

## INDEX TO WNS (HOLDINGS) LIMITED'S CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Financial Statements

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders' of  
WNS (Holdings) Limited

We have audited the accompanying consolidated balance sheets of WNS (Holdings) Limited as of March 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WNS (Holdings) Limited at March 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2006, in conformity with United States generally accepted accounting principles.

ERNST & YOUNG

Mumbai, India  
May 24, 2006

**WNS (HOLDINGS) LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share data)

	March 31,	
	2006	2005
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 18,549	\$ 9,099
Accounts receivable, net of allowance of \$373 and \$284, respectively .....	25,976	22,702
Accounts receivable — related parties .....	2,105	2,533
Funds held for clients .....	3,047	4,222
Employee receivables .....	922	779
Prepaid expenses .....	1,225	1,317
Prepaid income taxes .....	2,488	2,374
Deferred tax assets .....	353	432
Other current assets .....	2,730	536
Total current assets .....	57,395	43,994
Goodwill .....	33,774	26,550
Intangible assets, net .....	8,713	151
Property and equipment, net .....	30,623	24,670
Deposits .....	2,990	1,892
Deferred tax assets .....	1,308	722
<b>TOTAL ASSETS</b> .....	<b>\$134,803</b>	<b>\$ 97,979</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable .....	\$ 22,238	\$ 22,392
Accounts payable — related parties .....	836	574
Note payable .....	—	10,000
Accrued employee costs .....	11,336	3,707
Deferred revenue .....	8,994	11,478
Income taxes payable .....	726	301
Obligation under capital leases — current .....	184	315
Deferred tax liabilities .....	368	317
Other current liabilities .....	8,781	5,744
Total current liabilities .....	53,463	54,828
Obligation under capital leases — non current .....	2	200
Deferred rent .....	824	—
Deferred tax liabilities — non current .....	2,350	—
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, \$0.15 (10 pence) par value Authorized: 40,000,000 shares, Issued and outstanding: 35,321,511 and 31,194,553 shares, respectively .....	5,290	4,585
Additional paid-in-capital .....	62,228	43,522
Ordinary shares subscribed: 4,346 and 82,333 shares, respectively .....	10	157
Retained earnings (accumulated deficit) .....	4,104	(14,225)
Deferred share-based compensation .....	(582)	(288)
Accumulated other comprehensive income .....	7,114	9,200
Total shareholders' equity .....	78,164	42,951
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>\$134,803</b>	<b>\$ 97,979</b>

*See accompanying notes.*

**WNS (HOLDINGS) LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except share and per share data)

	Year ended March 31,		
	2006	2005	2004
Revenue			
Third parties .....	\$186,500	\$144,666	\$ 86,805
Related parties .....	<u>16,309</u>	<u>17,507</u>	<u>17,253</u>
	202,809	162,173	104,058
Cost of revenue (a)(b) .....	<u>145,730</u>	<u>140,254</u>	<u>89,659</u>
Gross profit .....	57,079	21,919	14,399
Operating expenses			
Selling, general and administrative expenses (a)(b) .....	36,347	24,887	18,825
Amortization of intangible assets .....	<u>856</u>	<u>1,416</u>	<u>2,600</u>
Operating income (loss) .....	19,876	(4,384)	(7,026)
Other income, net (a) .....	456	172	324
Interest expense .....	<u>(429)</u>	<u>(496)</u>	<u>(59)</u>
Income (loss) before income taxes .....	19,903	(4,708)	(6,761)
(Provision) benefit for income taxes .....	<u>(1,574)</u>	<u>(1,068)</u>	<u>41</u>
Net income (loss) .....	<u>\$ 18,329</u>	<u>\$ (5,776)</u>	<u>\$ (6,720)</u>
Basic income (loss) per share .....	\$ 0.56	\$ (0.19)	\$ (0.22)
Diluted income (loss) per share .....	0.52	(0.19)	(0.22)
(a) Includes the following related party amounts:			
Cost of revenue .....	\$ 1,250	\$ 1,756	\$ 1,279
Selling, general and administrative expenses .....	481	402	291
Other income .....	250	—	—
(b) Includes the following share-based compensation amounts:			
Cost of revenue .....	\$ 127	\$ 35	\$ 34
Selling, general and administrative expenses .....	1,795	204	171

*See accompanying notes.*

**WNS (HOLDINGS) LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**YEARS ENDED MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands except share data)**

	Ordinary shares		Additional paid-in-capital	Ordinary shares subscribed	Retained earnings (accumulated deficit)	Deferred share-based compensation	Accumulated other comprehensive income	Total shareholders' equity
	Number	Par value						
Balance at April 1, 2003	30,795,888	\$4,510	\$42,447	\$ —	\$ (1,729)	\$(290)	\$ 2,481	\$47,419
Stock options exercised	—	—	—	233	—	—	—	233
Stock options forfeited	—	—	(14)	—	—	14	—	—
Amortization of deferred share-based compensation	—	—	—	—	—	188	—	188
Comprehensive loss:								
Net loss	—	—	—	—	(6,720)	—	—	(6,720)
Foreign currency translation	—	—	—	—	—	—	5,540	5,540
Comprehensive loss								(1,180)
Balance at March 31, 2004	30,795,888	4,510	42,433	233	(8,449)	(88)	8,021	46,660
Shares issued for exercised options	398,665	75	667	(233)	—	—	—	509
Stock options exercised	—	—	—	157	—	—	—	157
Stock options forfeited	—	—	(7)	—	—	7	—	—
Deferred share-based compensation	—	—	429	—	—	(429)	—	—
Amortization of deferred share-based compensation	—	—	—	—	—	222	—	222
Comprehensive loss:								
Net loss	—	—	—	—	(5,776)	—	—	(5,776)
Foreign currency translation	—	—	—	—	—	—	1,179	1,179
Comprehensive loss								(4,597)
Balance at March 31, 2005	31,194,553	4,585	43,522	157	(14,225)	(288)	9,200	42,951
Shares issued for exercised options	1,710,936	286	2,901	(157)	—	—	—	3,030
Shares issued to a Director	150,000	26	876	—	—	—	—	902
Shares issued for acquisition of Trinity Partners Inc.	2,266,022	393	13,354	—	—	(635)	—	13,112
Stock options exercised	—	—	—	10	—	—	—	10
Stock options forfeited	—	—	(51)	—	—	51	—	—
Deferred share-based compensation	—	—	166	—	—	(166)	—	—
Purchase of immature shares and modification of options	—	—	1,460	—	—	—	—	1,460
Amortization of deferred share-based compensation	—	—	—	—	—	456	—	456
Comprehensive income:								
Net income	—	—	—	—	18,329	—	—	18,329
Foreign currency translation	—	—	—	—	—	—	(2,086)	(2,086)
Comprehensive income								16,243
Balance at March 31, 2006	35,321,511	\$5,290	\$62,228	\$ 10	\$ 4,104	\$(582)	\$ 7,114	\$78,164

*See accompanying notes.*

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

	Year ended March 31,		
	2006	2005	2004
Cash flows from operating activities			
Net income (loss) .....	\$ 18,329	\$ (5,776)	\$(6,720)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization .....	11,308	9,857	7,949
Share-based compensation .....	1,922	239	205
Amortization of deferred financing cost .....	125	15	—
Allowance for doubtful accounts .....	101	69	(104)
Gain on sale of property and equipment .....	(32)	—	(76)
Deferred income taxes .....	(1,028)	(71)	(324)
Changes in operating assets and liabilities, net of effect of acquisition:			
Accounts receivable .....	(2,976)	(8,687)	(4,859)
Other current assets .....	628	(503)	(2,813)
Deposits .....	(1,067)	(779)	(569)
Accounts payable .....	(290)	(1,990)	12,221
Deferred revenue .....	(2,193)	5,887	5,012
Other current liabilities .....	10,019	3,560	1,675
Net cash provided by operating activities .....	34,846	1,821	11,597
Cash flows from investing activities			
Acquisition, net of cash acquired .....	(3,862)	—	(778)
Purchase of property and equipment (See Note 12) .....	(14,893)	(18,267)	(8,735)
Proceeds from sale of property and equipment .....	77	—	88
Net cash used in investing activities .....	(18,678)	(18,267)	(9,425)
Cash flows from financing activities			
Ordinary shares issued and subscribed .....	3,942	666	233
Principal payments under capital leases .....	(299)	(372)	(296)
Proceeds from note payable, net of financing cost .....	—	9,860	—
Repayment of note payable .....	(10,000)	—	—
Net cash (used in) provided by financing activities .....	(6,357)	10,154	(63)
Effect of exchange rate changes on cash and cash equivalents .....	(361)	566	651
Net change in cash and cash equivalents .....	9,450	(5,726)	2,760
Cash and cash equivalents at beginning of year .....	9,099	14,825	12,065
Cash and cash equivalents at end of year .....	\$ 18,549	\$ 9,099	\$14,825
Supplemental disclosure of cash flow information:			
Cash paid for interest .....	\$ 440	\$ 424	\$ 4
Cash paid (refund) for income taxes .....	2,288	(749)	988
Assets acquired under capital leases .....	—	115	598
Shares issued for the acquisition of Trinity Partners Inc. ....	13,747	—	—

*See accompanying notes.*

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

WNS (Holdings) Limited (“WNS Holdings”) along with its wholly-owned subsidiaries, is a global Business Process Outsourcing (“BPO”) company with client service offices in New York (US), London (UK) and delivery centers in Ipswich (UK), Tucson (US), India and Sri Lanka. The Company’s clients are primarily in the travel, banking, financial services and insurance industries. WNS Holdings is incorporated in Jersey, Channel Islands and is controlled by the Warburg Pincus Group.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of preparation*

The accompanying consolidated financial statements include the accounts of WNS Holdings and its wholly-owned subsidiaries (the “Company”) and are prepared in accordance with United States generally accepted accounting principles (“US GAAP”). All significant inter-company balances and transactions have been eliminated upon consolidation. An acquired business is included in the Company’s Consolidated Statement of Operations with effect from the date of the acquisition.

