

EXXON MOBIL CORP
Form 10-Q
November 05, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2256

EXXON MOBIL CORPORATION

(Exact name of registrant as specified in its charter)

NEW JERSEY

(State or other jurisdiction of
incorporation or organization)

13-5409005

(I.R.S. Employer
Identification Number)

5959 LAS COLINAS BOULEVARD, IRVING, TEXAS 75039-2298

(Address of principal executive offices) (Zip Code)

(972) 444-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of September 30, 2014
Common stock, without par value	4,234,528,643

EXXON MOBIL CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(millions of dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues and other income				
Sales and other operating revenue <i>(1)</i>	103,566	108,390	311,484	314,818
Income from equity affiliates	3,211	3,444	10,631	10,960
Other income	713	538	3,795	1,617
Total revenues and other income	107,490	112,372	325,910	327,395
Costs and other deductions				
Crude oil and product purchases	60,428	63,961	181,391	183,088
Production and manufacturing expenses	9,951	9,842	30,517	29,856
Selling, general and administrative expenses	3,169	3,150	9,470	9,536
Depreciation and depletion	4,362	4,287	12,839	12,802
Exploration expenses, including dry holes	319	486	1,132	1,385
Interest expense	88	52	218	161
Sales-based taxes <i>(1)</i>	7,519	7,882	22,806	22,926
Other taxes and duties	8,244	8,523	24,749	24,646
Total costs and other deductions	94,080	98,183	283,122	284,400
Income before income taxes	13,410	14,189	42,788	42,995
Income taxes	5,064	6,120	15,955	18,190
Net income including noncontrolling interests	8,346	8,069	26,833	24,805
Net income attributable to noncontrolling interests	276	199	883	575
Net income attributable to ExxonMobil	8,070	7,870	25,950	24,230
 Earnings per common share <i>(dollars)</i>	 1.89	 1.79	 6.04	 5.46
 Earnings per common share - assuming dilution <i>(dollars)</i>	 1.89	 1.79	 6.04	 5.46
 Dividends per common share <i>(dollars)</i>	 0.69	 0.63	 2.01	 1.83
 <i>(1) Sales-based taxes included in sales and other operating revenue</i>	 7,519	 7,882	 22,806	 22,926

The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(millions of dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income including noncontrolling interests	8,346	8,069	26,833	24,805
Other comprehensive income (net of income taxes)				
Foreign exchange translation adjustment	(3,828)	1,229	(2,986)	(2,317)
Adjustment for foreign exchange translation (gain)/loss included in net income	-	-	163	-
Postretirement benefits reserves adjustment (excluding amortization)	372	(222)	196	(58)
Amortization and settlement of postretirement benefits reserves				
adjustment included in net periodic benefit costs	289	455	918	1,353
Unrealized change in fair value of stock investments	(21)	-	(57)	-
Total other comprehensive income	(3,188)	1,462	(1,766)	(1,022)
Comprehensive income including noncontrolling interests	5,158	9,531	25,067	23,783
Comprehensive income attributable to noncontrolling interests	(27)	331	588	420
Comprehensive income attributable to ExxonMobil	5,185	9,200	24,479	23,363

The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(millions of dollars)

	Sept. 30, 2014	Dec. 31, 2013
Assets		
Current assets		
Cash and cash equivalents	4,962	4,644
Cash and cash equivalents – restricted	52	269
Notes and accounts receivable – net	30,963	33,152
Inventories		
Crude oil, products and merchandise	13,441	12,117
Materials and supplies	4,320	4,018
Other current assets	4,857	5,108
Total current assets	58,595	59,308
Investments, advances and long-term receivables	35,012	36,328
Property, plant and equipment – net	251,406	243,650
Other assets, including intangibles – net	7,751	7,522
Total assets	352,764	346,808
Liabilities		
Current liabilities		
Notes and loans payable	10,243	15,808
Accounts payable and accrued liabilities	49,272	48,085
Income taxes payable	6,469	7,831
Total current liabilities	65,984	71,724
Long-term debt	11,591	6,891
Postretirement benefits reserves	19,268	20,646
Deferred income tax liabilities	41,132	40,530
Long-term obligations to equity companies	5,132	4,742
Other long-term obligations	22,162	21,780
Total liabilities	165,269	166,313
Commitments and contingencies (Note 2)		
Equity		
Common stock without par value		
(9,000 million shares authorized, 8,019 million shares issued)	10,681	10,077
Earnings reinvested	404,738	387,432
Accumulated other comprehensive income	(12,196)	(10,725)
Common stock held in treasury		
(3,784 million shares at Sept. 30, 2014 and 3,684 million shares at Dec. 31, 2013)	(222,636)	(212,781)
ExxonMobil share of equity	180,587	174,003
Noncontrolling interests	6,908	6,492
Total equity	187,495	180,495
Total liabilities and equity	352,764	346,808

