Liquidity and Capital Resources

Historically, our sources of funding have principally been from cash flow from operations supplemented by equity and short-term debt financing as required. Our capital requirements have principally been for the establishment of operations facilities to support our growth and acquisitions.

During the three months ended September 30, 2006 and September 30, 2005, our net income was $6.0 million and $4.4 million, respectively, and for the six months ended September 30, 2006 and September 30, 2005, our net income was $10.6 million and $8.8 million, respectively. By implementing our growth strategy, we intend to generate higher revenue in the future in an effort to maintain and expand our profitable position.

As of September 30, 2006, we had cash and cash equivalents of $92.2 million. We typically seek to invest our available cash on hand in bank deposits or short-term money market accounts. As of September 30, 2006, we had an unused line of credit of Rs.370 million ($8.1 million) from Hong Kong and Shanghai Banking Corporation, Mumbai Branch.

Cash Flows from Operating Activities

Cash flows generated from operating activities were $7.9 million for the six months ended September 30, 2006 as compared with $10.8 million for the six months ended September 30, 2005. The decrease in cash flows generated from operating activities for the six months ended September 30, 2006 as compared to the six months ended September 30, 2005 was attributable to an increase in the working capital requirements.

Cash Flows from Investing Activities

Cash flows used in investing activities were $17.2 million for the six months ended September 30, 2006 as compared with $4.2 million used for the six months ended September 30, 2005. The increase in cash flows used in investing activities for the six months ended September 30, 2006 as compared with six months ended September 30,

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2005 was primarily attributable to capital expenditure of $16.4 million for leasehold improvements, purchase of computers, furniture, fixtures and other office equipment associated with expanding the capacity of our delivery centers and $0.8 million towards acquisition of businesses.

Cash Flows from Financing Activities

Cash inflows from financing activities were $82.1 million for the six months ended September 30, 2006 as compared to $0.6 million for the six months ended September 30, 2005. The increase was primarily on account of net proceeds of $80.7 million from the initial public offering by the company in July 2006.

Our business strategy requires us to continuously expand our delivery capabilities. We expect to incur capital expenditure on setting up new delivery centers or expanding existing delivery centers and setting up related technology to enable offshore execution and management of clients business processes. We intend to use the net proceeds from the initial public offering for general corporate purposes, including capital expenditures and working capital, and for possible acquisitions of businesses and delivery platforms.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements or obligations.

Quantitative and Qualitative Disclosures About Market Risk

General

Market risk is attributable to all market sensitive financial instruments including foreign currency receivables and payables. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments.

Our exposure to market risk is primarily a function of our revenue generating activities and any future borrowings in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings to loss. Most of our exposure to market risk arises from our revenue and expenses that are denominated in different currencies.

The following risk management discussion and the estimated amounts generated from analytical techniques are forward-looking statements of market risk assuming certain market conditions occur. Our actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

Risk Management Procedures

We manage market risk through our treasury operations. Our senior management and our board of directors approve our treasury operations objectives and policies. The activities of our treasury operations include management of cash resources, implementation of hedging strategies for foreign currency exposures, borrowing strategies and assurance of compliance with market risk limits and policies.

Components of Market Risk

Exchange Rate Risk

Our exposure to market risk arises principally from exchange rate risk. Although substantially all of our revenue less repair payments is denominated in pounds sterling, US dollars and Euros, a significant portion of our expenses for the three months ended September 30, 2006 (net of payments to repair centers made as part of our WNS Auto Claims BPO segment) are incurred and paid in Indian rupees. The exchange rates among the Indian rupee, the pound sterling and the US dollar have changed substantially in recent years and may fluctuate substantially in the future.

Our exchange rate risk primarily arises from our foreign currency-denominated receivables and payables. Based upon our level of operations for the six months ended September 30, 2006, a sensitivity analysis shows that a 5%

appreciation in the pound sterling against the US dollar would have increased revenue less repair payments for the six months ended September 30, 2006 by approximately $2.6 million. Similarly, a 5% depreciation in the Indian rupee against the US dollar would have decreased our expenses incurred and paid in Indian rupee for the six months ended September 30, 2006 by approximately $3.7 million.

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.

Interest Rate Risk

We do not carry any interest rate risk on our current short-term borrowing as the rate is contractually fixed for the entire term of such borrowing. As of September 30, 2006, we do not have any borrowings.

Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents, accounts receivable from related parties, accounts receivables from others and bank deposits. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties. Our cash equivalents, bank deposits and restricted cash are invested with banks with high investment grade credit ratings. Accounts receivable are typically unsecured and are derived from revenue earned from clients primarily based in Europe and North America. We monitor the credit worthiness of our clients to which we have granted credit terms in the normal course of the business.

We believe there is no significant risk of loss in the event of non-performance of the counter parties to these financial instruments, other than the amounts already provided for in our financial statements

Part II OTHER INFORMATION

ITEM I. RISK FACTORS

Risks Related to our Business

We may be unable to effectively manage our rapid growth and maintain effective internal controls, which could have a material adverse effect on our operations, results of operations and financial condition.

Since we were founded in April 1996, and especially since Warburg Pincus acquired a controlling stake in our company in May 2002, we have experienced rapid growth and significantly expanded our operations. Our revenue has grown at a compound annual growth rate of 54.9% to $202.8 million in fiscal 2006 from $54.6 million in fiscal 2003. Our revenue less repair payments has grown at a compound annual growth rate of 79.4% to $147.9 million in fiscal 2006 from $25.6 million in fiscal 2003. We have established six delivery centers in India, two in the UK and one in Sri Lanka. Our employees have increased to 10,433 on March 31, 2006 from 2,348 on March 31, 2003. In fiscal 2007, we intend to set up new delivery centers in Pune and Mumbai as well as to expand our delivery center at Gurgaon, India. We intend to continue expansion in the foreseeable future to pursue existing and potential market opportunities. This rapid growth places significant demands on our management and operational resources. In order to manage growth effectively, we must implement and improve operational systems, procedures and internal controls on a timely basis. If we fail to implement these systems, procedures and controls on a timely basis, we may not be able to service our clients needs, hire and retain new employees, pursue new business, complete future acquisitions or operate our business effectively. Failure to effectively transfer new client business to our delivery centers, properly budget transfer costs or accurately estimate operational costs associated with new contracts could result in delays in executing client contracts, trigger service level penalties or cause our profit margins not to meet our expectations or our historical profit margins. As a result of any of these problems associated with expansion, our business, results of operations, financial condition and cash flows could be materially and adversely affected.

A few major clients account for a significant portion of our revenue and any loss of business from these clients could reduce our revenue and significantly harm our business.

We have derived and believe that we will continue to derive in the near term a significant portion of our revenue from a limited number of large clients. For fiscal 2006 and fiscal 2005, our five largest clients accounted for 41.0% and 40.1% of our revenue and 52.8% and 56.4% of our revenue less repair payments. Our contract with one of our major clients, British Airways, would have expired in March 2007. In July 2006, we entered into a definitive contract with British Airways which extended the term of the contract to May 2012. Under the new contract the parties have agreed to change the basis of pricing for a portion of the contracted services over a transition period from a per full time equivalent basis to a per unit transaction basis . For fiscal 2006 and fiscal 2005, British Airways accounted for 7.2% and 10.1% of our revenue and 9.9% and 16.5% of our revenue less repair payments. Our contracts with another major client, AVIVA, provide the client options, exercisable at will after June 30, 2007 and December 30, 2007, to require us to transfer the relevant projects and operations to this client. See We may lose some or all of the revenue generated by one of our major clients.

In addition, the volume of work performed for specific clients is likely to vary from year to year, particularly since we may not be the exclusive outside service provider for our clients. Thus, a major client in one year may not provide the same level of revenue in any subsequent year. The loss of some or all of the business of any large client could have a material adverse effect on our business, results of operations, financial condition and cash flows. A number of factors other than our performance could cause the loss of or reduction in business or revenue from a client, and these factors are not predictable. For example, a client may demand price reductions, change its outsourcing strategy or move work in-house. A client may also be acquired by a company with a different outsourcing strategy that intends to switch to another business process outsourcing service provider or return work in-house.

We may lose some or all of the revenue generated by one of our major clients.

Our contracts with one of our five largest clients, AVIVA, to provide business process outsourcing services grant AVIVA the option to require us to transfer the relevant projects and operations of our facilities at Sri Lanka and Pune to this client. AVIVA may exercise these options at will after June 30, 2007 for our facility in Sri Lanka and after December 30, 2007 for the larger facility that we operate in Pune. We understand that AVIVA is considering whether or not to exercise the options, and we have been in discussions with AVIVA about the timing and exercise of the options, although no definitive agreements have been reached.

If either or both of these options is exercised, we will lose some or all revenue from AVIVA and be required to transfer our delivery center in Sri Lanka, one of our delivery centers in Pune and all our employees located at these delivery centers to AVIVA. For fiscal 2006 and fiscal 2005, this client accounted for 9.8% and 6.2% of our revenue and 13.4% and 10.1% of our revenue less repair payments. This loss of revenue would have a material impact on our business, results of operations, financial condition and cash flows, particularly during the quarter in which the options take effect. We may in the future enter into similar contracts with other clients, in which case we would be subject to risks similar to those described above.

Our revenue is highly dependent on a few industries and any decrease in demand for outsourced services in these industries could reduce our revenue and seriously harm our business.

A substantial portion of our clients are concentrated in the travel industry and the banking, financial services and insurance, or BFSI, industry. In fiscal 2006 and fiscal 2005, 30.9% and 28.9% of our revenue and 42.3% and 47.3% of our revenue less repair payments were derived from clients in the travel industry. During the same periods, clients in the BFSI industry contributed 55.6% and 61.4% of our revenue and 39.1% and 36.8% of our revenue less repair payments. Our business and growth largely depend on continued demand for our services from clients in these industries and other industries that we may target in the future, as well as on trends in these industries to outsource business processes. A downturn in any of our targeted industries, particularly the travel or BFSI industries, a slowdown or reversal of the trend to outsource business processes in any of these industries or the introduction of regulation which restricts or discourages companies from outsourcing could result in a decrease in the demand for our services and adversely affect our results of operations.