The Company uses the United States Dollar (“\$”) as its reporting currency.

*Use of estimates*

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Foreign currency translation*

The Company’s foreign operations use their respective local currency as their functional currency. Accordingly, assets and liabilities of foreign subsidiaries are translated into \$ at exchange rates in effect at the balance sheet date, while revenue and expenses are translated at average exchange rates prevailing during the year. Translation adjustments are reported as a component of accumulated other comprehensive income (loss) in shareholders’ equity.

Foreign currency denominated assets and liabilities are translated into the functional currency at exchange rates in effect at balance sheet date. Foreign currency transaction gains and losses are recorded in the Consolidated Statement of Operations within other income.

*Revenue recognition*

Business Process Outsourcing services comprise back office administration, data management, contact center management and auto claims handling services provided by subsidiaries in India, Sri Lanka, United States and the United Kingdom. Depending on the terms of the arrangement, revenue from back office administration, data management and contact center management is recognized on a per employee, per transaction or cost-plus basis. Revenue is only recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectibility is reasonably assured. Amounts billed or payments received, where all the conditions for revenue recognition have not been met, are recorded as deferred revenue and are recognized as revenue when all recognition criteria have been met. However, the costs related to the performance of such work are recognized in the period the services are rendered.

The Company has certain minimum commitment arrangements, that provide for a minimum revenue commitment on an annual basis or a cumulative basis over multiple years, stated in terms of annual minimum

**WNS (HOLDINGS) LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2006, 2005 AND 2004**

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

amounts. Where a minimum commitment is specific to an annual period, any revenue shortfall is invoiced and recognized at the end of this period. When the shortfall in a particular year can be offset with revenues received in excess of minimum commitments in a subsequent year, the Company recognizes deferred revenue for the shortfall which has been invoiced and received. To the extent the Company has sufficient experience to conclude that the shortfall will not be satisfied by excess revenues in a subsequent period, the deferred revenue will be recorded as revenue in that period. In order to determine whether the Company has sufficient experience, the Company considers several factors which include (i) the historical volume of business done with a client as compared with initial projections of volume as agreed to by the client and the Company, (ii) the length of time for which the Company has such historical experience, (iii) future volume expected based on projections received from the client, and (iv) the Company's internal expectations of ongoing volume with the client. Otherwise the deferred revenue will remain until such time when the Company can conclude that it will not receive revenues in excess of the minimum commitment.

Revenue includes reimbursements of out-of-pocket expenses, with the corresponding out of pocket expenses included in cost of revenue.

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

In order to provide Accident Management services, the Company arranges for the repair through a network of repair centers. The repair costs are invoiced to customers. In determining whether the receipt from the customers related to payments to repair centers should be recognized as revenue, the Company considers the criteria established by EITF No 99-19, "*Reporting Revenue Gross as a Principal versus Net as an Agent*". When the Company determines that it is the principal in providing Accident Management services, amounts received from customers are recognized and presented as third party revenue and the payments to repair centers are recognized as cost of revenue in the Consolidated Statement of Operations. Factors considered in determining whether the Company is the principal in the transaction include whether (i) the Company is the primary obligor, (ii) the Company negotiates labor rates with repair centers, (iii) the Company determines which repair center should be used, (iv) the Company is responsible for timely and satisfactory completion of repairs, and (v) the Company bears the risk that the customer may not pay for the services provided (credit risk). If there are circumstances where the above criteria are not met and therefore the Company is not the principal in providing Accident Management services, amounts received from customers would be presented net of payments to repair centers in the Consolidated Statement of Operations. Third party revenue also includes referral fees from repair centers.

*Cost of revenue*

Cost of revenue includes payments to repair centers, salaries and related expenses, facilities costs including depreciation and amortization on leasehold improvements, communication expenses and out-of-pocket expenses.

Cost of revenue during a transfer period which includes process set up, training, systems transfer and other personnel costs are recognized as incurred.



**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

In January 2004, WNS entered into a seven-year contract with a new customer to outsource their back-office and contact center operations. The contract contemplated a transfer period of approximately one year during which the customer's resources were available to WNS. The cost of such customer's resources during the transfer period, aggregating to \$19,159 and \$7,714 during the years ended March 31, 2005 and 2004, respectively, is included in cost of revenue.

*Cash and cash equivalents*

The Company considers all highly liquid investments with an initial maturity of up to three months to be cash equivalents.

*Funds held for clients*

Some of the Company's agreements allow the Company to temporarily hold funds on behalf of the client. The funds are segregated from the Company's funds and there is usually a short period of time between when the Company receives these funds from an insurance company and when the clients are paid.

*Accounts receivable*

Accounts receivable represent trade receivables, net of an allowance for doubtful accounts. The allowance for doubtful accounts represents the Company's best estimate of receivables that are doubtful of recovery, based on a specific identification basis.

The changes in the allowance for doubtful accounts for the years ended March 31, 2006, 2005 and 2004 were as follows:

	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Balance at the beginning of the year . . . . .	\$284	\$210	\$277
Charged to operations . . . . .	134	217	123
Write-off, net of collections . . . . .	(20)	(83)	(227)
Reversal . . . . .	(13)	(65)	—
Translation adjustment . . . . .	<u>(12)</u>	<u>5</u>	<u>37</u>
Balance at the end of the year . . . . .	<u>\$373</u>	<u>\$284</u>	<u>\$210</u>

*Deferred offering costs*

Deferred offering costs related to a proposed initial public offering of the Company's ordinary shares amounted to \$1,730 through the balance sheet date and is included in other current assets. Accrued offering costs of an equivalent amount is included in other current liabilities.

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

***Property and equipment***

Property and equipment, which include amounts recorded under capital leases, are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Asset description</u>	<u>Asset life (in years)</u>
Computers and software .....	3
Furniture, fixtures and office equipment .....	4-5
Vehicles .....	3
Leasehold improvements .....	Lesser of estimated useful life or lease term

Advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date are disclosed under the caption capital work-in-progress in Note 4.

Property and equipment are reviewed for impairment if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the property and equipment to the estimated future undiscounted net cash flows expected to be generated by the property and equipment. If estimated future undiscounted cash flows are less than the carrying amount of the property and equipment, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the property and equipment to its carrying value, with any shortfall from fair value recognized as an expense in the current period.

***Goodwill and intangible assets***

Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities for that reporting unit. The fair values used in this evaluation are estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible assets. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. Amortization of the Company's definite lived intangible assets is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Asset description</u>	<u>Asset life (in months)</u>
Customer related intangibles .....	24-60
Know-how .....	24
Covenant not-to-compete .....	24

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

*Income taxes*

The Company applies the asset and liability method of accounting for income taxes as described in Statement of Financial Accounting Standards (“SFAS”) No. 109, “*Accounting for Income Taxes*”. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recognized to reduce the deferred tax assets to an amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income.

The Company evaluates potential exposures related to tax contingencies or claims made by the tax authorities in various jurisdictions and determines if a reserve is required.

*Employee benefits*

*Defined contribution plans*

Eligible employees of the Company in India receive benefits from a Provident Fund, administered by the Government of India, which is a defined contribution plan. Both the employees and the Company make monthly contributions to the Provident Fund equal to a specified percentage of the eligible employees’ salary.

Eligible United States employees of the Company participate in a savings plan (“the Plan”) under Section 401(k) of the United States Internal Revenue Code (“the Code”). The Plan allows for employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contributions to the Plan. The Plan provides that the Company can make optional contributions up to the maximum allowable limit under the Code.

Eligible United Kingdom employees of the Company contribute to a defined contribution pension scheme operated in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension expense represents contributions payable to the fund by the Company.

The Company has no further obligation under defined contribution plans beyond the contributions made to the plan. Contributions are charged to income in the year in which they accrue and are included in the Consolidated Statement of Operations.

*Defined benefit plan*

Employees in India are entitled to benefits under the Payment of Gratuity Act 1972, a defined benefit retirement plan covering eligible employees of the Company. The plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or on termination of employment, of an amount based on the respective employee’s salary and tenure of employment subject to a maximum of approximately \$8 per employee.

The Company makes contributions to a fund administered and managed by the Life Insurance Corporation of India (“LIC”) to fund the gratuity liability of an Indian subsidiary while the other Indian subsidiaries have unfunded gratuity obligations. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme. The gratuity liability and net periodic gratuity cost has been actuarially determined after considering discount rates, expected long term return on plan assets and increases in

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

compensation levels. Differences between the amount paid to LIC and the net periodic gratuity cost is recorded as a prepaid (accrued) pension cost.

*Advertising costs*

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising costs for the years ended March 31, 2006, 2005 and 2004 were \$1,013, \$544 and \$252, respectively.

*Earnings per share*

Basic income (loss) per share is computed using the weighted-average number of ordinary shares outstanding during the year. Diluted income (loss) per share is computed by considering the impact of the potential issuance of ordinary shares, using the treasury stock method, on the weighted average number of shares outstanding. As the Company was in a loss position for the years ended March 31, 2005 and 2004, the potential ordinary shares were excluded from the calculation of diluted income (loss) per share as the shares would have had an anti-dilutive effect.

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

	Year ended March 31,		
	2006	2005	2004
Numerator:			
Net income (loss) .....	\$ 18,329	\$ (5,776)	\$ (6,720)
Denominator:			
Basic weighted average ordinary shares outstanding .....	32,874,299	30,969,658	30,795,888
Dilutive impact of stock options.....	2,155,467	—	—
Diluted weighted average ordinary shares outstanding .....	<u>35,029,766</u>	<u>30,969,658</u>	<u>30,795,888</u>

*Share-based compensation*

The Company uses 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 including Financial Accounting Standards Board (“FASB”) Interpretation 44, “*Accounting for Certain Transactions involving Stock Compensation*”, an interpretation of APB Opinion 25, to account for its employee share-based compensation plan. Under this method, compensation expense is recorded over the vesting period of the option, if the fair market value of the underlying stock exceeds the exercise price at the measurement date, which typically is the grant date.