The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(millions of dollars)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net income including noncontrolling interests	26,833	24,805
Depreciation and depletion	12,839	12,802
Changes in operational working capital, excluding cash and debt	(460)	(2,676)
All other items – net	(1,511)	(225)
Net cash provided by operating activities	37,701	34,706
Cash flows from investing activities		
Additions to property, plant and equipment	(24,068)	(25,243)
Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments	3,794	871
Additional investments and advances	(1,269)	(3,644)
Other investing activities – net	3,415	527
Net cash used in investing activities	(18,128)	(27,489)
Cash flows from financing activities		
Additions to long-term debt	5,503	206
Additions/(reductions) in short-term debt – net	(514)	(386)
Additions/(reductions) in debt with three months or less maturity	(5,413)	9,869
Cash dividends to ExxonMobil shareholders	(8,644)	(8,125)
Cash dividends to noncontrolling interests	(172)	(225)
Changes in noncontrolling interests	-	(1)
Tax benefits related to stock-based awards	10	14
Common stock acquired	(9,865)	(12,696)
Common stock sold	10	46
Net cash used in financing activities	(19,085)	(11,298)
Effects of exchange rate changes on cash	(170)	(191)
Increase/(decrease) in cash and cash equivalents	318	(4,272)
Cash and cash equivalents at beginning of period	4,644	9,582
Cash and cash equivalents at end of period	4,962	5,310
Supplemental Disclosures		
Income taxes paid	14,338	19,871
Cash interest paid	295	318

Non-Cash Transaction

In the third quarter of 2014, ExxonMobil completed an asset exchange, primarily a noncash transaction, of approximately \$600 million. This amount is not included in the “Proceeds associated with sales of subsidiaries, property, plant and equipment, and sales and returns of investments” or the “Additions to property, plant and equipment”

lines on the Statement of Cash Flows.

The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.

EXXON MOBIL CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(millions of dollars)

	ExxonMobil Share of Equity Accumulated						
	Common Stock	Earnings Reinvested	Other Compre- hensive Income	Common Stock Held in Treasury	ExxonMobil Share of Equity	Non- controlling Interests	Total Equity
Balance as of December 31, 2012	9,653	365,727	(12,184)	(197,333)	165,863	5,797	171,660
Amortization of stock-based awards	593	-	-	-	593	-	593
Tax benefits related to stock-based awards	200	-	-	-	200	-	200
Other	(384)	-	-	-	(384)	242	(142)
Net income for the period	-	24,230	-	-	24,230	575	24,805
Dividends – common shares	-	(8,125)	-	-	(8,125)	(225)	(8,350)
Other comprehensive income	-	-	(867)	-	(867)	(155)	(1,022)
Acquisitions, at cost	-	-	-	(12,696)	(12,696)	(1)	(12,697)
Dispositions	-	-	-	431	431	-	431
Balance as of September 30, 2013	10,062	381,832	(13,051)	(209,598)	169,245	6,233	175,478
Balance as of December 31, 2013	10,077	387,432	(10,725)	(212,781)	174,003	6,492	180,495
Amortization of stock-based awards	588	-	-	-	588	-	588
Tax benefits related to stock-based awards	10	-	-	-	10	-	10
Other	6	-	-	-	6	-	6
Net income for the period	-	25,950	-	-	25,950	883	26,833
Dividends – common shares	-	(8,644)	-	-	(8,644)	(172)	(8,816)
Other comprehensive income	-	-	(1,471)	-	(1,471)	(295)	(1,766)
Acquisitions, at cost	-	-	-	(9,865)	(9,865)	-	(9,865)
Dispositions	-	-	-	10	10	-	10
Balance as of September 30, 2014	10,681	404,738	(12,196)	(222,636)	180,587	6,908	187,495