Other developments may also lead to a decline in the demand for our services in these industries. For example, consolidation in any of these industries or acquisitions, particularly involving our clients, may decrease the potential number of buyers of our services. Any significant reduction in or the elimination of the use of the services we provide within any of these industries would result in reduced revenue and harm our business. Our clients may experience rapid changes in their prospects, substantial price competition and pressure on their profitability. Although such pressures can encourage outsourcing as a cost reduction measure, they may also result in increasing pressure on us from clients in these key industries to lower our prices, which could negatively affect our business, results of operations, financial condition and cash flows.

Our senior management team and other key team members in our business units are critical to our continued success and the loss of such personnel could harm our business.

Our future success substantially depends on the continued service and performance of the members of our senior management team and other key team members in each of our business units. These personnel possess technical and business capabilities including domain expertise that are difficult to replace. There is intense competition for experienced senior management and personnel with technical and industry expertise in the business process outsourcing industry, and we may not be able to retain our key personnel. Although we have entered into employment contracts with our executive officers, certain terms of those agreements may not be enforceable and in any event these agreements do not ensure the continued service of these executive officers. The loss of key members of our senior management or other key team members, particularly to competitors, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee attrition. These factors could have a material adverse effect on our business, results of operations, financial condition and cash flows.

The business process outsourcing industry relies on large numbers of skilled employees, and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees. The business process outsourcing industry, including our company, experiences high employee attrition. In fiscal 2006, our attrition rate for associates employees who execute business processes for our clients following their completion of a six-month probationary period was approximately 30%. There is significant competition in India for professionals with the skills necessary to perform the services we offer to our clients. Increased competition for these professionals, in the business process outsourcing industry or otherwise, could have an adverse effect on us. A significant increase in the attrition rate among employees with specialized skills could decrease our operating efficiency and productivity and could lead to a decline in demand for our services.

In addition, our ability to maintain and renew existing engagements and obtain new businesses will depend, in large part, on our ability to attract, train and retain personnel with skills that enable us to keep pace with growing demands for outsourcing, evolving industry standards and changing client preferences. Our failure either to attract, train and retain personnel with the qualifications necessary to fulfill the needs of our existing and future clients or to assimilate new employees successfully could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Salaries and related benefits of our operations staff and other employees in India are among our most significant costs. Wage costs in India have historically been significantly lower than wage costs in the US and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, because of rapid economic growth in India, increased demand for business process outsourcing to India and increased competition for skilled employees in India, wages for comparably skilled employees in India are increasing at a faster rate than in the US and Europe, which may reduce this competitive advantage. In addition, if the US dollar or the pound sterling declines in value against the Indian rupee, wages in the US or the UK will decrease relative to wages in India, which may further reduce our competitive advantage. We may need to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting the quantity and quality of employees that our business requires. Wage increases may reduce our profit margins and have a material adverse effect on our financial condition and cash flows.

Our operating results may differ from period to period, which may make it difficult for us to prepare accurate internal financial forecasts and respond in a timely manner to offset such period to period fluctuations.

Our operating results may differ significantly from period to period due to factors such as client losses, variations in the volume of business from clients resulting from changes in our clients operations, the business decisions of our clients regarding the use of our services, delays or difficulties in expanding our operational facilities and infrastructure, changes to our pricing structure or that of our competitors, inaccurate estimates of resources and time required to complete ongoing projects, currency fluctuation and seasonal changes in the operations of our clients. For example, our clients in the travel industry experience seasonal changes in their operations in connection with the year-end holiday season and the school year, as well as episodic factors such as adverse weather conditions or strikes by pilots or air traffic controllers. Transaction volumes can be impacted by market conditions affecting the travel and insurance industries, including natural disasters, health scares (such as severe acute respiratory syndrome, or SARS, and avian influenza, or bird flu) and terrorist attacks. In addition, some of our contracts do not commit our clients to providing us with a specific volume of business.

In addition, the long sales cycle for our services, which typically ranges from three to 12 months, and the internal budget and approval processes of our prospective clients makes it difficult to predict the timing of new client engagements. Revenue is recognized upon actual provision of services and when the criteria for recognition are achieved. Accordingly, the financial benefit of gaining a new client may be delayed due to delays in the implementation of our services. These factors may make it difficult for us to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of those delays. Due to the above factors, it

is possible that in some future quarters our operating results may be significantly below the expectations of the public market, analysts and investors.

Our clients may terminate contracts before completion or choose not to renew contracts which could adversely affect our business and reduce our revenue.

The terms of our client contracts typically range from three to five years. Many of our client contracts can be terminated by our clients with or without cause, with three to six months notice and in most cases without penalty. The termination of a substantial percentage of these contracts could adversely affect our business and reduce our revenue. Contracts representing 15.0% of our revenue and 20.5% of our revenue less repair payments from our clients in fiscal 2006 will expire on or before March 31, 2007. Failure to meet contractual requirements could result in cancellation or non-renewal of a contract. Some of our contracts may be terminated by the client if certain of our key personnel working on the client project leave our employment and we are unable to find suitable replacements. In addition, a contract termination or significant reduction in work assigned to us by a major client could cause us to experience a higher than expected number of unassigned employees, which would increase our cost of revenue as a percentage of revenue until we are able to reduce or reallocate our headcount. We may not be able to replace any client that elects to terminate or not renew its contract with us, which would adversely affect our business and revenue.

Some of our client contracts contain provisions which, if triggered, could result in lower future revenue and have an adverse effect on our business.

If our clients agree to provide us with a specified volume and scale of business or to provide us with business for a specified minimum duration, we may, in return, agree to include certain provisions in our contracts with such clients which provide for downward revision of our prices under certain circumstances. For example, certain client contracts provide that if during the term of the contract, we were to offer similar services to any other client on terms and conditions more favorable than those provided in the contract, we would be obliged to offer equally favorable terms and conditions to the client. This may result in lower revenue and profits under these contracts. Certain other contracts allow a client in certain limited circumstances to request a benchmark study comparing our pricing and performance with that of an agreed list of other service providers for comparable services. Based on the results of the study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the service we provide or to reduce the pricing for services to be performed under the remaining term of the contract.

Some of our client contracts provide that during the term of the contract and under specified circumstances, we may not provide similar services to their competitors. Some of our contracts also provide that, during the term of the contract and for a certain period thereafter ranging from six to 12 months, we may not provide similar services to certain or any of their competitors using the same personnel. These restrictions may hamper our ability to compete for and provide services to other clients in the same industry, which may result in lower future revenue and profitability.

Some of our contracts specify that if a change of control of our company occurs during the term of the contract, the client has the right to terminate the contract. These provisions may result in our contracts being terminated if there is such a change in control, resulting in a potential loss of revenue.

Some of our client contracts also contain provisions that would require us to pay penalties to our clients if we do not meet pre-agreed service level requirements. Failure to meet these requirements could result in the payment of significant penalties by us to our clients which in turn could have an adverse effect on our business, results of operations, financial condition and cash flows.

We enter into long-term contracts with our clients, and our failure to estimate the resources and time required for our contracts may negatively affect our profitability.

The terms of our client contracts typically range from three to five years. In many of our contracts we commit to long-term pricing with our clients and therefore bear the risk of cost overruns, completion delays and wage inflation in connection with these contracts. If we fail to estimate accurately the resources and time required for a contract, future wage inflation rates or currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our revenue and profitability may be negatively affected.

Our profitability will suffer if we are not able to maintain our pricing and asset utilization levels and control our costs.

Our profit margin, and therefore our profitability, 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 work stations, or seats. If we are not able to maintain the pricing for our services or an appropriate seat utilization rate, without corresponding cost reductions, our profitability will suffer. The rates we are able to recover for our services are affected by a number of factors, including our clients perceptions of our ability to add value through our services, competition, introduction of new services or products by us or our competitors, our ability to accurately estimate, attain and sustain engagement revenue, margins and cash flows over increasingly longer contract periods and general economic and political conditions.

Our profitability is also a function of our ability to control our costs and improve our efficiency. As we increase the number of our employees and execute our strategies for growth, we may not be able to manage the significantly larger and more geographically diverse workforce that may result, which could adversely affect our ability to control our costs or improve our efficiency.

We have incurred losses in the past and have a limited operating history. We may not be profitable in the future and may not be able to secure additional business.

We have incurred losses in each of the three fiscal years from fiscal 2003 through fiscal 2005. In future periods, we expect our selling, general and administrative, or SG&A, expenses to continue to increase. If our revenue does not grow at a faster rate than these expected increases in our expenses, or if our operating expenses are higher than we anticipate, we may not be profitable and we may incur additional losses.

In addition, the offshore business process outsourcing industry is a relatively new industry, and we have a limited operating history. We started our business by offering business process outsourcing services as part of British Airways in 1996. In fiscal 2003, we enhanced our focus on providing business process outsourcing services to third parties. As such, we have only focused on servicing third-party clients for a limited time. We may not be able to secure additional business or retain current business with third-parties or add third-party clients in the future.

If we cause disruptions to our clients businesses or provide inadequate service, our clients may have claims for substantial damages against us. Our insurance coverage may be inadequate to cover these claims, and as a result our profits may be substantially reduced.

Most of our contracts with clients contain service level and performance requirements, including requirements relating to the quality of our services and the timing and quality of responses to the client s customer inquiries. In some cases, the quality of services that we provide is measured by quality assurance ratings and surveys which are based in part on the results of direct monitoring by our clients of interactions between our employees and our client s customers. Failure to consistently meet service requirements of a client or errors made by our associates in the course of delivering services to our clients could disrupt the client s business and result in a reduction in revenue or a claim for substantial damages against us. For example, some of our agreements stipulate standards of service that, if not met by us, will result in lower payment to us. In addition, a failure or inability to meet a contractual requirement could seriously damage our reputation and affect our ability to attract new business.

Our dependence on our offshore delivery centers requires us to maintain active data and voice communications between our main delivery centers in India, Sri Lanka and the UK, our international technology hubs in the US and the UK and our clients offices. Although we maintain redundant facilities and communications links, disruptions could result from, among other things, technical and electricity breakdowns, computer glitches and viruses and adverse weather conditions. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, reduce our revenue and harm our business.