The Company has provided pro forma disclosures as required by SFAS No. 123, “*Accounting for Stock-Based Compensation*” and SFAS 148, “*Accounting for Stock-Based Compensation — Transition and Disclosure.*” Had compensation cost been determined in a manner consistent with the fair value approach described in

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

SFAS No. 123, the Company's net income (loss) and net income (loss) per share as reported would have changed to amounts indicated below:

	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net income (loss) as reported .....	\$18,329	\$(5,776)	\$(6,720)
Add: Share-based employee compensation expense included in reported net income (loss), net of related tax effects .....	1,709	239	205
Less: Share-based employee compensation expense determined based on the fair value of the options, net of related tax effects .....	<u>(1,422)</u>	<u>(1,229)</u>	<u>(812)</u>
Pro forma net income (loss) .....	<u>\$18,616</u>	<u>\$(6,766)</u>	<u>\$(7,327)</u>
Basic income (loss) per share:			
As reported .....	\$ 0.56	\$ (0.19)	\$ (0.22)
Pro forma .....	0.57	(0.22)	(0.24)
Diluted income (loss) per share:			
As reported .....	\$ 0.52	\$ (0.19)	\$ (0.22)
Pro forma .....	0.53	(0.22)	(0.24)

The fair value of options was determined using the minimum value method with the following assumptions:

	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Risk free interest rate .....	7%	7%	7%
Dividend yield .....	—	—	—
Expected life in years .....	6	5	5

In December 2004, SFAS No. 123(R), "Share-Based Payment", was issued, which establishes standards of accounting for transactions in which an entity exchanges its equity instruments for goods or services. This standard will be adopted by the Company effective April 1, 2006. Under the transition provisions of this standard, non-public companies that used the minimum-value method for determining fair value of stock options would continue to account for non vested equity awards outstanding at the date of adoption of the standard under the intrinsic value method. All awards granted, modified or settled after the date of adoption should be accounted for under the provision of the new standard. Adoption of this standard may have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adoption of this standard cannot be predicted at this time as it will depend on levels of share-based payments made in the future.

***Fair value of financial instruments***

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, employee receivables, other current assets, accounts payable and other current liabilities approximate their fair value due to the short maturity of these items.

***Concentration of risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, funds held for clients and accounts receivable. The Company's cash and cash equivalents are invested with financial institutions and banks having high investment grade credit ratings.

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Accounts receivables are unsecured and are derived from revenue earned from customers in the travel, banking, financial services, insurance, and healthcare industries based primarily in the United States and the United Kingdom. The Company monitors the credit worthiness of its customers to whom it grants credit terms in the normal course of its business. Management believes 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 the Consolidated Financial Statements.

*Recently issued accounting standards*

In June 2005, the FASB issued SFAS No. 154, “*Accounting Changes and Error Corrections*,” (“SFAS 154”) which is a replacement of APB Opinion No. 20, Accounting Changes and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS 154 changes the accounting for and reporting of changes in accounting principles and error corrections by requiring retrospective application to prior period financial statements unless impracticable. This statement is effective in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS 154 to have a significant impact on its financial statements.

In February 2006, the FASB issued SFAS No. 155, “*Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140*,” (“SFAS No. 155”). SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends Statement No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after September 15, 2006. The Company has not completed its evaluation of the effect of SFAS No. 155.

**3. ACQUISITION OF TRINITY PARTNERS INC.**

On November 16, 2005, the Company acquired the entire share capital of Trinity Partners Inc. (“Trinity”) for a total consideration of \$19,777, including \$175 of transaction costs. The total purchase consideration comprised of a cash payment of \$6,814 and 2,107,901 shares of WNS (Holdings) Limited.

Trinity, together with its wholly owned subsidiary in India, provides business process outsourcing services and information technology-delivery solutions to customers in the financial services industry in the United States.

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The acquisition has been accounted as a purchase with effect from November 16, 2005 and the allocation of the total purchase price based on management's estimates, to the assets acquired and liabilities assumed, is as follows:

	<u>Amount</u>
Cash .....	\$ 2,952
Accounts receivable .....	1,494
Other assets .....	365
Property and equipment .....	1,285
Customer contracts .....	7,080
Customer relationships .....	2,340
Deferred tax asset .....	858
Goodwill .....	8,889
Current liabilities .....	(1,718)
Deferred tax liabilities .....	<u>(3,768)</u>
Total purchase price .....	<u>\$19,777</u>

The valuation of customer contracts and customer relationships was based on an income-based approach using projected cash flows and discounting them to arrive at a present value.

The acquired customer related intangibles are amortized over their useful life which has been estimated to be 5 years.

The Company granted 104,716 shares to certain selling shareholders in consideration for employment contracts. The fair value of such shares amounting to approximately \$635 is recorded as compensation and is being recognized as compensation expense over the period of the employment contract, which is one year. An additional 53,405 shares were issued to another selling shareholder who is a customer. The fair value of these shares amounting to \$324 is being amortized over the term of the customer contract (5 years) and accounted for as a reduction of revenue.

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Pro forma consolidated results of operations assuming the acquisition of Trinity at the beginning of the respective years are as follows:

	<u>Year ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Revenue		
As reported .....	\$202,809	\$162,173
Pro forma .....	210,356	167,684
Net income (loss)		
As reported .....	\$ 18,329	\$ (5,776)
Pro forma .....	17,168	(8,296)
Basic income (loss) per share		
As reported .....	\$ 0.56	\$ (0.19)
Pro forma .....	0.50	(0.25)
Diluted income (loss) per share		
As reported .....	\$ 0.52	\$ (0.19)
Pro forma .....	0.47	(0.25)

**4. PROPERTY AND EQUIPMENT**

The major classes of property and equipment are as follows:

	<u>March 31,</u>	
	<u>2006</u>	<u>2005</u>
Computers and software .....	\$ 27,021	\$ 23,295
Furniture, fixtures and office equipment .....	19,915	14,472
Vehicles .....	1,012	717
Leasehold improvements .....	9,857	8,564
Capital work-in-progress .....	<u>1,874</u>	<u>613</u>
	59,679	47,661
Accumulated depreciation and amortization .....	<u>(29,056)</u>	<u>(22,991)</u>
Property and equipment, net .....	<u>\$ 30,623</u>	<u>\$ 24,670</u>

Depreciation and amortization expense amounted to \$10,452, \$8,441 and \$5,349 for the years ended March 31, 2006, 2005 and 2004, respectively. Capital work-in-progress includes advances for property and equipment of \$600 and \$355 as at March 31, 2006 and 2005, respectively.

Computers on capital leases at March 31, 2006 and 2005 were \$1,329 and \$1,316, respectively. The related accumulated amortization at March 31, 2006 and 2005 was \$1,174 and \$497, respectively.



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**5. GOODWILL AND INTANGIBLES**

The components of intangible assets are as follows:

	March 31, 2006		
	Gross	Accumulated amortization	Net
Customer contracts . . . . .	\$12,945	\$6,396	\$6,549
Customer relationships . . . . .	2,340	176	2,164
Know-how . . . . .	310	310	—
Covenant not-to-compete . . . . .	100	100	—
	<u>\$15,695</u>	<u>\$6,982</u>	<u>\$8,713</u>
	March 31, 2005		
	Gross	Accumulated amortization	Net
Customer contracts . . . . .	\$6,181	\$6,116	\$ 65
Know-how . . . . .	315	249	66
Covenant not-to-compete . . . . .	100	80	20
	<u>\$6,596</u>	<u>\$6,445</u>	<u>\$151</u>

The estimated amortization expense based on current intangible balances for the next five fiscal years beginning April 1, 2006 is as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2007 . . . . .	\$1,884
2008 . . . . .	1,884
2009 . . . . .	1,884
2010 . . . . .	1,884
2011 . . . . .	1,177
	<u>\$8,713</u>

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The changes in the carrying value of goodwill by segment (refer to note 14) were as follows:

	<u>WNS Global BPO</u>	<u>WNS Auto Claims BPO</u>	<u>Total</u>
Balance at April 1, 2003 .....	\$ 3,604	\$18,774	\$22,378
Goodwill arising on acquisition .....	209	—	209
Foreign currency translation .....	<u>302</u>	<u>3,084</u>	<u>3,386</u>
Balance at March 31, 2004 .....	4,115	21,858	25,973
Foreign currency translation .....	<u>17</u>	<u>560</u>	<u>577</u>
Balance at March 31, 2005 .....	4,132	22,418	26,550
Goodwill arising on acquisition .....	8,889	—	8,889
Foreign currency translation .....	<u>(65)</u>	<u>(1,600)</u>	<u>(1,665)</u>
Balance at March 31, 2006 .....	<u>\$12,956</u>	<u>\$20,818</u>	<u>\$33,774</u>

**6. INCOME TAXES**

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

	<u>March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Current taxes</b>			
Domestic taxes .....	\$ —	\$ —	\$ —
Foreign taxes .....	<u>(2,602)</u>	<u>(1,139)</u>	<u>(283)</u>
	<u>(2,602)</u>	<u>(1,139)</u>	<u>(283)</u>
<b>Deferred taxes</b>			
Domestic taxes .....	—	—	—
Foreign taxes .....	<u>1,028</u>	<u>71</u>	<u>324</u>
	<u>1,028</u>	<u>71</u>	<u>324</u>
	<u>\$ (1,574)</u>	<u>\$ (1,068)</u>	<u>\$ 41</u>

Domestic taxes are nil as there are no statutory taxes applicable in Jersey, Channel Islands. Foreign taxes are based on enacted tax rates in each subsidiary's jurisdiction. Income (loss) before income taxes for the years ended March 31, 2006, 2005 and 2004, primarily arose in the following jurisdictions:

	<u>Year ended March 31,</u>		
<u>Jurisdiction</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
India .....	\$16,053	\$(7,416)	\$(6,632)
United States .....	(1,163)	420	289
United Kingdom .....	5,821	1,653	(546)
Other .....	<u>(808)</u>	<u>635</u>	<u>128</u>
Income (loss) before income taxes .....	<u>\$19,903</u>	<u>\$(4,708)</u>	<u>\$(6,761)</u>

The Company's Indian operations are eligible to claim income-tax exemption with respect to profits earned from export revenue from an operating unit registered under the Software Technology Parks of India

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("STPI"). The benefit is available from the date of commencement of operations to March 31, 2009, subject to a maximum of 10 years. The Company had eleven, nine and six such locations for the years ended March 31, 2006, 2005 and 2004, respectively. The benefits expire in stages from April 1, 2006 to March 31, 2009.