<u>Common Stock Share Activity</u>	Nine Months Ended September 30, 2014 Held in			Nine Months Ended September 30, 2013 Held in		
	Issued	Treasury	Outstanding	Issued	Treasury	Outstanding
	<i>(millions of shares)</i>			<i>(millions of shares)</i>		
Balance as of December 31	8,019	(3,684)	4,335	8,019	(3,517)	4,502
Acquisitions	-	(100)	(100)	-	(141)	(141)
Dispositions	-	-	-	-	8	8
Balance as of September 30	8,019	(3,784)	4,235	8,019	(3,650)	4,369

The information in the Notes to Condensed Consolidated Financial Statements is an integral part of these statements.

EXXON MOBIL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

These unaudited condensed consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Corporation's 2013 Annual Report on Form 10-K. In the opinion of the Corporation, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. Prior data has been reclassified in certain cases to conform to the current presentation basis.

The Corporation's exploration and production activities are accounted for under the "successful efforts" method.

2. Litigation and Other Contingencies

Litigation

A variety of claims have been made against ExxonMobil and certain of its consolidated subsidiaries in a number of pending lawsuits. Management has regular litigation reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies. The Corporation accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Corporation does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Corporation discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our contingency disclosures, "significant" includes material matters as well as other matters which management believes should be disclosed. ExxonMobil will continue to defend itself vigorously in these matters. Based on a consideration of all relevant facts and circumstances, the Corporation does not believe the ultimate outcome of any currently pending lawsuit against ExxonMobil will have a material adverse effect upon the Corporation's operations, financial condition, or financial statements taken as a whole.

Other Contingencies

The Corporation and certain of its consolidated subsidiaries were contingently liable at September 30, 2014, for guarantees relating to notes, loans and performance under contracts. Where guarantees for environmental remediation and other similar matters do not include a stated cap, the amounts reflect management's estimate of the maximum potential exposure. These guarantees are not reasonably likely to have a material effect on the Corporation's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

As of September 30, 2014			
	Equity Company Obligations (1)	Other Third Party Obligations	Total
	<i>(millions of dollars)</i>		
Guarantees			
Debt-related	3,398	44	3,442
Other	3,267	4,273	7,540
Total	6,665	4,317	10,982

(1) ExxonMobil share

Additionally, the Corporation and its affiliates have numerous long-term sales and purchase commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the Corporation's operations or financial condition. The Corporation's outstanding unconditional purchase obligations at September 30, 2014, were similar to those at the prior year-end period. Unconditional purchase obligations as defined by accounting standards are those long-term commitments that are noncancelable or cancelable only under certain conditions, and that third parties have used to secure financing for the facilities that will provide the contracted goods or services.

The operations and earnings of the Corporation and its affiliates throughout the world have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Corporation vary greatly from country to country and are not predictable.

In accordance with a nationalization decree issued by Venezuela's president in February 2007, by May 1, 2007, a subsidiary of the Venezuelan National Oil Company (PdVSA) assumed the operatorship of the Cerro Negro Heavy Oil Project. This Project had been operated and owned by ExxonMobil affiliates holding a 41.67 percent ownership interest in the Project. The decree also required conversion of the Cerro Negro Project into a "mixed enterprise" and an increase in PdVSA's or one of its affiliate's ownership interest in the Project, with the stipulation that if ExxonMobil refused to accept the terms for the formation of the mixed enterprise within a specified period of time, the government would "directly assume the activities" carried out by the joint venture. ExxonMobil refused to accede to the terms proffered by the government, and on June 27, 2007, the government expropriated ExxonMobil's 41.67 percent interest in the Cerro Negro Project. ExxonMobil's remaining net book investment in Cerro Negro producing assets is about \$750 million.