Under our contracts with our clients, our liability for breach of our obligations is generally limited to actual damages suffered by the client and capped at a portion of the fees paid or payable to us under the relevant contract. To the extent that our contracts contain limitations on liability, such limitations may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we have commercial general liability insurance coverage, the coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claims. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our business, reputation, results of operations, financial condition and cash flows.

We are liable to our clients for damages caused by unauthorized disclosure of sensitive and confidential information, whether through a breach of our computer systems, through our employees or otherwise.

We are typically required to manage, utilize and store sensitive or confidential client data in connection with the services we provide. Under the terms of our client contracts, we are required to keep such information strictly confidential. Our client contracts do not include any limitation on our liability to them with respect to breaches of our obligation to maintain confidentiality on the information we receive from them. We seek to implement measures to protect sensitive and confidential client data and have not experienced any material breach of confidentiality to date. However, if any person, including any of our employees, penetrates our network security or otherwise mismanages or misappropriates sensitive or confidential client data, we could be subject to significant liability and lawsuits from our clients or their customers for breaching contractual confidentiality provisions or privacy laws. Although we have insurance coverage for mismanagement or misappropriation of such information by our employees, that coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims against us and our insurers may disclaim coverage as to any future claims. Penetration of the network security of our data centers could have a negative impact on our reputation, which would harm our business.

Failure to adhere to the regulations that govern our business could result in our being unable to effectively perform our services. Failure to adhere to regulations that govern our clients businesses could result in breaches of contract with our clients.

Our clients business operations are subject to certain rules and regulations such as the Gramm-Leach-Bliley Act and the Health Insurance Portability and Accountability Act in the US and the Financial Services Act in the UK. Our clients may contractually require that we perform our services in a manner that would enable them to comply with such rules and regulations. Failure to perform our services in such a manner could result in breaches of contract with our clients and, in some limited circumstances, civil fines and criminal penalties for us. In addition, we are required under various Indian laws to obtain and maintain permits and licenses for the conduct of our business. If we do not maintain our licenses or other qualifications to provide our services, we may not be able to provide services to existing clients or be able to attract new clients and could lose revenue, which could have a material adverse effect on our business.

The international nature of our business exposes us to several risks, such as significant currency fluctuations and unexpected changes in the regulatory requirements of multiple jurisdictions.

We have operations in India, Sri Lanka and the UK and we service clients across Europe, North America and Asia. Our corporate structure also spans multiple jurisdictions, with our parent holding company incorporated in Jersey, Channel Islands, and intermediate and operating subsidiaries incorporated in India, Sri Lanka, Mauritius, the US and the UK. As a result, we are exposed to risks typically associated with conducting business internationally, many of which are beyond our control. These risks include:

- significant currency fluctuations between the US dollar and the pound sterling (in which our revenue is principally denominated) and the Indian rupee (in which a significant portion of our costs are denominated);
- legal uncertainty owing to the overlap of different legal regimes, and problems in asserting contractual or other rights across international borders;

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potentially adverse tax consequences, such as scrutiny of transfer pricing arrangements by authorities in the countries in which we operate;
potential tariffs and other trade barriers;
unexpected changes in regulatory requirements;
the burden and expense of complying with the laws and regulations of various jurisdictions; and
terrorist attacks and other acts of violence or war.

The occurrence of any of these events could have a material adverse effect on our results of operations and financial condition.

We may not succeed in identifying suitable acquisition targets or integrating any acquired business into our operations, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our growth strategy involves gaining new clients and expanding our service offerings, both organically and through strategic acquisitions. Historically, we have expanded some of our service offerings and gained new clients through strategic acquisitions, such as our acquisition of Trinity Partners in November 2005. It is possible that in the future we may not succeed in identifying suitable acquisition targets available for sale on reasonable terms, have access to the capital required to finance potential acquisitions or be able to consummate any acquisition. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. In addition, our management may not be able to successfully integrate any acquired business into our operations and any acquisition we do complete may not result in long-term benefits to us. For example, if we acquire a company, we could experience difficulties in assimilating that company s personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. The lack of profitability of any of our acquisitions could have a material adverse effect on our operating results. Future acquisitions may also result in the incurrence of indebtedness or the issuance of additional equity securities and may present difficulties in financing the acquisition on attractive terms. Acquisitions also typically involve a number of other risks, including diversion of management s attention, legal liabilities and the need to amortize acquired intangible assets, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our facilities are at risk of damage by natural disasters.

Our operational facilities and communication hubs may be damaged in natural disasters such as earthquakes, floods, heavy rains, tsunamis and cyclones. For example, in the recent floods in Mumbai in July 2005, our operations were adversely affected as a result of the disruption of the city s public utility and transport services making it difficult for our associates to commute to our office. Such natural disasters may lead to disruption of information systems and telephone service for sustained periods. Damage or destruction that interrupts our provision of outsourcing services could damage our relationships with our clients and may cause us to incur substantial additional expenses to repair or replace damaged equipment or facilities. We may also be liable to our clients for disruption in service resulting from such damage or destruction. While we currently have commercial liability insurance, our insurance coverage may not be sufficient. Furthermore, we may be unable to secure such insurance coverage at premiums acceptable to us in the future or secure such insurance coverage at all. Prolonged disruption of our services as a result of natural disasters would also entitle our clients to terminate their contracts with us.

Our business may not develop in ways that we currently anticipate due to negative public reaction to offshore outsourcing, recently proposed legislation or otherwise.

We have based our strategy of future growth on certain assumptions regarding our industry, services and future demand in the market for such services. However, the trend to outsource business processes may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the UK, the US and elsewhere. For example, many organizations and public figures in the UK and the US have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in their home countries.

In addition, there has been recent publicity about the negative experiences, such as theft and misappropriation of sensitive client data, of various companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from

onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends towards offshore outsourcing would seriously harm our ability to compete effectively with competitors that operate out of facilities located in the UK or the US.

A variety of US federal and state legislation has been proposed that, if enacted, could restrict or discourage US companies from outsourcing their services to companies outside the US. For example, legislation has been proposed that would require offshore providers of services requiring direct interaction with clients customers to identify to clients customers where the offshore provider is located. Because some of our clients are located in the US, any expansion of existing laws or the enactment of new legislation restricting offshore outsourcing could adversely impact our ability to do business with US clients and have a material and adverse effect on our business, results of operations, financial condition and cash flows. In addition, it is possible that legislation could be adopted that would restrict US private sector companies that have federal or state government contracts from outsourcing their services to offshore service providers. This would affect our ability to attract or retain clients that have such contracts.

Recent legislation introduced in the UK provides that if a company transfers or outsources its business or a part of its business to a transferee or a service provider, the employees who were employed in such business are entitled to become employed by the transferee or service provider on the same terms and conditions as they had been employed before. The dismissal of such employees as a result of such transfer of business is deemed unfair dismissal and entitles the employee to compensation. As a result, we may become liable for redundancy payments to the employees of our clients in the UK who outsource business to us. We believe this legislation will not affect our existing contracts with clients in the UK. However, we may be liable under any service level agreements we may enter into in the future pursuant to existing master services agreements with our UK clients. In addition, we expect this legislation to have a material adverse effect on potential business from clients in the UK. However, as this legislation has only come into effect in April 2006, we are not yet able to assess at this time the potential impact of this new legislation on our results of operation in the long term.

We face competition from onshore and offshore business process outsourcing companies and from information technology companies that also offer business process outsourcing services. Our clients may also choose to run their business processes themselves, either in their home countries or through captive units located offshore.

The market for outsourcing services is very competitive and we expect competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, service quality, sales and marketing skills, and industry expertise. We face significant competition from our clients own in-house groups, including, in some cases, in-house departments operating offshore, or captive units. Clients who currently outsource a significant proportion of their business processes or information technology services to vendors in India may, for various reasons, including to diversify geographic risk, seek to reduce their dependence on any one country. We also face competition from onshore and offshore business process outsourcing and information technology services companies. In addition, the trend toward offshore outsourcing, international expansion by foreign and domestic competitors and continuing technological changes will result in new and different competitors entering our markets. These competitors may include entrants from the communications, software and data networking industries or entrants in geographic locations with lower costs than those in which we operate.

Some of these existing and future competitors have greater financial, human and other resources, longer operating histories, greater technological expertise, more recognizable brand names and more established relationships in the industries that we currently serve or may serve in the future. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could result in reduced operating margins which could harm our business, results of operations, financial condition and cash flows.

We will incur increased costs as a result of being a public company subject to the Sarbanes-Oxley Act of 2002 and our management faces challenges in implementing those requirements.

As a public company, we will incur additional legal, accounting and other expenses that we do not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC and the New

York Stock Exchange, or NYSE, have imposed increased regulation and required enhanced corporate

governance practices of public companies. We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard are likely to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. For example, we are in the process of creating additional board committees and are reviewing and adopting comprehensive new policies regarding internal controls over financial reporting and disclosure controls and procedures. We are also in the process of evaluating and testing our internal financial reporting controls in anticipation of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and have not yet completed this process. We have formed internal evaluation committees and engaged consultants and expect to upgrade our computer software systems to assist us in such compliance. If we do not implement the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC. Any such action could harm our business or investors confidence in our company and could cause our share price to fall. We will also incur additional costs associated with our reporting requirements as a public company. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified candidates to serve on our board of directors or as executive officers.

Our controlling shareholder, Warburg Pincus, is able to control or significantly influence our corporate actions.

Warburg Pincus beneficially owns more than 50% of our shares. As a result of its ownership position, Warburg Pincus has the ability to control or significantly influence matters requiring shareholder and board approval, including, without limitation, the election of directors, significant corporate transactions such as amalgamations and consolidations, changes of control of our company and sales of all or substantially all of our assets. These actions may be taken even if they are opposed by the other shareholders, including those who purchase ADSs in this offering.

We have certain anti-takeover provisions in our articles of association that may discourage a change of control.

Our articles of association contain anti-takeover provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions include:

- a classified board of directors with staggered three-year terms; and
- the ability of our board of directors to determine the rights, preferences and privileges of our preferred shares and to issue the preferred shares without shareholder approval, which could be exercised by our board of directors to increase the number of outstanding shares and prevent or delay a takeover attempt.