The additional income tax expense at the statutory rate in India and Sri Lanka, if the tax exemption was not available, would have been approximately \$4,998 and \$783 for the years ended March 31, 2006 and 2005 (March 31, 2004: Nil). The impact of such additional tax on basic and diluted income per share for the year ended March 31, 2006 would have been approximately \$0.15 and \$0.14, respectively (loss per share of \$(0.03) for the year ended March 31, 2005).

The following is a reconciliation of the Jersey statutory income tax rate with the effective tax rate:

	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Net income (loss) before taxes</b> .....	\$19,903	\$(4,708)	\$(6,761)
Enacted tax rates in Jersey .....	<u>0%</u>	<u>0%</u>	<u>0%</u>
Statutory income tax .....	—	—	—
(Provision) benefit due to:			
Foreign minimum alternative taxes and state taxes .....	—	(8)	(63)
Differential foreign tax rates .....	(1,454)	(1,036)	102
Other .....	<u>(120)</u>	<u>(24)</u>	<u>2</u>
(Provision) benefit for income taxes .....	<u><u>\$(1,574)</u></u>	<u><u>\$(1,068)</u></u>	<u><u>\$ 41</u></u>

The components of deferred tax assets and liabilities are as follows:

	<u>March 31,</u>	
	<u>2006</u>	<u>2005</u>
Deferred tax assets:		
Property and equipment .....	\$ 1,047	\$ 722
Net operating loss carry forward .....	1,418	555
Accruals deductible on actual payment .....	262	105
Share-based compensation .....	207	—
Other .....	<u>156</u>	<u>46</u>
Total deferred tax assets .....	3,090	1,428
Less: valuation allowances .....	<u>(246)</u>	<u>(265)</u>
Deferred tax assets, net of valuation allowances .....	<u>2,844</u>	<u>1,163</u>
Deferred tax liabilities:		
Property and equipment .....	(48)	(9)
Intangibles .....	(3,485)	—
Tax on undistributed profits of a subsidiary .....	<u>(368)</u>	<u>(317)</u>
Total deferred tax liabilities .....	<u>(3,901)</u>	<u>(326)</u>
Net deferred tax (liabilities) assets .....	<u><u>\$(1,057)</u></u>	<u><u>\$ 837</u></u>

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The classification of deferred tax assets (liabilities) is as follows:

	<u>March 31,</u>	
	<u>2006</u>	<u>2005</u>
Current		
Deferred tax assets .....	\$ 353	\$ 432
Deferred tax liabilities .....	<u>(368)</u>	<u>(317)</u>
Net current deferred tax (liabilities) assets .....	<u>(15)</u>	<u>115</u>
Non current		
Deferred tax assets .....	1,554	996
Less: valuation allowance .....	<u>(246)</u>	<u>(265)</u>
	1,308	731
Deferred tax liabilities .....	<u>(2,350)</u>	<u>(9)</u>
Net non current deferred tax (liabilities) assets .....	<u>\$(1,042)</u>	<u>\$ 722</u>

At March 31, 2006, the Company had net operating loss carryforwards aggregating to \$868 in the UK with no expiration date and \$2,759 in the US which expire between 2023-2026. The Company has recorded a valuation allowance related to losses incurred by an entity that currently does not have operations but could potentially have taxable income in the future.

At March 31, 2006 and 2005, the Company maintained a \$1.4 million tax reserve for tax contingencies related to tax return filings in various jurisdictions. Management reviews the adequacy of the tax reserve at each reporting period and makes adjustments when necessary based on current facts and circumstances.

Deferred income taxes on undistributed earnings of foreign subsidiaries, except for one subsidiary in India where management expects to distribute the accumulated earnings, have not been provided as such earnings are deemed to be permanently reinvested.

**7. DEFERRED REVENUE**

Deferred revenue comprises of:

	<u>March 31,</u>	
	<u>2006</u>	<u>2005</u>
Claims handling .....	\$1,025	\$ 2,693
Advance billings .....	6,989	6,026
Minimum commitment received .....	—	1,547
Other .....	<u>980</u>	<u>1,212</u>
	<u>\$8,994</u>	<u>\$11,478</u>

Other includes revenue deferred due to the absence of persuasive evidence of an arrangement.

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**8. RETIREMENT BENEFITS**

*Defined contribution plans*

During the years ended March 31, 2006, 2005 and 2004, the Company contributed the following amounts to defined contribution plans:

	Year ended March 31,		
	2006	2005	2004
Provident fund — India .....	\$1,839	\$ 968	\$ 716
Pension scheme — UK .....	404	445	261
401 (k) plan — US .....	<u>225</u>	<u>191</u>	<u>106</u>
	<u>\$2,468</u>	<u>\$1,604</u>	<u>\$1,083</u>

*Defined benefit plan — gratuity*

	Year ended March 31,		
	2006	2005	2004
<b>Change in projected benefit obligations</b>			
Obligation at beginning of the year .....	\$ 494	\$ 384	\$221
Translation adjustment .....	(9)	(9)	37
Service cost .....	205	143	91
Interest cost .....	35	24	17
Benefits paid .....	(65)	(47)	(48)
Business combination .....	26	—	—
Actuarial (gain) loss .....	<u>73</u>	<u>(1)</u>	<u>66</u>
Benefit obligation at end of the year .....	<u>\$ 759</u>	<u>\$ 494</u>	<u>\$384</u>
<b>Change in plan assets</b>			
Plan assets at beginning of the year .....	\$ 333	\$ 336	\$221
Translation adjustment .....	(6)	(10)	31
Actual return .....	35	(26)	(20)
Actual contributions .....	154	23	112
Actual benefits .....	(65)	(47)	(48)
Gain (loss) .....	<u>—</u>	<u>57</u>	<u>40</u>
Plan assets at end of the year .....	<u>\$ 451</u>	<u>\$ 333</u>	<u>\$336</u>
Funded status .....	\$(308)	\$(161)	\$(48)
Unrecognized net loss .....	<u>145</u>	<u>75</u>	<u>102</u>
Accrued liabilities .....	<u>\$(163)</u>	<u>\$ (86)</u>	<u>\$ 54</u>
Accumulated benefit obligation at end of the year .....	<u>\$ 528</u>	<u>\$ 346</u>	<u>\$262</u>

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	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Net periodic gratuity cost</b>			
Service cost.....	\$ 205	\$ 143	\$ 91
Interest cost .....	35	24	17
Expected return on plan asset .....	(27)	(26)	(20)
Amortization.....	<u>8</u>	<u>20</u>	<u>3</u>
Net periodic gratuity cost for the year .....	<u>\$ 221</u>	<u>\$ 161</u>	<u>\$ 91</u>

The assumptions used in accounting for the gratuity plan are set out as below:

	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Discount rate.....	8.0%	8.0%	7.0%
Rate of increase in compensation levels .....	9%-11% for 5 years and 7%-9% thereafter	9.0% for 5 years and 7.0% thereafter	9.0% for 5 years and 7.0% thereafter
Rate of return on plan assets .....	7.5%	7.0%	7.5%

The Company evaluates these assumptions annually based on its long-term plans of growth and industry standards. The discount rates are based on current market yields on government securities adjusted for a suitable risk premium. Plan assets are administered by the LIC and invested in lower risk assets, primarily debt securities.

The Company expects to contribute \$226 for the year ended March 31, 2007. The expected benefit payments from the fund as of March 31, 2006 are as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2007 .....	\$ 173
2008 .....	194
2009 .....	274
2010 .....	391
2011 .....	514
2012-2016 .....	1,466
	<u>\$3,012</u>

**9. NOTE PAYABLE**

The Company borrowed \$10,000 from a customer during the year ended March 31, 2005 at an interest rate of 5% per annum. The borrowing was repayable, in three equal annual installments beginning January 31, 2009 but could be prepaid, in whole or in part, at any time without any penalty or premium. Further, in the event of an initial public offering or other events as specified in the agreement, the proceeds from such event shall be applied towards the repayment of the note, in the manner stipulated in the agreement. During the year ended March 31, 2006, the Company prepaid the entire amount of \$10,000.

Legal expenses of \$140 related to the above note were recorded as deferred financing costs and was being amortized over the period of repayment using an effective interest rate method. However, upon the

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prepayment of the note, the remaining unamortized amount was expensed. Amortization expense for the years ended March 31, 2006 and 2005 was \$125 and \$15, respectively.

**10. SHAREHOLDERS' EQUITY**

WNS Holdings has one class of ordinary shares and the holder of each share is entitled to one vote per share. Ordinary shares subscribed relates to options exercised as of the year end but the corresponding shares were issued subsequent to year end.

**11. STOCK OPTIONS**

The Company issues stock options to eligible employees under the 2002 Stock Incentive Plan ("the Plan"). The options vest over a period of up to three years and have a ten-year life. The Company's stock option activity for the years ended March 31, 2006, 2005 and 2004 is presented below:

	Year ended March 31,					
	2006		2005		2004	
	Shares arising from options	Weighted-average exercise price	Shares arising from options	Weighted-average exercise price	Shares arising from options	Weighted-average exercise price
Outstanding at beginning of the year . . . . .	4,466,245	\$2.12	4,119,167	\$1.94	2,316,500	\$1.57
Granted . . . . .	1,481,479	7.83	889,744	2.76	1,868,000	2.40
Forfeited . . . . .	(298,384)	2.45	(144,001)	2.47	(65,333)	1.87
Exercise of options . .	<u>(1,710,936)</u>	<u>1.80</u>	<u>(398,665)</u>	<u>1.53</u>	—	—
Outstanding at end of the year . . . . .	<u>3,938,404</u>	<u>\$4.39</u>	<u>4,466,245</u>	<u>\$2.12</u>	<u>4,119,167</u>	<u>\$1.94</u>

Options outstanding at March 31, 2006 were as follows:

	Range of exercise prices	Shares	Weighted-average exercise price	Weighted-average remaining contractual life
Options outstanding . . . . .	\$ 1.53-\$2.23	140,670	\$ 2.22	7.54 years
	2.37-\$3.19	777,798	2.71	8.16 years
	5.65-\$6.31	1,043,079	6.17	9.42 years
	12.26-\$12.26	412,400	12.26	9.91 years
Options vested and exercisable . . . . .	1.53-\$2.23	906,292	1.82	6.76 years
	2.37-\$3.19	<u>658,165</u>	<u>2.60</u>	<u>7.91 years</u>
		<u>3,938,404</u>	<u>\$ 4.39</u>	<u>8.29 years</u>

Shares reserved at March 31, 2006 for the future issuance of options was 34,034. The weighted-average fair value of options granted during the years ended March 31, 2006, 2005 and 2004 was \$2.34, \$1.88 and \$1.13, respectively.