On September 6, 2007, affiliates of ExxonMobil filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID) invoking ICSID jurisdiction under Venezuela's Investment Law and the Netherlands-Venezuela Bilateral Investment Treaty. The ICSID Tribunal issued a decision on June 10, 2010, finding that it had jurisdiction to proceed on the basis of the Netherlands-Venezuela Bilateral Investment Treaty. On October 9, 2014, the ICSID Tribunal issued its final award finding in favor of the ExxonMobil affiliates and awarding \$1.6 billion as of the date of expropriation, June 27, 2007, and interest from that date at 3.25% compounded annually until the date of payment in full. The Tribunal also noted that one of the Cerro Negro Project agreements provides a mechanism to prevent double recovery between the ICISD award and all or part of an earlier award of \$908 million to an ExxonMobil affiliate, Mobil Cerro Negro, Ltd., against PdVSA and a PdVSA affiliate, PdVSA CN, in an arbitration under the rules of the International Chamber of Commerce (ICC). Judgment was entered on the ICSID award by the United States District Court for the Southern District of New York on October 10, 2014. A motion to vacate that judgment on procedural grounds was filed by the Republic of Venezuela on October 14, 2014, and is pending before the court. On October 23, 2014, the Republic of Venezuela filed with ICSID an application to revise the ICSID award such that it requires repayment of the value of the ICC award to PdVSA at the same time as payment is made to the ExxonMobil affiliates for the ICSID award and that provision be made for interest on the amount to be repaid. Thereafter, pursuant to ICSID arbitration rules, the ICSID award was stayed pending further action of the Tribunal. On October 27, 2014, ExxonMobil filed a response with ICSID that contests the application for revision of

that award on both factual and jurisdictional grounds. The ICSID award has yet to be satisfied and proceedings concerning the award remain pending and so the net impact of these matters on the Corporation's consolidated financial results cannot be reasonably estimated. Regardless, the Corporation does not expect the resolution to have a material effect upon the Corporation's operations or financial condition.

An affiliate of ExxonMobil is one of the Contractors under a Production Sharing Contract (PSC) with the Nigerian National Petroleum Corporation (NNPC) covering the Erha block located in the offshore waters of Nigeria. ExxonMobil's affiliate is the operator of the block and owns a 56.25 percent interest under the PSC. The Contractors are in dispute with NNPC regarding NNPC's lifting of crude oil in excess of its entitlement under the terms of the PSC. In accordance with the terms of the PSC, the Contractors initiated arbitration in Abuja, Nigeria, under the Nigerian Arbitration and Conciliation Act. On October 24, 2011, a three-member arbitral Tribunal issued an award upholding the Contractors' position in all material respects and awarding damages to the Contractors jointly in an amount of approximately \$1.8 billion plus \$234 million in accrued interest. The Contractors petitioned a Nigerian federal court for enforcement of the award, and NNPC petitioned the same court to have the award set aside. On May 22, 2012, the court set aside the award. The Contractors have appealed that judgment. In June 2013, the Contractors filed a lawsuit against NNPC in the Nigerian federal high court in order to preserve their ability to seek enforcement of the PSC in the courts if necessary. In October 2014, the Contractors filed suit in the United States District Court for the Southern District of New York to enforce, if necessary, the arbitration award against NNPC assets residing within that jurisdiction. At this time, the net impact of this matter on the Corporation's consolidated financial results cannot be reasonably estimated. However, regardless of the outcome of enforcement proceedings, the Corporation does not expect the proceedings to have a material effect upon the Corporation's operations or financial condition.

3. Other Comprehensive Income Information

ExxonMobil Share of Accumulated Other Comprehensive Income	Cumulative Foreign Exchange Translation Adjustment	Post-retirement Benefits Reserves Adjustment	Unrealized Change in Stock Investments	Total
	<i>(millions of dollars)</i>			
Balance as of December 31, 2012	2,410	(14,594)	-	(12,184)
Current period change excluding amounts reclassified				
from accumulated other comprehensive income	(2,118)	(52)	-	(2,170)
Amounts reclassified from accumulated other comprehensive income	-	1,303	-	1,303
Total change in accumulated other comprehensive income	(2,118)	1,251	-	(867)
Balance as of September 30, 2013	292	(13,343)	-	(13,051)
Balance as of December 31, 2013	(846)	(9,879)	-	(10,725)
Current period change excluding amounts reclassified				
from accumulated other comprehensive income	(2,637)	176	(57)	(2,518)
Amounts reclassified from accumulated other comprehensive income	163	884	-	1,047
Total change in accumulated other comprehensive income	(2,474)	1,060	(57)	(1,471)
Balance as of September 30, 2014	(3,320)	(8,819)	(57)	(12,196)