These provisions could make it more difficult for a third party to acquire us, even if the third party s offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares.

It may be difficult for you to effect service of process and enforce legal judgments against us or our affiliates.

We are incorporated in Jersey, Channel Islands, and our primary operating subsidiary, WNS Global Services Pvt. Ltd., is incorporated in India. A majority of our directors and senior executives are not residents of the US and virtually all of our assets and the assets of those persons are located outside the US. As a result, it may not be possible for you to effect service of process within the US upon those persons or us. In addition, you may be unable to enforce judgments obtained in courts of the US against those persons outside the jurisdiction of their residence, including judgments predicated solely upon the securities laws of the US.

Risks Related to India

A substantial portion of our assets and operations are located in India and we are subject to regulatory, economic, social and political uncertainties in India.

Our primary operating subsidiary, WNS Global Services Pvt. Ltd., is incorporated in India, and a substantial portion of our assets and employees are located in India. We intend to continue to develop and expand our facilities in India.

The Indian government, however, has exercised and continues to exercise significant influence over many aspects of the Indian economy. India s government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the business process outsourcing industry. Those programs that have benefited us include tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. We cannot assure you that such liberalization policies will continue. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India s economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular. The government of India may decide to introduce the reservation policy. According to this policy, all companies operating in the private sector in India, including our subsidiaries in India, would be required to reserve a certain percentage of jobs for the economically underprivileged population in the relevant state where such companies are incorporated. If this policy is introduced, our ability to hire employees of our choice may be restricted. Our financial performance and the market price of our ADSs may be adversely affected by changes in inflation, exchange rates and controls, interest rates, government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

India has witnessed communal clashes in the past. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could result in disruptions in transportation or communication networks, as well as have adverse implications for general economic conditions in India. Such events could have a material adverse effect on our business, on the value of our ADSs and on your investment in our ADSs.

If the government of India reduces or withdraws tax benefits and other incentives it currently provides to companies within our industry or if the same are not available for any other reason, our financial condition could be negatively affected.

Under the Indian Finance Act, 2000, our delivery centers in India benefit from a ten-year holiday from Indian corporate income taxes. As a result, our service operations, including any businesses we acquire, have been subject to relatively low Indian tax liabilities. We incurred minimal income tax expense on our Indian operations in fiscal 2006 as a result of the tax holiday, compared to approximately $4.7 million that we would have incurred if the tax holiday had not been available for that period. The Indian Finance Act, 2000, phases out the tax holiday over a ten-year period from fiscal 2000 through fiscal 2009. The tax holiday enjoyed by our delivery centers in India expires in stages, on April 1, 2006 (for one of our delivery centers located in Mumbai), on April 1, 2008 (for one of our delivery centers located in Nashik) and on April 1, 2009 (for our delivery centers located in Mumbai, Pune, Nashik and Gurgaon). When our Indian tax holiday expires or terminates, or if the Indian government withdraws or reduces the benefits of the Indian tax holiday, our Indian tax expense will materially increase and this increase will have a material impact on our results of operations. In the absence of a tax holiday, income derived from India would be taxed up to a maximum of the then existing annual tax rate which, as of March 31, 2006, was 33.66%.

US and Indian transfer pricing regulations require that any international transaction involving associated enterprises be at an arm s-length price. We consider the transactions among our subsidiaries and us to be on arm s-length pricing terms. If, however, the applicable income tax authorities review any of our tax returns and determine that the transfer prices we have applied are not appropriate, we may incur increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows.

Terrorist attacks and other acts of violence involving India or its neighboring countries could adversely affect our operations, resulting in a loss of client confidence and adversely affecting our business, results of operations, financial condition and cash flows.

Terrorist attacks and other acts of violence or war involving India or its neighboring countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations, financial condition and cash flows. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in the region of Kashmir and along the India/

Pakistan border. There have also been incidents in and near India such as a terrorist attack on the Indian Parliament, troop mobilizations along the India/ Pakistan border and an aggravated geopolitical situation in the region. Such

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military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in Indian companies involve a high degree of risk. Such political tensions could similarly create a perception that there is a risk of disruption of services provided by India-based companies, which could have a material adverse effect on the market for our services.

Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue our operations.

Restrictions on entry visas may affect our ability to compete for and provide services to clients in the US, which could have a material adverse effect on future revenue.

The vast majority of our employees are Indian nationals. The ability of some of our executives to work with and meet our European and North American clients and our clients from other countries depends on the ability of our senior managers and employees to obtain the necessary visas and entry permits. In response to recent terrorist attacks and global unrest, US and European immigration authorities have increased the level of scrutiny in granting visas. Immigration laws in those countries may also require us to meet certain other legal requirements as a condition to obtaining or maintaining entry visas. These restrictions have significantly lengthened the time requirements to obtain visas for our personnel, which has in the past resulted, and may continue to result, in delays in the ability of our personnel to meet with our clients. In addition, immigration laws are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions or other events, including terrorist attacks. We cannot predict the political or economic events that could affect immigration laws, or any restrictive impact those events could have on obtaining or monitoring entry visas for our personnel. If we are unable to obtain the necessary visas for personnel who need to visit our clients sites, or if such visas are delayed, we may not be able to provide services to our clients or to continue to provide services on a timely basis, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Currency fluctuations among the Indian rupee, the pound sterling and the US dollar could have a material adverse effect on our results of operations.

Although substantially all of our revenue is denominated in pounds sterling or US dollars, a significant portion of our expenses (other than payments to repair centers, which are primarily denominated in pounds) are incurred and paid in Indian rupees. We report our financial results in US dollars and our results of operations would be adversely affected if the pound sterling depreciates against the US dollar or the Indian rupee appreciates against the US dollar. The exchange rates between the Indian rupee and the US dollar and between the pound sterling and the US dollar have changed substantially in recent years and may fluctuate substantially in the future.

The average Indian rupee/ US dollar exchange rate in fiscal 2006 was approximately Rs.44.21 per $1.00 (based on the noon buying rate), representing an appreciation of the Indian rupee of 1.4% and 3.8% as compared with the average exchange rates in fiscal 2005 and fiscal 2004. The average pound sterling/ US dollar exchange rate in fiscal 2006 was approximately £0.56 per $1.00 (based on the noon buying rate), representing a depreciation of the pound sterling of 3.7% as compared with the average exchange rates in fiscal 2005 and an appreciation of the pound sterling of 5.1% as compared with the average exchange rates in fiscal 2004. Our results of operations may be adversely affected if the rupee appreciates significantly against the pound sterling or the US dollar or the pound sterling depreciates against the US dollar. We hedge our foreign currency exposures. We cannot assure you that our hedging strategy will be successful.

If more stringent labor laws become applicable to us, our profitability may be adversely affected.

India has stringent labor legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. Though we are exempt from a number of these labor laws at present, there can be no assurance that such laws will not become applicable to the business process outsourcing industry in India in the future. In addition, our employees may in the future form unions. If these labor laws become applicable to our workers or if our employees unionize, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, and our profitability may be adversely affected.

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An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could cause our business to suffer.

The outbreak of an infectious disease in Asia or elsewhere could have a negative impact on the economies, financial markets and business activities in the countries in which our end markets are located and could thereby have a material adverse effect on our business. The outbreak of SARS in 2003 in Asia and the outbreak of avian influenza, or bird flu, across Asia and Europe, including the recent outbreak in India, have adversely affected a number of countries and companies. Although we have not been adversely impacted by these recent outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals will not have a material adverse effect on our business.

Risks Related to our ADSs

Substantial future sales of our shares or ADSs in the public market could cause our ADS price to fall.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. These sales, or the perception that these sales could occur, also might make it more difficult for us to sell securities in the future at a time or at a price that we deem appropriate. As of August 1, 2006, the holders of 34,662 shares (directly or in the form of ADSs) will be entitled to dispose of their shares or ADSs if they qualify for an exemption from registration under the Securities Act of 1933, as amended, or the Securities Act, and the holders of an additional 28,564,487 shares (directly or in the form of ADSs) will be entitled to dispose of their shares or ADSs following the expiration of an initial 180-day lock-up period after the pricing of our initial public offering if they qualify for an exemption from registration under the Securities Act. Further, promptly after the pricing of our initial public offering, we filed a registration statement under the Securities Act to register 6,965,776 ordinary shares reserved for issuance or sale under our equity incentive plans. As of September 30, 2006 there were options outstanding under our Stock Incentive Plan to purchase a total of 4,455,177 ordinary shares, of which 1,988,086 options equivalent have already been vested as of September 30, 2006. Following the expiration of this 180-day lock-up period, shares issued upon the exercise of share options will be eligible for resale to the public market without restriction, subject to Rule 144 limitations applicable to affiliates.

The market price for our ADSs may be volatile.

The market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- announcements of technological developments;
- regulatory developments in our target markets affecting us, our clients or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other companies engaged in business process outsourcing;
- addition or loss of executive officers or key employees;
- sales or expected sales of additional shares or ADSs; and
- loss of one or more significant clients.

In addition, securities markets generally and from time to time experience significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

We may be classified as a passive foreign investment company in our current taxable year, which could result in adverse United States federal income tax consequences to US Holders.

The application of the passive foreign investment company, or PFIC, rules to the company in its current taxable year is uncertain. A non-US corporation will be considered a PFIC for any taxable year if either (1) under the PFIC income test, at least 75% of its gross income is passive income or (2) under the PFIC asset test, at least 50% of its assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the

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production of passive income for such taxable year. However, the application of the PFIC asset test to a corporation that is a controlled foreign corporation, or a CFC (as defined under the United States federal income tax law), for its taxable year in which it becomes a publicly traded corporation after its first quarter is not clear. Because we currently are a CFC, the application of the PFIC asset test to us in our current taxable year is uncertain.