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During the year ended March 31, 2006, the Company issued stock options with exercise prices as follows:

<u>Grants made during the quarter ended</u>	<u>No. of options granted</u>	<u>Weighted average exercise price</u>	<u>Weighted average fair value per share</u>	<u>Weighted average intrinsic value per share</u>
June 30, 2005 .....	160,500	\$ 5.44	\$ 5.65	\$0.21
September 30, 2005 .....	828,100	6.27	6.27	—
December 31, 2005 .....	45,479	6.07	6.07	—
March 31, 2006 .....	447,400	11.72	11.99	0.27

The intrinsic value is being recognized as compensation expense over the vesting period of those options.

The fair value of the Company's ordinary shares was determined contemporaneously with the grants by management. The exercise prices of options are denominated in pound sterling and disclosed in US dollars.

During the year ended March 31, 2006, the Company recorded compensation expense of approximately \$972 related to the purchase of immature shares (shares held by employees for less than six months after exercise of stock options) by a principal shareholder and, approximately \$488 relating to modification of options.

**12. RELATED PARTY TRANSACTIONS**

<u>Name of the related party</u>	<u>Relationship</u>
Warburg Pincus .....	Principal shareholder
British Airways Plc. ....	Principal shareholder and significant customer
Flovate Technologies Limited (“Flovate”) .....	A company of which a member of management is a principal shareholder.
Datacap Software Pvt Ltd. (“Datacap”) .....	A company of which a member of management is a principal shareholder.



**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

The transactions and the balance outstanding with these parties are described below:

<u>Nature of transaction/related party</u>	<u>Year ended March 31,</u>			<u>Amount receivable (payable) at March 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2006</u>	<u>2005</u>
Revenue					
British Airways . . . . .	\$14,663	\$16,369	\$16,335	\$1,530	\$2,424
Warburg Pincus and its affiliates . . . . .	1,646	1,138	918	288	109
Cost of revenue					
Flovate . . . . .	1,216	1,745	1,278	—	(17)
Datacap . . . . .	34	11	1	—	—
Selling, general and administrative expense					
Warburg Pincus affiliate . . . . .	193	19	43	—	(8)
Flovate . . . . .	288	383	248	—	—
Property and equipment additions					
Warburg Pincus affiliate . . . . .	559	1,859	—	(53)	(25)
Flovate . . . . .	1,552	1,161	1,460	(783)	(524)
Other Income					
Flovate . . . . .	250	—	—	287	—

**13. OTHER INCOME, NET**

Other income, net comprises of:

	<u>Year ended March 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Foreign exchange (loss) gain, net . . . . .	\$(402)	\$(102)	\$ 25
Interest income . . . . .	439	264	210
Gain on sale of property and equipment . . . . .	32	—	76
Other (See Note 12) . . . . .	387	10	13
	<u>\$ 456</u>	<u>\$ 172</u>	<u>\$324</u>

**14. SEGMENTS**

The Company had several operating segments including travel, insurance, auto claims (WNS Assistance) and others, including knowledge services and healthclaims.

The Company believes that the business process outsourcing services that it provides to customers in industries such as travel, insurance, Ntrance and others are similar in terms of services, service delivery methods, use of technology, and long-term gross profit and hence meet the aggregation criteria under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". However, WNS Assistance ("WNS Auto Claims BPO"), which provides automobile claims handling services, does not meet the aggregation criteria under SFAS No. 131. Accordingly, the Company has determined that it has two reportable segments "WNS Global BPO" and "WNS Auto Claims BPO".

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

In order to provide Accident Management services, the Company arranges for the repair through a network of repair centers. Repair costs are invoiced to customers. Amounts invoiced to customers for repair costs paid to the automobile repair centers is recognized as revenue. 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.

	Year ended March 31, 2006			
	WNS Global BPO	WNS Auto Claims BPO	Inter segments (a)	Total
Revenue from external customers . . . . .	\$123,226	\$79,583	\$ —	\$202,809
Segment revenue . . . . .	125,229	79,583	(2,003)	202,809
Payments to repair centers . . . . .	—	54,904	—	54,904
Revenue less repair payments . . . . .	125,229	24,679	(2,003)	147,905
Depreciation . . . . .	8,677	1,775	—	10,452
Other costs . . . . .	99,040	17,762	(2,003)	114,799
Segment operating income . . . . .	17,512	5,142	—	22,654
Unallocated share-based compensation expense . . . . .				(1,922)
Amortization of intangible assets . . . . .				(856)
Other income . . . . .				456
Interest expense . . . . .				(429)
Income before income taxes . . . . .				19,903
Provision for income taxes . . . . .				(1,574)
Net income . . . . .				\$ 18,329
Capital expenditure . . . . .	\$ 12,689	\$ 2,204	\$ —	\$ 14,893
Segment assets, net of eliminations as at March 31, 2006 . . . . .	\$ 92,415	\$42,388	\$ —	\$134,803

One customer in the WNS Global BPO segment accounted for 13% of the Company's revenue for the year ended March 31, 2006.

(a) This represents invoices raised by WNS Global BPO on WNS Auto Claims BPO for business process outsourcing services rendered by the former to the latter.

**WNS (HOLDINGS) LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2006, 2005 AND 2004**

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

	Year ended March 31, 2005			
	<u>WNS Global BPO</u>	<u>WNS Auto Claims BPO</u>	<u>Inter segments (a)</u>	<u>Total</u>
Revenue from external customers . . . . .	<u>\$76,982</u>	<u>\$85,191</u>	<u>\$ —</u>	<u>\$162,173</u>
Segment revenue . . . . .	78,595	85,191	(1,613)	162,173
Payment to repair centers . . . . .	<u>—</u>	<u>63,186</u>	<u>—</u>	<u>63,186</u>
Revenue less repair payments . . . . .	78,595	22,005	(1,613)	98,987
Depreciation . . . . .	6,905	1,536	—	8,441
Other costs ((b)) . . . . .	<u>77,772</u>	<u>17,116</u>	<u>(1,613)</u>	<u>93,275</u>
Segment operating income (loss) . . . . .	(6,082)	3,353	—	(2,729)
Unallocated share-based compensation expense . . . . .				(239)
Amortization of intangible assets . . . . .				(1,416)
Other income . . . . .				172
Interest expense . . . . .				<u>(496)</u>
Loss before income taxes . . . . .				(4,708)
Provision for income taxes . . . . .				<u>(1,068)</u>
Net loss . . . . .				<u>\$ (5,776)</u>
Capital expenditure . . . . .	<u>\$16,343</u>	<u>\$ 1,924</u>	<u>\$ —</u>	<u>\$ 18,267</u>
Segment assets, net of eliminations as at March 31, 2005 . . . . .	<u>\$48,709</u>	<u>\$49,270</u>	<u>\$ —</u>	<u>\$ 97,979</u>

Two customers in the WNS Global BPO segment accounted for over 10% each of the Company's revenue for the year ended March 31, 2005.

(a) This represents invoices raised by WNS Global BPO on WNS Auto Claims BPO for business process outsourcing services rendered by the former to the latter.

(b) WNS Global BPO includes cost of customer resources of \$19,159 during a transfer period. Refer to Note 2, cost of revenue.

**WNS (HOLDINGS) LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2006, 2005 AND 2004**

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

	Year ended March 31, 2004			
	WNS Global BPO	WNS Auto Claims BPO	Inter segments (a)	Total
Revenue from external customers . . . . .	\$36,750	\$67,308	\$ —	\$104,058
Segment revenue . . . . .	37,881	67,308	(1,131)	104,058
Payments to repair centers . . . . .	—	54,164	—	54,164
Revenue less repair payments . . . . .	37,881	13,144	(1,131)	49,894
Depreciation . . . . .	4,326	1,023	—	5,349
Other costs ((b)) . . . . .	38,383	11,514	(1,131)	48,766
Segment operating income (loss) . . . . .	(4,828)	607	—	(4,221)
Unallocated share-based compensation expense . . . . .				(205)
Amortization of intangible assets . . . . .				(2,600)
Other income . . . . .				324
Interest expense . . . . .				(59)
Loss before income taxes . . . . .				(6,761)
Benefit for income taxes . . . . .				41
Net loss . . . . .				\$ (6,720)
Capital expenditure . . . . .	\$ 6,126	\$ 2,609	\$ —	\$ 8,735
Segment assets, net of eliminations as at				
March 31, 2004 . . . . .	\$40,582	\$45,990	\$ —	\$ 86,572

One customer in the WNS Global BPO segment accounted for 16% of the Company's revenue and one customer in the WNS Auto Claims BPO accounted for 10% of the Company's revenue for the year ended March 31, 2004.

(a) This represents invoices raised by WNS Global BPO on WNS Auto Claims BPO for business process outsourcing services rendered by the former to the latter.

(b) WNS Global BPO includes cost of customer resources of \$7,714 during a transfer period. Refer to Note 2, cost of revenue.