Amounts Reclassified Out of Accumulated Other Comprehensive Income - Before-tax Income/(Expense)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	<i>(millions of dollars)</i>			

Foreign exchange translation gain/(loss) included in net income (Statement of Income line: Other income)	-	-	(163)	-
Amortization and settlement of postretirement benefits reserves adjustment included in net periodic benefit costs (1)	(430)	(648)	(1,315)	(1,951)

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 5 – Pension and Other Postretirement Benefits for additional details.)

Income Tax (Expense)/Credit For Components of Other Comprehensive Income	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	<i>(millions of dollars)</i>			
Foreign exchange translation adjustment	70	(16)	99	100
Postretirement benefits reserves adjustment (excluding amortization)	(138)	85	(61)	28
Amortization and settlement of postretirement benefits reserves				
adjustment included in net periodic benefit costs	(141)	(193)	(397)	(598)
Unrealized change in fair value of stock investments	11	-	30	-
Total	(198)	(124)	(329)	(470)

4. Earnings Per Share

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2014	2013	2014	2013
Earnings per common share				
Net income attributable to ExxonMobil (<i>millions of dollars</i>)	8,070	7,870	25,950	24,230
Weighted average number of common shares outstanding (<i>millions of shares</i>)	4,267	4,395	4,297	4,438
Earnings per common share (<i>dollars</i>) (1)	1.89	1.79	6.04	5.46

(1) The calculation of earnings per common share and earnings per common share – assuming dilution are the same in each period shown.

5. Pension and Other Postretirement Benefits

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2014	2013	2014	2013
<i>(millions of dollars)</i>				
Components of net benefit cost				
Pension Benefits - U.S.				
Service cost	156	206	515	581
Interest cost	202	188	605	562
Expected return on plan assets	(200)	(209)	(600)	(626)
Amortization of actuarial loss/(gain) and prior service cost	105	165	313	493
Net pension enhancement and curtailment/settlement cost	113	182	338	546
Net benefit cost	376	532	1,171	1,556
Pension Benefits - Non-U.S.				
Service cost	144	170	448	521
Interest cost	285	265	859	803
Expected return on plan assets	(300)	(278)	(899)	(841)
Amortization of actuarial loss/(gain) and prior service cost	183	239	564	724
Net pension enhancement and				

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curtailment/settlement cost	-	1	-	2
Net benefit cost	312	397	972	1,209
Other Postretirement Benefits				
Service cost	32	44	107	123
Interest cost	89	87	293	264
Expected return on plan assets	(9)	(10)	(29)	(30)
Amortization of actuarial loss/(gain) and prior				
service cost	29	61	100	186
Net benefit cost	141	182	471	543

6. Financial Instruments

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. The estimated fair value of total long-term debt, excluding capitalized lease obligations, was \$11,568 million at September 30, 2014, and \$6,787 million at December 31, 2013, as compared to recorded book values of \$11,238 million at September 30, 2014, and \$6,516 million at December 31, 2013. The increase in the estimated fair value and book value of long-term debt reflects the Corporation's issuance of \$5,500 million of long-term debt in the first quarter of 2014. The \$5,500 million of long-term debt is comprised of \$750 million of floating-rate notes due in 2017, \$500 million of floating-rate notes due in 2019, \$1,500 million of 0.921% notes due in 2017, \$1,750 million of 1.819% notes due in 2019, and \$1,000 million of 3.176% notes due in 2024.

The fair value of long-term debt by hierarchy level at September 30, 2014, is: Level 1 \$10,868 million; Level 2 \$637 million; and Level 3 \$63 million. Level 1 represents quoted prices in active markets. Level 2 includes debt whose fair value is based upon a publicly available index. Level 3 involves using internal data augmented by relevant market indicators if available.