Under the least favorable interpretation of the PFIC asset test, it is possible that we could be a PFIC in respect of our current taxable year, depending largely on how and to what extent we use the offering proceeds during our current taxable year, although this will not be determinable until the end of our current taxable year. Under more favorable interpretations of the PFIC assets test, we believe that we would not be a PFIC for our current taxable year, regardless of how and when we use the offering proceeds. It may be reasonable for US Holders to apply a more favorable interpretation of this test for purposes of determining and reporting the US federal income tax consequences of their investment in the ADSs or ordinary shares, although these holders should consult their own tax advisers regarding the reasonableness of this position. The following are US Holders for US federal income tax purposes:

- a citizen or resident of the US;
- a corporation (or other entity taxable as a corporation) organized under the laws of the US, any State thereof or the District of Columbia;
- an estate whose income is subject to US federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the US and the control of one or more US persons or (2) has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

US Holders also should note that the United States Internal Revenue Service, or IRS, could seek to apply the least favorable interpretation.

We will notify US Holders regarding whether we believe that we would be a PFIC for our current taxable year under the least favorable interpretation of the PFIC asset test (unless there is IRS or other official guidance supporting a more favorable interpretation) promptly after the end of our current taxable year. If we are treated as a PFIC for any taxable year during which a US Holder owns an ADS or an ordinary share, adverse US federal income tax consequences could apply to that holder.

ITEM II. OTHER INFORMATION

None.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunder duly authorized.

Date: November 14, 2006

WNS (HOLDINGS) LIMITED

By: /s/ Zubin Dubash
Name: Zubin Dubash
Title: Chief Financial Officer

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	30	
	6	5
Expected Return on Plan Assets	(37)	(36)
	-	-
Amortization of Prior Service Cost	1	1
	-	(1)
Amortization of Net Loss	7	5
	1	1
Net Periodic Benefit Cost	$11	$8
	$8	$7

In accordance with the Pension Protection Act of 2006 (the “Act”), companies are required to be 94% funded for their outstanding qualified pension obligations as of January 1, 2009 in order to avoid a scheduled series of required annual contributions to reach 100% funding over seven years. Due to recent market volatility and overall investment losses of pension assets for 2008, the Company will be required to make additional contributions to maintain at least a 94%

funding target. The contribution is required to be made by September 2009. For further details, see Note 7, Employee Benefit Plans, in CSX's most recent annual report on Form 10-K.

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CSX CORPORATION
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NOTE 7. Debt and Credit Agreements

Total activity related to long-term debt for first quarter 2009 was as follows:

(Dollars in millions)	Current Portion	Long-term Portion	Total Long-term Debt Activity
Total long-term debt at December 26, 2008	$319	$7,512	$7,831
2009 activity:			
Issued	-	500	500
Repaid	(26)	-	(26)
Reclassifications	21	(21)	-
Other	-	4	4
Total long-term debt at March 27, 2009	$314	$7,995	$8,309

Debt Issuance

On January 14, 2009, CSX issued $500 million in one series of unsecured notes, which bear interest at 7.375% due February 1, 2019. This series of notes is included in the consolidated balance sheets under long-term debt. The notes may be redeemed in whole or in part by CSX at any time. CSX expects to use approximately $300 million of the net proceeds from the sale of the notes to repay debt maturing in the next twelve months. The balance of the net proceeds from the sale of the notes will be used for general corporate purposes, which may include capital expenditures, working capital requirements, improvements in productivity and repurchases of CSX common stock.

Revolving Credit Facility

CSX has a $1.25 billion unsecured revolving credit facility with a diverse syndicate of banks. The facility allows borrowings at floating rates based on the London interbank offered rate ("LIBOR"), plus a spread depending upon ratings assigned by Moody's Investors Service and Standard & Poor's Ratings Group to CSX's senior, unsecured, long-term indebtedness for borrowed money. The facility requires CSX to maintain a ratio of total debt to total capitalization below a prescribed limit. The facility contains no provisions that would require CSX to post collateral. As of March 2009, this facility was not drawn on, and CSX was in compliance with all covenant requirements under the facility. This facility expires in 2012.

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(Unaudited)

NOTE 8. Other Income (Expense) – Net

Other Income (Expense) – Net consists of the following:

	First Quarters	
(Dollars in millions)	2009	2008
Interest Income(a)	$4	$8
Income from Real Estate Operations (b)	1	30
Loss from Resort Operations (c)	(14)	(16)
Miscellaneous(d)	-	33
Total Other Income (Expense) - Net	$(9)	$55

(a) Interest income fluctuates based on interest rates and balances that earn interest based on CSX's cash, cash equivalents and short-term investments.

(b) Income from real estate includes the results of operations of the Company's non-operating real estate sales, leasing, acquisition and management and development activities. Income may fluctuate as a function of timing of real estate sales.

(c) The resort filed for Chapter 11 bankruptcy protection in March 2009. See below for further details.

(d) Miscellaneous income includes a number of items which can be income or expense. Examples of these items are equity earnings and/or losses, minority interest expense, investment gains and losses and other non-operating activities. In first quarter 2008, CSX recorded additional income of $30 million for an adjustment to correct equity earnings from a non-consolidated subsidiary.

Greenbrier Hotel Corporation Bankruptcy Filing

On March 19, 2009, Greenbrier Hotel Corporation ("GHC"), owner of The Greenbrier resort and subsidiary of CSX Corporation, filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Eastern District of Virginia. CSX has agreed to extend up to $19 million in bankruptcy financing to GHC.

In conjunction with the bankruptcy, GHC also announced an agreement to sell the resort pursuant to an asset purchase agreement ("Agreement") with Marriott Hotel Services, Inc. ("Marriott"). The Agreement remains subject to the approval of the Bankruptcy Court and contemplates that CSX will provide $50 million to be used in the operations of the resort after completion of the sale. These funds are expected to be paid over a two-year period following the closing of the transaction. In turn, Marriott would pay GHC between $60 million and $130 million within approximately seven years, with the actual amount depending on the timing of the payment and The Greenbrier's financial performance.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 8. Other Income (Expense) – Net, continued

The sale to Marriott is expected to close later this year, but is contingent on various closing conditions, including the ability of The Greenbrier and its unions to negotiate labor contracts satisfactory to Marriott. It is also subject to a Bankruptcy Court-supervised auction process in which other qualified purchasers will have an opportunity to bid on the resort. Currently, the bid and auction process are scheduled in June 2009.

At this time, this transaction does not qualify for discontinued operations under SFAS 144 Accounting for the Impairment or Disposal of Long-lived Assets due to the nature of certain closing conditions under the Agreement. Once these conditions have been satisfied, it is likely that the resort's results of operations will be reclassified into discontinued operations.

NOTE 9. Income Taxes

As of March 2009 and December 2008, the Company had approximately $48 million and $57 million, respectively, of total unrecognized tax benefits. After consideration of the impact of federal tax benefits, $41 million and $50 million, respectively, could favorably affect the effective income tax rate. The Company estimates that approximately $12 million of the net unrecognized tax benefits as of March 2009 for various state and federal income tax matters will be resolved over the next 12 months. Approximately $4 million of this total will be recognizable upon the expiration of various statutes of limitation. The final outcome of the remaining uncertain tax positions, however, is not yet determinable.

As a result of the expiration of statutes of limitation and the resolution of other income tax matters during the first quarter 2009, the Company recorded income tax and interest benefits of $13 million.

The Company files a consolidated federal income tax return, which includes its principal domestic subsidiaries. CSX and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. During 2008, the Internal Revenue Service ("IRS") completed examinations of tax years 2004 through 2006 as well as for 2007. The Company has appealed a tax adjustment proposed by the IRS with respect to the 2004 through 2006 period and a related amount is included in the uncertain tax positions above. This appeals process is expected to last more than one year. Federal examinations of original federal income tax returns for all years through 2007 are otherwise resolved.

CSX's continuing practice is to recognize net interest and penalties related to income tax matters in income tax expense. As of March 2009 and December 2008, the Company had a $5 million gross receivable and a $2 million gross payable before the consideration of state tax impacts, respectively, accrued for interest and penalties. The payable changed to a receivable due to the expiration of statutes of limitation noted above.

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NOTE 10. Related Party Transactions

Through a limited liability company, CSX and Norfolk Southern Corporation ("NS") jointly own Conrail Inc., ("Conrail"). CSX has a 42% economic interest and 50% voting interest in the jointly-owned entity, and NS has the remainder of the economic and voting interests. Pursuant to APB Opinion 18, The Equity Method of Accounting for Investments in Common Stock, CSX applies the equity method of accounting to its investment in Conrail.

CSX's income statement is impacted in several ways by the joint ownership of Conrail. First, Conrail owns and operates rail infrastructure for the joint benefit of CSX and NS. This is known as the shared asset area. Conrail charges fees for right-of way usage, equipment rentals and transportation, switching and terminal service charges in the shared asset area. Next, because of CSX's equity interest in Conrail, CSX also includes a share of Conrail's income which is recorded as a contra-expense and reduces the total amount of expense recorded for Conrail. The purchase price amortization primarily represents the additional after-tax depreciation expense related to the write-up of Conrail's fixed assets when the original purchase price, from the 1997 acquisition of Conrail, was allocated based on fair value. Last, interest expense is recorded on long-term payables to Conrail.

Dollar amounts of these items impacting the consolidated income statements were as follows:

	First Quarters	
(Dollars in millions)	2009	2008
Income Statement Information:		
Rents, Fees and Services	$24	$26
Equity in Income of Conrail	(7)	(5)
Purchase Price Amortization and Other	1	1
Interest Expense Related to Conrail	1	1

Additional information about the investment in Conrail is included in CSX's most recent Annual Report on Form 10-K.

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NOTE 11. Business Segments

The Company's consolidated operating income results are comprised of two business segments: Rail and Intermodal. The Rail segment provides rail freight transportation over a network of approximately 21,000 route miles in 23 states, the District of Columbia and the Canadian provinces of Ontario and Quebec. The Intermodal segment provides integrated rail and truck transportation services and operates a network of dedicated intermodal facilities across North America. These segments are strategic business units that offer different services and are managed separately. Performance of the segment is evaluated and resources are allocated based on several factors, of which the principal financial measures are business segment operating income and operating ratio. The accounting policies of the segments are the same as those described in Note 1, Nature of Operations and Significant Accounting Policies, in CSX's most recent Annual Report on Form 10-K.