The Company's revenue by geographic area is as follows:

	Year ended March 31,		
	2006	2005	2004
UK . . . . .	\$126,866	\$105,552	\$ 75,044
US . . . . .	49,134	28,004	10,199
Europe (excludes UK) . . . . .	25,421	27,730	18,104
Other . . . . .	1,388	887	711
	\$202,809	\$162,173	\$104,058

**WNS (HOLDINGS) LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2006, 2005 AND 2004**  
**(Amounts in thousands, except share and per share data)**

The Company's long-lived assets by geographic area are as follows:

	March 31,	
	<u>2006</u>	<u>2005</u>
UK .....	\$23,720	\$26,194
India .....	29,324	23,595
US .....	18,621	641
Other .....	<u>1,445</u>	<u>941</u>
	<u>\$73,110</u>	<u>\$51,371</u>

**15. COMMITMENTS AND CONTINGENCIES**

*Leases*

Future minimum lease payments under capital leases and non-cancelable operating leases consisted of the following at March 31, 2006:

<u>Year ending March 31,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2007 .....	\$193	\$21,091
2008 .....	2	19,021
2009 .....	—	17,710
2010 .....	—	17,252
2011 .....	—	9,117
Thereafter .....	<u>—</u>	<u>3,845</u>
Total minimum lease payments .....	\$195	<u>\$88,036</u>
Amounts representing interest .....	<u>(9)</u>	
Present value of net minimum lease payments .....	<u>\$186</u>	
Obligation under capital leases:		
Long term .....	2	
Current .....	<u>184</u>	
	<u>\$186</u>	

Rental expenses for operating leases with step rents is recognized on a straight-line basis over the minimum lease term. Rental expense recognized without a corresponding cash payment is reported in the 2006 Consolidated Balance Sheet as deferred rent. Rental expense for the years ended March 31, 2006, 2005 and 2004 was \$6,535, \$4,323 and \$2,284, respectively.

*Bank guarantees and other*

Certain subsidiaries in India hold bank guarantees aggregating \$457 and \$168 as at March 31, 2006 and 2005, respectively. These guarantees have a remaining expiry term of approximately three to four years.

Amounts payable for commitments to purchase of property and equipment (net of advances), aggregated to \$4,309 and \$1,123 as at March 31, 2006 and 2005, respectively.

At March 31, 2006, the Company had an unused line of credit of Rs.370,000 (\$8,331).

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders'  
Trinity Partners Inc.

We have audited the accompanying consolidated balance sheet of Trinity Partners Inc. as of March 31, 2005, and the related consolidated statement of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trinity Partners Inc. at March 31, 2005, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG

Mumbai, India  
December 1, 2005

**TRINITY PARTNERS INC.**  
**CONSOLIDATED BALANCE SHEET**  
**MARCH 31, 2005**  
(Amounts in thousands, except share and per share data)

**ASSETS**

Current assets	
Cash and cash equivalents .....	\$3,729
Accounts receivable .....	24
Accounts receivable — related parties .....	137
Unbilled receivables .....	21
Unbilled receivables — related parties .....	717
Prepaid expenses .....	121
Other current assets .....	<u>56</u>
Total current assets .....	4,805
Property and equipment, net .....	2,174
Deposits .....	<u>192</u>
<b>TOTAL ASSETS .....</b>	<b><u><u>\$7,171</u></u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities	
Accounts payable .....	\$ 130
Accrued employee costs .....	490
Deferred revenue .....	484
Current portion of long term debt .....	13
Other accrued expenses and current liabilities .....	<u>171</u>
Total current liabilities .....	1,288
Long term debt, net of current portion .....	27
Commitments and contingencies	
Stockholders' equity	
Series A Preferred stock, \$0.01 par value — 3,367,000 shares authorized, issued and outstanding with liquidation preference of \$3,367 .....	34
Series B Preferred stock, \$0.01 par value — 5,555,550 shares authorized, issued and outstanding with liquidation preference of \$5,556 .....	56
Common stock, \$0.01 par value — 9,806,388 shares authorized; Nil shares issued and outstanding .....	—
Additional paid-in-capital .....	9,284
Promissory notes .....	(372)
Deferred stock-based compensation .....	(609)
Accumulated deficit .....	(2,546)
Accumulated other comprehensive income .....	<u>9</u>
Total stockholders' equity .....	<u>5,856</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....</b>	<b><u><u>\$7,171</u></u></b>

*See accompanying notes.*



**TRINITY PARTNERS INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2005**  
**(Amounts in thousands)**

Revenue	
Third Parties .....	\$ 54
Related Parties .....	<u>5,376</u>
Revenue .....	5,430
Cost of revenue .....	<u>2,574</u>
Gross profit .....	2,856
Operating expenses	
Selling, general and administrative expenses .....	<u>3,781</u>
Operating loss .....	(925)
Interest income .....	91
Interest expense .....	(1)
Foreign exchange gain, net .....	<u>—</u>
Loss before income taxes .....	(835)
Provision for income taxes .....	<u>—</u>
Net loss .....	<u><u>\$ (835)</u></u>

*See accompanying notes.*

**TRINITY PARTNERS INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**YEAR ENDED MARCH 31, 2005**  
**(Amounts in thousands, except share data)**

	Series A preferred stock		Series B preferred stock		Additional paid-in-capital	Promissory notes	Deferred stock-based compensation	Accumulated deficit	Accumulated other comprehensive income	Total stockholders' equity
	Number	Par value	Number	Par value						
Balance at April 1, 2004 . . . . .	3,367,000	\$ 34	5,555,550	\$ 56	\$9,193	\$(522)	\$(2,023)	\$(1,711)	\$ 6	\$5,033
Comprehensive loss:										
Net loss . . . . .	—	—	—	—	—	—	—	(835)	—	(835)
Translation adjustment . . . . .	—	—	—	—	—	—	—	—	3	3
Comprehensive loss . . . . .										(832)
Stock-based compensation:										
Stock incentive plan . . . . .	—	—	—	—	—	—	210	—	—	210
Series A preferred stock . . . . .	—	—	—	—	—	—	1,204	—	—	1,204
Series B preferred stock . . . . .	—	—	—	—	91	—	—	—	—	91
Amount waived under promissory notes . . . . .	—	—	—	—	—	50	—	—	—	50
Payment received against promissory notes . . . . .	—	—	—	—	—	100	—	—	—	100
Balance at March 31, 2005 . . . . .	<u>3,367,000</u>	<u>\$ 34</u>	<u>5,555,550</u>	<u>\$ 56</u>	<u>\$9,284</u>	<u>\$(372)</u>	<u>\$ (609)</u>	<u>\$(2,546)</u>	<u>\$ 9</u>	<u>\$5,856</u>

*See accompanying notes.*

**TRINITY PARTNERS INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2005**  
**(Amounts in thousands)**

Cash flows from operating activities	
Net loss .....	\$ (835)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization .....	280
Stock-based compensation .....	1,555
Changes in operating assets and liabilities:	
Accounts receivable and unbilled receivables .....	(634)
Prepaid expenses and other current assets .....	(162)
Deposits .....	(118)
Deferred revenue .....	142
Accounts payable and other current liabilities .....	<u>521</u>
Net cash provided by operating activities .....	<u>749</u>
Cash flows from investing activities	
Purchase of property and equipment .....	<u>(1,864)</u>
Net cash used in investing activities .....	<u>(1,864)</u>
Cash flows from financing activities	
Debt repayment .....	(11)
Payments received against promissory note .....	<u>100</u>
Net cash provided by financing activities .....	<u>89</u>
Effect of exchange rate changes on cash and cash equivalents .....	(33)
Net decrease in cash and cash equivalents .....	(1,059)
Cash and cash equivalents at beginning of year .....	<u>4,788</u>
Cash and cash equivalents at end of year .....	<u><u>\$ 3,729</u></u>
Supplemental disclosure of cash flow information:	
Income taxes paid .....	\$ 28
Interest paid .....	1

*See accompanying notes.*

**TRINITY PARTNERS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2005**  
**(Amounts in thousands, except share and per share data)**

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

Trinity Partners Inc. (“Trinity”) is a provider of business process outsourcing services and technology-enabled delivery solutions to customers in the financial services industry in the United States, with a significant focus on mortgage banking solutions. Trinity is controlled by First Magnus Financial Corporation, which is also a significant customer of Trinity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of preparation*

The accompanying consolidated financial statements include the accounts of Trinity Partners Inc and its wholly-owned subsidiary Trinity Business Process Management Private Limited (“Trinity BPM”) (collectively, the “Company”) and are prepared in accordance with United States generally accepted accounting principles (“US GAAP”). All significant inter-company balances and transactions have been eliminated upon consolidation. The Company uses the United States Dollar (“\$”) as its reporting currency.

*Use of estimates*

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Foreign currency translation*

The functional currency of the Company is the \$. The functional currency for Trinity BPM is the Indian Rupee (“INR”). Assets and liabilities of Trinity BPM are translated into \$, at the rate of exchange prevailing on the balance sheet date while revenue and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are reported as a component of accumulated other comprehensive income in stockholders’ equity.

Foreign currency denominated assets and liabilities are translated into the functional currency at exchange rates in effect at balance sheet date. Foreign currency transaction gains and losses are recorded in the consolidated statement of operations within other income.

*Revenue recognition*

Revenue is generated from technology enabled business process outsourcing services and consists of service charges for processing customer transactions and is recognized as the related services are performed on a per employee or per transaction processed basis. Revenue includes amounts paid by customers for equipment used by the Company to provide services to the customer. Amount paid for such equipment is deferred and recognised as revenue over the period of the contract on a straight-line basis. Revenue also includes reimbursements of out-of-pocket expenses.

*Cost of revenue*

Cost of revenue includes salaries and related expenses, project related travel costs, communication expenses and facilities costs including depreciation and amortization thereon.

TRINITY PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

MARCH 31, 2005

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

*Cash and cash equivalents*

The Company considers all highly liquid investments with an initial maturity of up to three months to be cash equivalents.

*Accounts receivable and unbilled receivables*

Accounts receivable represents trade receivables net of an allowance for doubtful accounts. The allowance for doubtful accounts represents the Company's best estimate of receivables that are doubtful of recovery, based on a specific identification basis (Nil at March 31, 2005).