7. Disclosures about Segments and Related Information

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	2013	2014	2013
Earnings After Income Tax					
<i>(millions of dollars)</i>					
Upstream					
	United States	1,257	1,050	3,694	3,005
	Non-U.S.	5,159	5,663	18,386	17,050
Downstream					
	United States	460	315	1,619	1,602
	Non-U.S.	564	277	929	931
Chemical					
	United States	765	680	1,972	1,947
	Non-U.S.	435	345	1,116	971
All other		(570)	(460)	(1,766)	(1,276)
Corporate total		8,070	7,870	25,950	24,230
Sales and Other Operating Revenue (1)					
Upstream					
	United States	4,133	3,416	12,780	9,516
	Non-U.S.	5,367	5,829	17,607	18,931
Downstream					
	United States	31,367	32,032	94,210	92,995
	Non-U.S.	52,580	57,179	157,044	164,066
Chemical					
	United States	3,920	3,873	11,546	11,479

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Non-U.S.	6,196	6,058	18,280	17,813
All other	3	3	17	18
Corporate total	103,566	108,390	311,484	314,818

(1) *Includes sales-based taxes*

Intersegment Revenue

Upstream				
United States	1,866	2,015	6,133	6,324
Non-U.S.	10,466	12,505	31,327	35,097
Downstream				
United States	4,390	5,056	13,446	15,312
Non-U.S.	11,086	14,099	36,485	39,263
Chemical				
United States	2,775	2,971	7,962	9,157
Non-U.S.	2,328	2,352	7,052	6,407
All other	69	66	207	204

EXXON MOBIL CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FUNCTIONAL EARNINGS SUMMARY

<u>Earnings (U.S. GAAP)</u>	Third Quarter		First Nine Months	
	2014	2013	2014	2013
	<i>(millions of dollars)</i>			
Upstream				
United States	1,257	1,050	3,694	3,005
Non-U.S.	5,159	5,663	18,386	17,050
Downstream				
United States	460	315	1,619	1,602
Non-U.S.	564	277	929	931
Chemical				
United States	765	680	1,972	1,947
Non-U.S.	435	345	1,116	971
Corporate and financing	(570)	(460)	(1,766)	(1,276)
Net Income attributable to ExxonMobil (U.S. GAAP)	8,070	7,870	25,950	24,230
Earnings per common share <i>(dollars)</i>	1.89	1.79	6.04	5.46
Earnings per common share - assuming dilution <i>(dollars)</i>	1.89	1.79	6.04	5.46

References in this discussion to corporate earnings mean net income attributable to ExxonMobil (U.S. GAAP) from the consolidated income statement. Unless otherwise indicated, references to earnings, Upstream, Downstream, Chemical and Corporate and Financing segment earnings, and earnings per share are ExxonMobil's share after excluding amounts attributable to noncontrolling interests.

REVIEW OF THIRD QUARTER 2014 RESULTS

Earnings in the period rose 3 percent from the third quarter of 2013, driven by higher margins and improved operations in the Downstream and Chemical businesses, partially offset by the impact of lower Upstream realizations.

ExxonMobil's quarterly results demonstrate the strength of our integrated business model. Integration across Upstream, Downstream and Chemical gives us competitive advantages in scale, efficiency, technical and commercial capabilities, regardless of market fluctuations over the business cycle.

Earnings of \$25,950 million in the first nine months of 2014 increased \$1,720 million from 2013.

Earnings per share – assuming dilution for the first nine months of 2014 increased 11 percent to \$6.04.

Capital and exploration expenditures for the first nine months of 2014 were \$28.1 billion, down 14 percent from 2013.

Through the first nine months of 2014, the Corporation distributed \$17.6 billion to shareholders through dividends and share purchases to reduce shares outstanding.

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
	<i>(millions of dollars)</i>			
<u>Upstream earnings</u>				
United States	1,257	1,050	3,694	3,005
Non-U.S.	5,159	5,663	18,386	17,050
Total	6,416	6,713	22,080	20,055

Upstream earnings were \$6,416 million in the third quarter of 2014, down \$297 million from the third quarter of 2013. Lower realizations decreased earnings by \$670 million. Favorable volume mix effects increased earnings by \$340 million. All other items increased earnings by \$30 million.