Business segment information for first quarters 2009 and 2008 is as follows:

(Dollars in millions)	Rail (a)		Intermodal		CSX Consolidated		
	2009	2008	2009	2008	2009	2008	$ Change
Revenues from External Customers	$1,977	$2,365	$270	$348	$2,247	$2,713	$(466)
Segment Operating Income	498	565	24	61	522	626	(104)

(a) In addition to CSXT, the Rail segment includes non-railroad subsidiaries such as TDSI, Transflo, CSX Technology and other subsidiaries.

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12. Summarized Consolidating Financial Data

In December 2007, CSXT sold secured equipment notes maturing in 2023 and in October 2008, CSXT sold additional secured equipment notes maturing in 2014 in registered public offerings pursuant to an existing shelf registration statement. CSX has fully and unconditionally guaranteed the notes. In connection with the notes, the Company is providing the following condensed consolidating financial information in accordance with SEC disclosure requirements. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation and the allocation of certain expenses of CSX incurred for the benefit of its subsidiaries.

Condensed consolidating financial information for the obligor and parent guarantor is as follows:

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12. Summarized Consolidating Financial Data, continued

Consolidating Income Statements
(Dollars in Millions)

Quarter Ended March 2009	CSX Corporation	CSX Transportation	Other	Eliminations	Consolidated
Operating Revenue	$ -	$1,960	$313	$(26)	$2,247
Operating Expense	(79)	1,563	265	(24)	1,725
Operating Income	79	397	48	(2)	522
Equity in Earnings of Subsidiaries	255	-	-	(255)	-
Interest Expense	(124)	(31)	(1)	15	(141)
Other Income (Expense)	302	6	(304)	(13)	(9)
Earnings from Continuing Operations before Income Taxes	512	372	(257)	(255)	372
Income Tax Benefit (Expense)	(266)	(140)	280	-	(126)
Net Earnings	$246	$232	$23	$(255)	$246

Quarter Ended March 2008	CSX Corporation	CSX Transportation	Other	Eliminations	Consolidated
Operating Revenue	$ -	$2,344	$406	$(37)	$2,713
Operating Expense	(57)	1,863	315	(34)	2,087
Operating Income	57	481	91	(3)	626
Equity in Earnings of Subsidiaries	371	-	-	(371)	-
Interest Expense	(134)	(43)	(7)	65	(119)
Other Income (Expense)	40	70	7	(62)	55
Earnings from Continuing Operations before Income Taxes	334	508	91	(371)	562
Income Tax Benefit (Expense)	17	(193)	(35)	-	(211)
Net Earnings	$351	$315	$56	$(371)	$351

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12. Summarized Consolidating Financial Data, continued

Consolidating Balance Sheet
(Dollars in Millions)

March 2009	CSX Corporation	CSX Transportation	Other	Eliminations	Consolidated
ASSETS					
Current Assets					
Cash and Cash Equivalents	$928	$70	$58	$ -	$1,056
Short-term Investments	-	-	73	-	73
Accounts Receivable - Net	133	932	(107)	-	958
Materials and Supplies	-	250	-	-	250
Deferred Income Taxes	12	133	6	-	151
Other Current Assets	67	84	69	(108)	112
Total Current Assets	1,140	1,469	99	(108)	2,600
Properties	7	29,139	1,253	-	30,399
Accumulated Depreciation	(9)	(6,857)	(771)	-	(7,637)
Properties - Net	(2)	22,282	482	-	22,762
Investments in Conrail	-	-	617	-	617
Affiliates and Other Companies	-	522	(123)	-	399
Investments in Consolidated Subsidiaries	14,687	-	44	(14,731)	-
Other Long-term Assets	49	76	107	(43)	189
Total Assets	$15,874	$24,349	$1,226	$(14,882)	$26,567
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable	$131	$809	$(6)	$ -	$934
Labor and Fringe Benefits Payable	30	309	30	-	369
Payable to Affiliates	398	782	(1,113)	(67)	-
Casualty, Environmental and Other Reserves	-	197	20	-	217
Current Maturities of Long-term Debt	200	111	3	-	314
Income and Other Taxes Payable	(8)	242	(118)	-	116
Other Current Liabilities	-	112	48	(40)	120
Total Current Liabilities	751	2,562	(1,136)	(107)	2,070
Casualty, Environmental and Other Reserves	1	557	78	-	636
Long-term Debt	6,556	1,433	6	-	7,995
Deferred Income Taxes	(354)	6,622	(2)	-	6,266
Long-term Payable to Affiliates	-	-	44	(44)	-

Other Long-term Liabilities	715	474	251	(45)	1,395
Total Liabilities	7,669	11,648	(759)	(196)	18,362
Shareholders' Equity					
Common Stock, $1 Par Value	392	181	-	(181)	392
Other Capital	-	5,564	1,923	(7,487)	-
Retained Earnings	8,534	6,983	162	(7,145)	8,534
Accumulated Other Comprehensive Loss	(742)	(48)	(103)	151	(742)
Noncontrolling Minority Interest	21	21	3	(24)	21
Total Shareholders' Equity	8,205	12,701	1,985	(14,686)	8,205
Total Liabilities and Shareholders' Equity	$15,874	$24,349	$1,226	$(14,882)	$26,567

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12. Summarized Consolidating Financial Data, continued

Consolidating Balance Sheet
(Dollars in Millions)

December 2008	CSX Corporation	CSX Transportation	Other	Eliminations	Consolidated
ASSETS					
Current Assets					
Cash and Cash Equivalents	$559	$63	$47	$ -	$669
Short-term Investments	-	-	76	-	76
Accounts Receivable - Net	5	1,046	56	-	1,107
Materials and Supplies	-	217	-	-	217
Deferred Income Taxes	11	187	5	-	203
Other Current Assets	112	34	52	(79)	119
Total Current Assets	687	1,547	236	(79)	2,391
Properties	6	28,958	1,244	-	30,208
Accumulated Depreciation	(9)	(6,758)	(753)	-	(7,520)
Properties - Net	(3)	22,200	491	-	22,688
Investments in Conrail	-	-	609	-	609
Affiliates and Other Companies	-	527	(121)	-	406
Investments in Consolidated Subsidiaries	14,566	-	41	(14,607)	-
Other Long-term Assets	52	76	109	(43)	194
Total Assets	$15,302	$24,350	$1,365	$(14,729)	$26,288
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable	$99	$739	$135	$ -	$973
Labor and Fringe Benefits Payable	40	366	59	-	465
Payable to Affiliates	455	765	(1,153)	(67)	-
Casualty, Environmental and Other Reserves	-	211	25	-	236
Current Maturities of Long-term Debt	200	116	3	-	319
Income and Other Taxes Payable	(2)	208	(81)	-	125
Other Current Liabilities	2	271	24	(11)	286
Total Current Liabilities	794	2,676	(988)	(78)	2,404
Casualty, Environmental and Other Reserves	1	547	95	-	643
Long-term Debt	6,058	1,447	7	-	7,512
Deferred Income Taxes	(629)	6,591	273	-	6,235
Long-term Payable to Affiliates	-	-	44	(44)	-

Other Long-term Liabilities	1,010	493	(36)	(41)	1,426
Total Liabilities	7,234	11,754	(605)	(163)	18,220
Shareholders' Equity					
Common Stock, $1 Par Value	391	181	-	(181)	391
Other Capital	-	5,566	1,923	(7,489)	-
Retained Earnings	8,398	6,870	148	(7,018)	8,398
Accumulated Other Comprehensive Loss	(741)	(41)	(104)	145	(741)
Noncontrolling Minority Interest	20	20	3	(23)	20
Total Shareholders' Equity	8,068	12,596	1,970	(14,566)	8,068
Total Liabilities and Shareholders' Equity	$15,302	$24,350	$1,365	$(14,729)	$26,288

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12. Summarized Consolidating Financial Data, continued

Consolidating Cash Flow Statements
(Dollars in Millions)

Quarter Ended March 2009	CSX Corporation	CSX Transportation	Other	Eliminations	Consolidated
Operating Activities					
Net Cash Provided by (Used in) Operating Activities	$(162)	$370	$241	$ -	$449
Investing Activities					
Property Additions	(1)	(299)	(9)	-	(309)
Purchases of Short-term Investments	-	-	-	-	-
Proceeds from Sales of Short-term Investments	-	-	-	-	-
Other Investing Activities	11	28	5	(7)	37
Net Cash Provided by (Used in) Investing Activities	10	(271)	(4)	(7)	(272)
Financing Activities					
Short-term Debt - Net	-	3	(3)	-	-
Long-term Debt Issued	500	-	-	-	500
Long-term Debt Repaid	-	(25)	(1)	-	(26)
Dividends Paid	(88)	-	2	-	(86)
Stock Options Exercised	2	-	-	-	2
Shares Repurchased	-	-	-	-	-
Other Financing Activities	107	(70)	(224)	7	(180)
Net Cash Provided by (Used in) Financing Activities	521	(92)	(226)	7	210
Net Increase (Decrease) in Cash and Cash Equivalents	369	7	11	-	387
Cash and Cash Equivalents at Beginning of Period	559	63	47	-	669
Cash and Cash Equivalents at End of Period	$928	$70	$58	$ -	$1,056

Quarter Ended March 2008	CSX Corporation	CSX Transportation	Other	Eliminations	Consolidated
Operating Activities					
	$67	$603	$157	$(93)	$734

Net Cash Provided by (Used in) Operating Activities					
Investing Activities					
Property Additions	(2)	(406)	(38)	-	(446)
Purchases of Short-term Investments	(50)	-	-	-	(50)
Proceeds from Sales of Short-term Investments	295	-	-	-	295
Other Investing Activities	(15)	(24)	35	16	12
Net Cash (Used in) Provided by Investing Activities	228	(430)	(3)	16	(189)
Financing Activities					
Short-term Debt - Net	-	-	-	-	-
Long-term Debt Issued	1,000	-	-	-	1,000
Long-term Debt Repaid	1	(45)	-	-	(44)
Dividends Paid	(62)	(81)	(8)	90	(61)
Stock Options Exercised	36	-	-	-	36
Shares Repurchased	(300)	-	-	-	(300)
Other Financing Activities	28	16	(5)	(13)	26
Net Cash (Used in) Provided by Financing Activities	703	(110)	(13)	77	657
Net (Decrease) Increase in Cash and Cash Equivalents	998	63	141	-	1,202
Cash and Cash Equivalents at Beginning of Period	(594)	55	907	-	368
Cash and Cash Equivalents at End of Period	$404	$118	$1,048	$ -	$1,570

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CSX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STRATEGIC OVERVIEW

The Company provides customers with access to an interconnected transportation network that links ports, production facilities and distribution centers to markets in the Northeast, Midwest and southern states. The Company serves major markets in the eastern United States and has direct access to all significant Atlantic and Gulf Coast ports, as well as the Mississippi River, the Great Lakes and the St. Lawrence Seaway. The Company also has access to Pacific ports through alliances with western railroads.