Revenue for services delivered but not invoiced to customers are recorded as unbilled receivables. Billings are done as contractually agreed.

*Property and equipment*

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

<u>Asset description</u>	<u>Asset life (in years)</u>
Computers .....	3-5
Furniture, fixtures and office equipment .....	3-4
Software .....	3
Vehicles .....	5
Leasehold improvements .....	Lesser of estimated useful life or lease term

Advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date are disclosed under the caption capital work-in-progress in Note 3.

Property and equipment are reviewed for impairment if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the property and equipment to the estimated future undiscounted net cash flows expected to be generated by the property and equipment. If estimated future undiscounted cash flows are less than the carrying amount of the property and equipment, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the property and equipment to its carrying value, with any shortfall from fair value recognized as an expense in the current period.

*Income taxes*

The Company applies the asset and liability method of accounting for income taxes as described in the Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recognized to reduce the deferred tax assets amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income.

**TRINITY PARTNERS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2005**

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

*Employee benefits*

*Defined contribution plan*

Eligible employees of the Company in India receive benefits from a Provident Fund, administered by the Government of India, which is a defined contribution plan. Both the employees and the Company make monthly contributions to the Provident Fund equal to a specified percentage of the eligible employees' salary.

The Company has no further obligation under the defined contribution plan beyond the contributions made to the plan. Contributions are charged to income in the year in which they accrue and are included in the Consolidated Statement of Operations.

*Defined benefit plan*

Employees in India are entitled to benefits under the Payment of Gratuity Act 1972, a defined benefit retirement plan covering eligible employees of the Company. The Plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or on termination of employment, of an amount based on the respective employee's salary and tenure of employment.

The gratuity liability and net periodic gratuity cost has been actuarially determined after considering discount rates and increases in compensation levels.

*Stock-based compensation*

The Company uses 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 including Financial Accounting Standards Board ("FASB") Interpretation 44, "Accounting for Certain Transactions Involving Stock Compensation", an interpretation of APB Opinion 25, to account for its employee stock-based compensation plan. Under this method, compensation expense is recorded over the vesting period of the option if the fair market value of the underlying stock exceeds the exercise price at the measurement date, which typically is the grant date. The Company has provided pro forma disclosures as required by SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation — Transition and Disclosure". Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net loss as reported would have changed to amounts indicated below:

Net loss as reported . . . . .	\$(835)
Add: Stock-based compensation expense included in reported net loss . . . . .	210
Less: Stock-based compensation expense determined under the fair value method . . . . .	<u>(219)</u>
Pro forma net loss . . . . .	<u><u>\$(844)</u></u>

The fair value of options was determined using the minimum value method with the following assumptions:

Risk free interest rate . . . . .	4%
Dividend yield . . . . .	—
Expected life in years . . . . .	5

There were no options granted during the year ended March 31, 2005.

In December 2004, SFAS No. 123(R), "Share-Based Payment", was issued, which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. This standard is

TRINITY PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

MARCH 31, 2005

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

applicable to the Company effective April 1, 2006. Under the transition provisions of this standard, non-public companies that used the minimum-value method for determining fair value of stock options would continue to account for non vested equity awards outstanding at the date of adoption of the standard under the intrinsic value method. All awards granted, modified or settled after the date of adoption should be accounted for under the provision of the new standard. Adoption of this standard may have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adoption of this standard cannot be predicted at this time as it will depend on levels of share-based payments made in the future.

*Fair value of financial instruments*

The carrying amounts reported in the balance sheet for current assets and current liabilities approximate their fair value due to the short maturity of these items.

*Concentration of risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and accounts receivable.

The Company's cash equivalents are invested with banks with high investment grade credit ratings. Accounts receivable are typically unsecured and are derived from revenue earned from customers in the financial services industry based in the United States. The Company monitors the credit worthiness of its customers to whom it grants credit terms in the normal course of business. As of March 31, 2005, approximately 95% of the total of accounts receivable and unbilled receivables, were receivable from First Magnus Financial Corporation ("FMFC"), a principal stockholder and its affiliate.

**3. PROPERTY AND EQUIPMENT**

The major classes of property and equipment were as follows:

Computers .....	\$1,075
Furniture, fixtures and office equipment.....	267
Software .....	160
Vehicles .....	74
Leasehold improvements .....	48
Capital work-in-progress.....	<u>852</u>
	2,476
Accumulated depreciation and amortization .....	<u>(302)</u>
	<u>\$2,174</u>

**TRINITY PARTNERS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2005**

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

**4. INCOME TAXES**

The components of deferred tax assets and liabilities are as follows:

**Deferred tax asset**

Net operating loss carry forward .....	\$ 362
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**Deferred tax liability**

Property and equipment .....	(47)
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Net deferred tax asset .....	315
------------------------------	-----

Less: Valuation allowance .....	<u>(315)</u>
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Net deferred tax asset .....	<u>—</u>
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At March 31, 2005, the Company had net loss carry forwards aggregating to \$890 relating to operations in the United States. The United States operation has accumulated losses and, accordingly, a valuation allowance has been provided for the net deferred tax asset recognized.

Trinity BPM is eligible for a tax holiday until March 31, 2009 consequent to which profits are exempt from tax for the period until March 31, 2009. Accordingly, no deferred tax has been recognized for Trinity BPM since all temporary differences will reverse within the tax holiday period ending on March 31, 2009.

The Company has not incurred any tax expense for the year ended March 31, 2005.

**5. RETIREMENT BENEFITS**

*Defined contribution plan*

Contributions to the provident fund for employees of Trinity BPM amounted to \$33 for the year ended March 31, 2005.

*Defined benefit plan — gratuity*

**Change in projected benefit obligations**

Obligation at beginning of the year .....	—
---	---

Translation adjustment .....	—
------------------------------	---

Service cost .....	(2)
--------------------	-----

Interest cost .....	—
---------------------	---

Benefits paid .....	—
---------------------	---

Actuarial loss .....	<u>(5)</u>
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Benefit obligation at end of the year (A) .....	<u>\$(7)</u>
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<b>Plan assets at the end of year (B) .....</b>	<u>—</u>
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Funded status (B-A) .....	\$(7)
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Unrecognized net loss .....	<u>5</u>
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Accrued gratuity cost .....	<u>\$(2)</u>
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TRINITY PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

MARCH 31, 2005

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

**Net periodic gratuity cost**

Service cost .....	\$ 2
Interest cost .....	—
Expected return on plan asset .....	—
Net actuarial loss recognized .....	—
Net periodic gratuity cost for the year .....	<u>\$ 2</u>

The assumptions used in accounting for the Gratuity Plan as at March 31, 2005 were (i) a discount rate of 7.50% and (ii) a rate of increase in compensation levels of 8% per annum for the first 4 years and 6.5% per annum thereafter.

**6. DEBT**

Debt represents borrowings from financial institutions for the purchase of vehicles.

**7. STOCKHOLDERS' EQUITY**

*Common stock*

The Company has one class of common stock and the holder of each share is entitled to one vote per share. There were no common shares outstanding as of March 31, 2005.

*Preferred stock*

The Company has two classes of preferred stock, Series A and Series B, which are convertible into fully paid common stock at any time after issue, without any additional consideration based on a conversion ratio. The conversion ratio will be determined at the time of conversion based on a conversion price of \$1 per share, adjusted for any common stock subsequently issued at a price lower than \$1 per share. Each share of preferred stock carries voting rights equivalent to each share of common stock on an as converted basis. The preferred stock holders have a liquidation preference of \$1 per share plus any declared and unpaid dividends and the balance would be shared ratably based on the shares held (on an as converted basis for the preferred stock) between the common stockholders and preferred stockholders.

Series A preferred stock was issued to the founder employees of the Company on August 12, 2003 at a price of \$1 per share of which \$0.01 per share was the cash price and the balance \$0.99 per share was attributed to the assignment by founder employees of business plans and the associated rights under an Assignment agreement entered in to between the Company and the founder employees. Further, under the Restricted Stock Purchase Agreement entered into between the Company and the founder employees, the Company has the right to repurchase the stock on termination of services of the employees at the cash price of the issue. The right to repurchase lapses equally over a period of 36 months, on completion of each month of service by the employee. Accordingly, the difference between the issue price and cash paid of \$3,366 was recorded as deferred stock-based compensation and is being amortized over the period over which the repurchase right of the Company lapses. The amortization expense for the year ended March 31, 2005 was \$1,204.

The Series B preferred stock issued on August 26, 2003, included 555,555 shares issued by the Company to the founder employees in exchange for interest free promissory notes due and payable in a single installment on the earlier of August 26, 2008 or on the 91<sup>st</sup> day from the termination of employment. The notes are secured by the Series B preferred stock issued that is held by the Company in escrow. Accordingly, the amount due under the promissory notes is included as a component of stockholders' equity.

**TRINITY PARTNERS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2005**

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

Under the employment agreement with one of the founder employee, for every month of completed service, the Company waives \$4 of the promissory note receivable from the employee, resulting in variable accounting for this arrangement. Accordingly, at each balance sheet date the Company has recorded stock-based compensation cost for the excess of the fair value over the issue price of the stock represented by the net amount receivable under the promissory note. Stock-based compensation cost recorded by the Company for this arrangement was \$141 for the year ended March 31, 2005.

**8. EMPLOYEES' STOCK INCENTIVE PLAN**

In November 2003, the Company established the 2003 Stock Option/Issuance (“the Plan”), which provided for the issue of stock options to eligible employees. Eligible employees would be granted options which would have a ten-year term and a vesting period of four years, with 25% of the options vesting immediately after one year of service from the vesting commencement date and the balance equally over the remaining 36 month period.