On an oil equivalent basis, production decreased 4.7 percent from the third quarter of 2013. Excluding the impact of the expiry of the Abu Dhabi onshore concession, production decreased 1 percent, with liquids up 0.6 percent and gas down 2.9 percent.

Liquids production totaled 2,065 kbd (thousands of barrels per day), down 134 kbd from the third quarter of 2013. The Abu Dhabi onshore concession expiry reduced volumes by 148 kbd. Excluding this impact, liquids production was up slightly as project ramp up and work programs more than offset field decline, divestment impacts and higher downtime.

Third quarter natural gas production was 10,595 mcf (millions of cubic feet per day), down 319 mcf from 2013. Field decline and lower entitlement volumes were partly offset by new production from Papua New Guinea and work programs.

Earnings from U.S. Upstream operations were \$1,257 million, \$207 million higher than the third quarter of 2013. Non U.S. Upstream earnings were \$5,159 million, down \$504 million from the prior year.

Upstream earnings in the first nine months of 2014 were \$22,080 million, up \$2,025 million from 2013. Lower prices and volumes were more than offset by favorable mix effects, increasing earnings by a net \$470 million. All other items, primarily asset sales, increased earnings by \$1.6 billion.

On an oil equivalent basis, production was down 5.3 percent compared to the same period in 2013. Excluding the impact of the expiry of the Abu Dhabi onshore concession, production decreased 2 percent.

Liquids production of 2,087 kbd decreased 105 kbd compared to 2013. The Abu Dhabi onshore concession expiry reduced volumes by 137 kbd. Excluding this impact, liquids production was up 1.5 percent, driven by project ramp up and work programs.

Natural gas production of 11,115 mcf/d decreased 703 mcf/d from 2013, as expected U.S. field decline and lower European demand were partially offset by project ramp up and work programs.

Earnings from U.S. Upstream operations were \$3,694 million, up \$689 million from 2013. Non U.S. Upstream earnings were \$18,386 million, up \$1,336 million from the prior year.

		Third Quarter	First Nine Months		
<u>Upstream additional information</u>		(thousands of barrels daily)			
Volumes reconciliation (Oil-equivalent production)(1)					
2013		4,018		4,162	
	Entitlements - Net interom" WIDTH="1%">	September 30,	September 30,	September 30,	September 30,
		Loans and receivables	Financial assets at FVTPL	Derivative designated as cash flow hedges (carried at fair value)	Available for sale
Cash and cash equivalents		\$ 27,090	\$	\$	\$
Bank deposits and marketable securities		12			
Trade receivables		78,586			
Unbilled revenue		30,837			
Prepayments and other assets ⁽¹⁾		2,610			
Investments					2
Other non-current assets ⁽²⁾		7,060			
Derivative assets			8,409	5,055	
Total carrying value		\$ 146,195	\$ 8,409	\$ 5,055	\$ 2
Total fair value		\$ 145,050	\$ 8,409	\$ 5,055	\$ 2

Financial liabilities

	September 30,	September 30,	September 30,	September 30,
	Financial liabilities at FVTPL	Derivative designated as cash flow hedges (carried at fair value)	Financial liabilities at amortized cost	Total carrying value
Trade payables	\$	\$	\$ 43,748	\$ 43,748
Long term debt			92,281	92,281
Short term line of credit			14,593	14,593
Pension and other employee obligations ⁽³⁾			26,132	26,132
Provision and accrued expenses ⁽⁴⁾			31,421	31,421
Other liabilities ⁽⁵⁾	1,767		1,125	2,892

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Derivative liabilities	5,410	4,984	10,394	
Total carrying value	\$ 7,177	\$ 4,984	\$ 209,300	\$ 221,461
Total fair value	\$ 7,177	\$ 4,984	\$ 208,747	\$ 220,908

Notes:

1. Excluding non-financial assets \$13,837.
2. Excluding non-financial assets \$980.
3. Excluding non-financial liabilities \$9,382.
4. Excluding non-financial liabilities \$1,512
5. Excluding non-financial liabilities \$1,234.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****Fair value hierarchy**

The following is the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The assets and liabilities measured at fair value on a recurring basis are summarized below as on December 31, 2011:-