The Company transports a broad portfolio of products, such as coal, forest products, ethanol, automobiles, chemicals and consumer electronics. Those goods are transported across the country in a way that, compared to alternative modes of transportation, reduces the impact on the environment, takes traffic off an already congested highway system and reduces fuel consumption and transportation costs.

The global recession that intensified in late 2008 has continued to impact CSX's business in 2009, and rail volume will be lower for the year. Beginning in late 2008, the Company began taking aggressive actions to manage costs and right-size resources to match demand conditions. With a mix of pricing, productivity, prudent investment in train network and rail efficiency, the Company believes it is positioned to take advantage of an eventual economic recovery.

FIRST QUARTER 2009 HIGHLIGHTS

- Revenue decreased $466 million or 17% to $2.2 billion due to declines in volume.
- Expenses decreased $362 million or 17% to $1.7 billion as a result of lower fuel expense and aggressive cost-management efforts.
- Operating income decreased $104 million or 17% to $522 million.

CSX financial results reflect the impact of the ongoing recessionary environment. Revenue and volume declined 17% from first quarter 2008 driven by the broad-based weakness across most sectors of the economy. The lines of business tied to the industrial, housing construction and consumer spending markets all experienced significant volume declines, while the energy and agriculture related markets were less severely impacted by the current economic conditions.

Despite a challenging environment, CSX was able to maintain revenue per unit at levels consistent with those in first quarter 2008. The Company's ongoing yield management initiatives offset lower fuel recovery associated with the sharp decline in fuel prices. The Company was able to achieve pricing gains predominantly due to the overall cost advantages that the Company's rail based solutions provide to customers versus other modes of transportation.

For additional information, refer to Rail and Intermodal Results of Operations discussed on pages 33 through 36.

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CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's safety and train accident prevention programs rely on broad employee involvement. The programs utilize operating rules training, compliance measurement, root cause analysis and communication to create a safer environment for employees and the public. Continued capital investment in Company assets, including track, bridges, signals, equipment and detection technology, also supports safety performance.

In first quarter 2009, the Company continued its focus on safety and operating performance. Results in both FRA personal injuries and train accidents remained at historically high levels as a result of leadership and high levels of employee commitment to the Company's safety programs. The number of FRA reported personal injuries increased slightly to 94, up 4% compared to the same quarter in 2008. Reported FRA train accidents declined to 71, as the Company reported 9% fewer accidents versus prior year. However, Train Accident frequency increased, to 3.08 accidents per million train miles as sharply lower business levels drove both employee man hours and train miles lower in the quarter.

Key service metrics improved significantly in the quarter. On-time train originations and arrivals were 83% and 79%, respectively, during the quarter. Average dwell rose slightly to 24.1 hours and average cars-on-line declined to 218,863 primarily due to lower demand levels. Average train velocity improved to 21.6 miles per hour, as the network remained fluid. The Company aims to maintain key operating measures and service reliability at high-levels, while reducing resource levels in response to current business conditions.

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CSX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RAIL OPERATING STATISTICS (Estimated)

	First Quarters		
	2009	2008	Improvement (Decline) %
Safety and Service Measurements			
FRA Personal Injuries Frequency Index	1.30	1.10	(18)%
FRA Train Accident Rate	3.08	2.92	(5)
On-Time Train Originations	83%	79%	5
On-Time Destination Arrivals	79%	69%	14
Dwell	24.1	22.7	(6)
Cars-On-Line	218,863	221,193	1
System Train Velocity	21.6	20.8	4
			Increase/
Resources			(Decrease)
Route Miles	21,178	21,225	(0)%
Locomotives (owned and long-term leased)	4,129	4,049	2
Freight Cars (owned and long-term leased)	90,027	93,351	(4)%

Key Performance Measures Definitions

FRA Personal Injuries Frequency Index – Number of FRA-reportable injuries per 200,000 man-hours.

FRA Train Accident Rate – Number of FRA-reportable train accidents per million train-miles.

On-Time Train Originations – Percent of scheduled road trains that depart the origin yard on-time or ahead of schedule.

On-Time Destination Arrivals – Percent of scheduled road trains that arrive at the destination yard on-time to two hours late (30 minutes for intermodal trains).

Dwell – Amount of time in hours between car arrival at and departure from the yard. It does not include cars moving through the yard on the same train.

Cars-On-Line – A count of all cars on the network (does not include locomotives, cabooses, trailers, containers or maintenance equipment).

System Train Velocity – Average train speed between terminals in miles per hour (does not include locals, yard jobs, work trains or passenger trains).

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CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL RESULTS OF OPERATIONS

Results of Operations (Unaudited)
(Dollars in Millions)

First Quarters

	Rail (a)		Intermodal		CSX Consolidated			
	2009	2008	2009	2008	2009	2008	$ Change	%Change
Revenue	$1,977	$2,365	$270	$348	$2,247	$2,713	$(466)	(17)%
Expense								
Labor and Fringe	644	726	18	19	662	745	83	11
Materials, Supplies and Other	432	456	45	49	477	505	28	6
Fuel	190	439	1	2	191	441	250	57
Depreciation	218	217	6	5	224	222	(2)	(1)
Equipment and Other Rents	88	84	25	27	113	111	(2)	(2)
Inland Transportation	(93)	(122)	151	185	58	63	5	8
Total Expense	1,479	1,800	246	287	1,725	2,087	362	17
Operating Income	$498	$565	$24	$61	$522	$626	$(104)	(17)
Operating Ratio	74.8%	76.1%	91.1%	82.5%	76.8%	76.9%		

(a) In addition to CSXT, the Rail segment includes non-railroad subsidiaries such as Total Distribution Services, Inc., Transflo Terminal Services, Inc., CSX Technology and other subsidiaries.

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CSX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Volume and Revenue (Unaudited)

Volume (Thousands of units); Revenue (Dollars in millions); Revenue Per Unit (Dollars)

First Quarters

	Volume			Revenue			Revenue Per Unit		
	2009	2008	% Change	2009	2008	% Change	2009	2008	% Change
Chemicals	105	129	(19) %	$308	$362	(15) %	$2,933	$2,806	5 %
Emerging Markets	91	115	(21)	134	161	(17)	1,473	1,400	5
Forest Products	65	87	(25)	140	192	(27)	2,154	2,207	(2)
Agricultural Products	109	109	-	249	235	6	2,284	2,156	6
Metals	48	92	(48)	97	197	(51)	2,021	2,141	(6)
Phosphates and Fertilizers	60	91	(34)	87	130	(33)	1,450	1,429	1
Food and Consumer	25	27	(7)	60	65	(8)	2,400	2,407	-
Total Merchandise	503	650	(23)	1,075	1,342	(20)	2,137	2,065	3
Coal	415	440	(6)	713	720	(1)	1,718	1,636	5
Coke and Iron Ore	16	23	(30)	31	42	(26)	1,938	1,826	6
Total Coal	431	463	(7)	744	762	(2)	1,726	1,646	5
Automotive	45	96	(53)	95	202	(53)	2,111	2,104	-
Other	-	-	-	63	59	7	-	-	-
Total Rail	979	1,209	(19)	1,977	2,365	(16)	2,019	1,956	3
International	186	253	(26)	83	123	(33)	446	486	(8)
Domestic	254	255	-	184	218	(16)	724	855	(15)
Other	-	-	-	3	7	(57)	-	-	-
Total Intermodal	440	508	(13)	270	348	(22)	614	685	(10)
Total	1,419	1,717	(17) %	$2,247	$2,713	(17) %	$1,584	$1,580	- %

Certain data within the Merchandise categories have been reclassified to conform to the current year's presentation.

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CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

First Quarter Results of Operations

CSX experienced significant year-over-year volume and revenue losses caused by the broad-based weakness in the economy. The greatest impact from the economic conditions was in construction and consumer related markets. Despite the challenging environment, the Company's ongoing yield management initiatives offset lower fuel recovery associated with the sharp decline in fuel prices.

Rail Revenue

Merchandise

Chemicals – Continued weakness in the housing, automotive and consumer goods markets has significantly reduced demand for chemical products related to those markets.

Emerging Markets – Aggregates (which include crushed stone, sand and gravel) volume declined due to continued softness in residential construction.

Forest Products – A weak housing market has driven the continued decline of lumber and building products. Paper volume continued to be soft due to electronic media substitution and less packaging being used as a result of slower consumer spending.

Agricultural Products – Volume was flat as increased shipments of ethanol and corn were offset by declines in wheat, soybeans and exports. Strength in corn and ethanol shipments positively impacted revenue and revenue per unit.

Metals – Volume declines were driven by weak global and domestic steel demand in the automotive and construction industries. This weak demand, combined with the credit crisis, caused steel producers to take capacity out of the market in an attempt to balance supply with demand.

Phosphates and Fertilizers – Phosphate production was down due to weak international and domestic demand. Additionally, farmers are cutting back on levels of phosphate and potash application in reaction to lower commodity prices.

Food and Consumer –Weakness in residential construction caused reduced shipments of appliances and other consumer goods.

Coal

Volume declines were driven by a weaker export market and lower demand from electric utilities. The demand for electrical generation from coal was down because of low natural gas prices and lower industrial production.

Automotive

Revenue and volume were down due to declining new car sales resulting from the weak economic environment and low consumer confidence.

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CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Rail Expense

Expenses decreased $321 million from last year's quarter. Significant variances are described below.