The Company’s stock option activity for the year ended March 31, 2005 is presented below:

	<b>Shares arising from options</b>	<b>Weighted- average exercise price</b>
Outstanding at the beginning of the year . . . . .	480,507	\$0.10
Exercised . . . . .	—	—
Granted . . . . .	—	—
Outstanding at the end of the year . . . . .	480,507	\$0.10

The following table summarizes the status of the Company stock options outstanding and exercisable at March 31, 2005:

	<b>Exercise prices</b>	<b>Shares</b>	<b>Weighted- average remaining contractual life</b>
Options outstanding . . . . .	\$0.10	344,854	8.82
Options vested and exercisable . . . . .	\$0.10	135,653	8.81
		480,507	8.82

**9. RELATED-PARTY TRANSACTIONS**

<b>Relationship</b>	<b>Name of the party</b>
Significant stockholder . . . . .	First Magnus Financial Corporation (“FMFC”) First Magnus Consulting LLC
Founders and Key Managerial Personnel . . . . .	Vivek Shivpuri Amit Gujral Arvind Srivastava

**TRINITY PARTNERS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**MARCH 31, 2005**  
**(Amounts in thousands, except share and per share data)**

Transactions with related parties are detailed below:

<u>Nature of transaction/ related party</u>	<u>Amount</u>	<u>Amount receivable (payable)</u>
Revenue		
FMFC .....	\$5,036	\$581
Affiliates of FMFC .....	444	273
Purchase of property and equipment		
FMFC .....	86	—
Reimbursement of expenses paid on behalf of the party		
FMFC .....	50	—
Waiver of Promissory notes		
Vivek Shivpuri .....	50	—
Promissory notes (repaid in October, 2005)		
Vivek Shivpuri .....	—	68
Amit Gujral .....	—	152
Arvind Srivastava .....	—	152

**10. COMMITMENT AND CONTINGENCIES**

*Operating leases*

Future minimum lease payments under non-cancelable operating leases for operating facilities consist of the following at March 31, 2005:

<u>Year ending March 31,</u>	<u>Amount</u>
2006 .....	\$643
2007 .....	146
2008 .....	146
2009 .....	148
2010 .....	150

The Company also has short term leases which, on expiry, are renewable by mutual agreement between the Company and the lessor, for accommodation provided to employees of the Company. Rental expense for the year ended March 31, 2005 was \$267.

*Bank guarantees*

Deposits includes time deposits made as collateral to the bankers of Trinity BPM who have issued guarantees aggregating \$13 as at March 31, 2005 primarily to customs and sales tax authorities in India. These guarantees have an approximate term of three years and a remaining expiry term of approximately one to two years.

**TRINITY PARTNERS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**MARCH 31, 2005**

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

**11. SUBSEQUENT EVENT**

On November 16, 2005, WNS (Holdings) Limited, a leading business process outsourcing company with operations in India, United Kingdom and the United States acquired the entire share capital of Trinity for a consideration comprising of a cash payment of \$6,814 and 2,107,901 shares of WNS (Holdings) Limited.

The vesting of all stock options accelerated as a result of the change in control provision within the Plan and the holders of such vested options were settled in cash or shares of WNS (Holdings) Limited or, a combination thereof, at the same per share price paid to the stockholders of Trinity.

**TRINITY PARTNERS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
**(Amounts in thousands, except share and per share data)**

	<u>November 15, 2005</u>	<u>March 31, 2005</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 2,952	\$ 3,729
Accounts receivable .....	59	24
Account receivable — related parties .....	803	137
Unbilled receivables .....	23	21
Unbilled receivables — related parties .....	610	717
Prepaid expenses .....	106	121
Other current assets .....	<u>35</u>	<u>56</u>
Total current assets .....	4,588	4,805
Property and equipment, net .....	1,365	2,174
Deposits .....	<u>224</u>	<u>192</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$ 6,177</u></b>	<b><u>\$ 7,171</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable .....	\$ 864	\$ 130
Accrued employee costs .....	307	490
Deferred revenue .....	482	484
Current portion of long term debt .....	13	13
Other accrued expenses and current liabilities .....	<u>312</u>	<u>171</u>
Total current liabilities .....	1,978	1,288
Long term debt, net of current portion .....	17	27
Stockholders' equity		
Series A Preferred stock, \$0.01 par value — 3,367,000 shares authorized, issued and outstanding with liquidation preference of \$3,367 .....	34	34
Series B Preferred stock, \$0.01 par value — 5,555,550 shares authorized, issued and outstanding with liquidation preference of \$5,556 .....	56	56
Common stock, \$0.01 par value — 9,806,388 shares authorized; 883,838 shares issued and outstanding at November 15, 2005 and nil shares issued and outstanding at March 31, 2005 .....	9	—
Additional paid-in-capital .....	10,010	9,284
Promissory notes .....	—	(372)
Deferred stock-based compensation .....	(784)	(609)
Accumulated deficit .....	(5,064)	(2,546)
Accumulated other comprehensive (loss) income .....	<u>(79)</u>	<u>9</u>
Total Stockholders' equity .....	<u>4,182</u>	<u>5,856</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....</b>	<b><u>\$ 6,177</u></b>	<b><u>\$ 7,171</u></b>

*See accompanying notes.*

**TRINITY PARTNERS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**  
**(Amounts in thousands)**

	<b>Period from April 1 to November 15</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenue		
Third parties .....	\$ 242	\$ 24
Related parties .....	<u>7,346</u>	<u>2,720</u>
Revenue .....	7,588	2,744
Cost of revenue .....	<u>3,751</u>	<u>1,169</u>
Gross profit .....	3,837	1,575
Operating expenses		
Selling, general and administrative expenses .....	3,287	2,280
Transaction costs related to acquisition by WNS (Holdings) Limited .....	<u>628</u>	<u>—</u>
Operating loss .....	(78)	(705)
Interest income .....	47	57
Interest expense .....	(1)	(1)
Foreign exchange income (loss), net .....	<u>14</u>	<u>(15)</u>
Loss before income taxes .....	(18)	(664)
Provision for income taxes .....	<u>—</u>	<u>—</u>
Net loss .....	<u>\$ (18)</u>	<u>\$ (664)</u>

*See accompanying notes.*

**TRINITY PARTNERS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in thousands)**

	<b>Period from April 1 to November 15</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Cash flows from operating activities</b>		
Net cash provided by operating activities .....	\$ 920	\$ 899
<b>Cash flows from investing activities</b>		
Purchases of property and equipment .....	<u>419</u>	<u>(559)</u>
Net cash provided by (used in) investing activities .....	<u>419</u>	<u>(559)</u>
<b>Cash flows from financing activities</b>		
Debt repayment .....	(9)	(5)
Payments received against promissory note .....	348	100
Dividends paid during the period .....	(2,500)	—
Proceeds from stock options exercised .....	<u>88</u>	<u>—</u>
Net cash (used in) provided by financing activities .....	<u>(2,073)</u>	<u>95</u>
Effect of exchange rate changes on cash and cash equivalents .....	(43)	10
Net (decrease) increase in cash and cash equivalents .....	(777)	445
Cash and cash equivalents at beginning of period .....	<u>3,729</u>	<u>4,788</u>
<b>Cash and cash equivalents at end of period .....</b>	<b><u>\$ 2,952</u></b>	<b><u>\$5,233</u></b>

*See accompanying notes.*

**TRINITY PARTNERS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**PERIOD FROM APRIL 1, 2005 TO NOVEMBER 15, 2005**  
**(Amounts in thousands, except share and per share data)**

**1. BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements of Trinity Partners Inc. (the "Company") have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions of Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period from April 1, 2005 through November 15, 2005 are not necessarily indicative of the results that may be expected for the year ending March 31, 2006.

The balance sheet at March 31, 2005, 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 Trinity Partners Inc. for the year ended March 31, 2005.

**2. CAPITAL STRUCTURE**

During the period April 1, 2005 to November 15, 2005, the Company issued 883,838 shares of common stock upon the exercise of options and, paid a dividend of \$2,500 to its stockholders.

**3. COMPREHENSIVE LOSS**

Components of comprehensive loss are as follows:

	<b>Period from April 1 to November 15</b>	
	<u><b>2005</b></u>	<u><b>2004</b></u>
Net loss . . . . .	\$ (18)	\$(664)
Foreign currency translation adjustment . . . . .	<u>(88)</u>	<u>(4)</u>
Total comprehensive loss . . . . .	<u><u>\$ (106)</u></u>	<u><u>\$(668)</u></u>

**4. RETIREMENT BENEFITS**

*Defined contribution plan*

Contributions to the provident fund for employees of Trinity BPM amounted to \$49 and \$15 for the period from April 1, 2005 to November 15, 2005 and from April 1, 2004 to November 15, 2004, respectively.



TRINITY PARTNERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)  
 (UNAUDITED)  
 PERIOD FROM APRIL 1, 2005 TO NOVEMBER 15, 2005  
 (Amounts in thousands, except share and per share data)

*Defined benefit plan — gratuity*

	Period from April 1 to November 15	
	<u>2005</u>	<u>2004</u>
<b>Net periodic gratuity cost</b>		
Service cost .....	\$ 9	\$1
Interest cost .....	—	—
Expected return on plan asset .....	—	—
Recognized net actuarial loss .....	<u>1</u>	<u>—</u>
Net periodic gratuity cost for the period .....	<u>\$10</u>	<u>\$1</u>

**5. STOCK-BASED COMPENSATION**

Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net loss as reported would have changed to amounts indicated below:

	Period from April 1 to November 15	
	<u>2005</u>	<u>2004</u>
Net loss as reported .....	\$(18)	\$(664)
Add: Stock-based employee compensation expense included in reported net loss .....	94	146
Less: Stock-based employee compensation expense determined under the fair value method .....	<u>(96)</u>	<u>(152)</u>
Pro forma net loss .....	<u>\$(20)</u>	<u>\$(670)</u>

**6. SUBSEQUENT EVENT — ACQUISITION BY WNS (HOLDINGS) LIMITED**

On November 16, 2005, WNS (Holdings) Limited, a leading business process outsourcing company with operations in India, UK and the US acquired the entire share capital of Trinity for a total consideration comprising of a cash payment of \$6,814 and 2,107,901 shares of WNS (Holdings) Limited.

The vesting of all stock options accelerated as a result of the change in control provision within the 2003 Stock Option/Issuance and the holders of such vested options were settled in cash or shares of WNS (Holdings) Limited or, a combination thereof, at the same per share price paid to the stockholders of Trinity.