Labor and Fringe expense decreased $82 million. This decrease was primarily driven by labor productivity initiatives, such as employee furloughs and reduced crew overtime, and lower incentive compensation. These decreases were partially offset by inflation and other items.

Materials, Supplies and Other expense decreased $24 million. This decrease was primarily due to lower volume, decreased cost of risks, lower bad debt expense related to improved collectability of receivables and other items. These decreases were partially offset by increased inflation.

Fuel expense decreased $249 million due to lower fuel prices and lower volume.

Equipment and Other Rents expense increased by $4 million. Lower volume resulted in lower car hire expense, but was offset by lower car productivity and higher settlement estimates with other railroads.

Intermodal Revenue

International – Volume was down significantly on continued import declines and slowing exports due to the global economic recession. Revenue-per-unit was lower on decreased fuel recovery, partially offset by long-term contract price increases.

Domestic – Volume was flat as continued growth in new truckload conversion and short-haul services help offset the decline in other segments of the domestic market. Revenue-per-unit was lower on decreased fuel recovery and a competitive trucking pricing environment.

Intermodal Expense

Intermodal operating expense decreased due to lower inland transportation expense as a result of lower volume and lower fuel expense during the first quarter of 2009.

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CSX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Results of Operations

Other Income

Other income decreased $64 million to a net expense of $9 million in first quarter 2009. Last year's quarter was impacted by higher income from real estate sales and a $30 million non-cash adjustment to correct equity earnings from a non-consolidated subsidiary. These items were not repeated in 2009.

Interest Expense

Interest expense increased $22 million to $141 million primarily due to higher debt balances in first quarter 2009.

Income Tax Expense

Income tax expense decreased $85 million to $126 million primarily due to lower earnings in first quarter 2009 and $13 million of certain favorable tax adjustments.

Net Earnings

Net Earnings decreased $105 million to $246 million and earnings per diluted share decreased $.23 to $.62 in first quarter 2009 as a result of lower earnings.

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CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Material Changes in Consolidated Balance Sheets and Significant Cash Flows

The following are material changes in the consolidated balance sheets and sources of liquidity and capital, which provide an update to the discussion included in CSX's most recent Annual Report on Form 10-K.

Long-term debt increased $483 million driven by a $500 million debt issuance during first quarter 2009. This increase was partially offset by a $21 million reclassification to current maturities of long-term debt. For additional information, see Note 7, Debt and Credit Agreements of this Quarterly Report on Form 10-Q.

Cash provided by operating activities decreased to $449 million due in part to lower pre-tax earnings. Also contributing to this decrease were higher incentive compensation payouts compared to last year. Additionally, cash from investing activities decreased due to a reduction in the purchases and sales of short-term investments partially offset by lower property additions. Furthermore, cash provided by financing activities decreased $447 million as the Company issued less debt, had no share repurchases and paid for seller financed assets that were delivered in the prior year.

For 2009, CSX plans to spend $1.6 billion of capital. CSX is continually evaluating market and regulatory conditions that could affect the Company's ability to generate sufficient returns on capital investments. CSX may revise this estimate as a result of changes in business conditions, tax legislation or the enactment of new laws or regulations.

Liquidity and Working Capital

The Company ended the quarter with over $1.1 billion of cash, cash equivalents and short-term investments. CSX also has available a $1.25 billion credit facility with a diverse syndicate of banks that was not drawn on.

Working capital can also be considered a measure of a company's ability to meet its short-term needs. CSX had a working capital surplus of $530 million at March 2009 and a working capital deficit of $13 million at December 2008. The favorable change is due to increased cash balances as a result of new debt issued during the quarter.

The Company's working capital balance varies due to factors such as the timing of scheduled debt payments and changes in cash and cash equivalent balances as discussed above. As a result, the working capital balance could return to a deficit in future periods. A working capital deficit is not unusual for CSX or other companies in the industry and does not indicate a lack of liquidity. The Company continues to maintain adequate current assets to satisfy current liabilities and maturing obligations when they come due. Furthermore, CSX has sufficient financial capacity, including the credit facility and shelf registration statement, to manage its day-to-day cash requirements and any anticipated obligations. The Company maintains access to the credit markets for additional liquidity as needed. Due to the current economic and credit market environment, CSX as well as other investment grade debt issuers may be unable to access capital due to lack of market demand or may experience higher interest costs.

CSX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates in reporting the amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and certain revenues and expenses during the reporting period. Actual results may differ from those estimates. These estimates and assumptions are discussed with the Audit Committee of the Board of Directors on a regular basis. Consistent with the prior year, significant estimates using management judgment are made for the following areas:

- casualty, environmental and legal reserves;
- pension and post-retirement medical plan accounting;
- depreciation policies for assets under the group-life method; and
- income taxes.

For further discussion of the Company's critical accounting estimates, see the Company's most recent Annual Report on Form 10-K.

CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Certain statements in this report and in other materials filed with the SEC, as well as information included in oral statements or other written statements made by the Company, are forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, among others, statements regarding:

- expectations as to results of operations and operational initiatives;
- expectations as to the effect of claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements on the Company's financial condition, results of operations or liquidity;
- management's plans, goals, strategies and objectives for future operations and other similar expressions concerning matters that are not historical facts, and management's expectations as to future performance and operations and the time by which objectives will be achieved; and
- future economic, industry or market conditions or performance and their effect on the Company's financial condition, results of operations or liquidity.

Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "project," "estimate," "preliminary" and similar expressions. The Company cautions against placing undue reliance on forward-looking statements, which reflect its good faith beliefs with respect to future events and are based on information currently available to it as of the date the forward-looking statement is made. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the timing when, or by which, such performance or results will be achieved.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements are subject to a number of risks and uncertainties and actual performance or results could differ materially from those anticipated by these forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement. If the Company does update any forward-looking statement, no inference should be drawn that the Company will make additional updates with respect to that statement or any other forward-looking statements. The following important factors, in addition to those discussed in Part II, Item 1A (Risk Factors) of this quarterly report on Form 10-Q, and elsewhere in this report, may cause actual results to differ materially from those contemplated by these forward-looking statements:

- legislative, regulatory or legal developments involving transportation, including rail or intermodal transportation, the environment, hazardous materials, taxation, including the outcome of tax claims and litigation, the potential enactment of initiatives to re-regulate the rail industry and the ultimate outcome of shipper and rate claims subject to adjudication;
- the outcome of litigation and claims, including, but not limited to, those related to fuel surcharge, environmental contamination, personal injuries and occupational illnesses;
- material changes in domestic or international economic or business conditions, including those affecting the transportation industry such as access to capital markets, ability to revise debt arrangements as contemplated, customer demand, customer acceptance of price increases, effects of adverse economic conditions affecting shippers and adverse economic conditions in the industries and geographic areas that consume and produce freight;
- worsening conditions in the financial markets that may affect timely access to capital markets, as well as the cost of capital;
- availability of insurance coverage at commercially reasonable rates or insufficient insurance coverage to cover claims or damages;
- changes in fuel prices, surcharges for fuel and the availability of fuel;
- the impact of increased passenger activities in capacity-constrained areas or regulatory changes affecting when CSXT can transport freight or service routes;
- natural events such as severe weather conditions, including floods, fire, hurricanes and earthquakes, a pandemic crisis affecting the health of the Company's employees, its shippers or the consumers of goods, or other unforeseen disruptions of the Company's operations, systems, property or equipment;
- noncompliance with applicable laws or regulations;

- the inherent risks associated with safety and security, including the availability and vulnerability of information technology, adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;
- labor costs and labor difficulties, including stoppages affecting either the Company's operations or the customers' ability to deliver goods to the Company for shipment;
- competition from other modes of freight transportation, such as trucking, and competition and consolidation within the transportation industry generally;
- the Company's success in implementing its strategic plans and operational objectives and improving operating efficiency; and
- changes in operating conditions and costs or commodity concentrations.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified elsewhere in this report and in CSX's other SEC reports, accessible on the SEC's website at www.sec.gov and the Company's website at www.csx.com.

CSX CORPORATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided under “Quantitative and Qualitative Disclosures about Market Risk” in Item 7A of CSX’s most recent Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

As of March 27, 2009, under the supervision and with the participation of CSX’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), management has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that, as of first quarter 2009, the Company’s disclosure controls and procedures were effective at the reasonable assurance level in timely alerting them to material information required to be included in CSX’s periodic SEC reports. There were no changes in the Company’s internal controls over financial reporting during first quarter 2009 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information relating to the Company’s legal proceedings, see Note 5, Commitments and Contingencies under Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company’s results of operations, financial condition and liquidity, see the risk factors discussed under “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of CSX’s most recent Annual Report on Form 10-K. See also “Forward-Looking Statements” included in Item 2 of this Quarterly Report on Form 10-Q. There have been no material changes from the risk factors previously disclosed in CSX’s most recent Annual Report on Form 10-K.

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ITEM 2. CSX Purchases of Equity Securities

CSX is required to disclose any purchases of its own common stock for the most recent quarter. CSX purchases its own shares for two primary reasons: to further its goals under its share repurchase program and to fund the Company's contribution required to be paid in CSX common stock under a 401(k) plan that covers certain union employees.

Since March 2008, CSX has completed $1.25 billion in share repurchases and has remaining authority of $1.75 billion. The Company did not repurchase any shares during the first quarter 2009. Any future repurchases will be dependent upon an improvement in capital market and business conditions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

Exhibits

31* Rule 13a-14(a) Certifications

32* Section 1350 Certifications

101* The following financial information from CSX Corporation's Quarterly Report on Form 10-Q for the quarter ended March 27, 2009 filed with the SEC on April 15, 2009, formatted in XBRL includes: (i) Consolidated Income Statements for the fiscal periods ended March 27, 2009 and March 28, 2008, (ii) Consolidated Balance Sheets at March 27, 2009 and December 26, 2008, (iii) Consolidated Cash Flow Statements for the fiscal periods ended March 27, 2009 and March 28, 2008, and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith

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CSX CORPORATION

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.
CSX CORPORATION
(Registrant)

By: /s/ CAROLYN T. SIZEMORE
Carolyn T. Sizemore
Vice President and Controller
(Principal Accounting Officer)
Dated: April 14, 2009

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