Description	September 30,	September 30,	September 30,	September 30,
	December 31, 2011	Fair value measurement at reporting date using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
<i>Financial assets at FVTPL</i>				
Foreign exchange contracts	\$ 324	\$	\$ 324	\$
Investments in liquid and short term mutual funds	11,402	11,402		
<i>Financial assets at fair value through other comprehensive income</i>				
Foreign exchange contracts	4,108		4,108	
Investments in liquid and short term mutual funds				
Total assets	\$ 15,834	\$ 11,402	\$ 4,432	\$
Liabilities				
<i>Financial liabilities at FVTPL</i>				
Foreign exchange contracts	\$ 5,155	\$	\$ 5,155	\$
<i>Financial liabilities at fair value through other comprehensive income</i>				
Foreign exchange contracts	17,209		17,209	
Interest rate swaps	442		442	

Total liabilities	\$	22,806	\$	\$	22,806	\$
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Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)**

The assets and liabilities measured at fair value on a recurring basis are summarized below as on March 31, 2011:-

Description	September 30, March 31, 2011	September 30, Fair value measurement at reporting date using Quoted prices in active markets for identical assets (Level 1)	September 30, Fair value measurement at reporting date using Significant other observable inputs (Level 2)	September 30, Fair value measurement at reporting date using Significant unobservable inputs (Level 3)
Assets				
<i>Financial assets at FVTPL</i>				
Foreign exchange contracts	\$ 8,409	\$	\$ 8,409	\$
Investments in liquid and short term mutual funds				
<i>Financial assets at fair value through other comprehensive income</i>				
Foreign exchange contracts	5,055		5,055	
Total assets	\$ 13,464	\$	\$ 13,464	\$
Liabilities				
<i>Financial liabilities at FVTPL</i>				
Foreign exchange contracts	\$ 5,410	\$	\$ 5,410	\$
Investments in liquid and short term mutual funds				
<i>Financial liabilities at fair value through other comprehensive income</i>				
Foreign exchange contracts	3,083		3,083	
Interest rate swaps	1,901		1,901	
Total liabilities	\$ 10,394	\$	\$ 10,394	\$

The fair value is estimated using the discounted cash flow approach and market rates of interest. The valuation technique involves assumption and judgments regarding risk characteristics of the instruments, discount rates, future cash flows and other factors. During the nine months ended December 31, 2011 and year ended March 31, 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****Derivative financial instruments**

The primary risks managed by using derivative instruments are foreign currency exchange risk and interest rate risk. Forward and option contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenue denominated in foreign currencies and monetary assets and liabilities held in non-functional currencies. Interest rate swaps are entered into to manage interest rate risk associated with the Company's floating rate borrowings. The Company's primary exchange rate exposure is with the US dollars, pound sterling and the Indian rupee. For derivative instruments which qualify for cash flow hedge accounting, the Company records the effective portion of gain or loss from changes in the fair value of the derivative instruments in other comprehensive income (loss), which is reclassified into earnings in the same period during which the hedged item affects earnings. Derivative instruments qualify for hedge accounting when the instrument is designated as a hedge; the hedged item is specifically identifiable and exposes the Company to risk; and it is expected that a change in fair value of the derivative instrument and an opposite change in the fair value of the hedged item will have a high degree of correlation. Determining the high degree of correlation between the change in fair value of the hedged item and the derivative instruments involves significant judgment including the probability of the occurrence of the forecasted transaction. When it is probable that a forecasted transaction will not occur, the Company discontinues the hedge accounting and recognizes immediately in the statement of income, the gains and losses attributable to such derivative instrument that were accumulated in other comprehensive income (loss).

As at December 31, 2011, an unrealized loss of \$12,334 on derivative instruments included in other comprehensive income is expected to be reclassified to earnings during the next 12 months (unrealized gain of \$5,091 as at March 31, 2011).

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

	September 30, December 31, 2011	September 30, March 31, 2011
Forward contracts (Sell)		
In US dollars	\$ 183,338	\$ 175,494
In United Kingdom Pound Sterling	98,041	83,907
In Euro	8,870	5,394
Other	11,240	8,705
	\$ 301,489	\$ 273,500
Option contracts (Sell)		
In US dollars	\$ 124,793	\$ 126,597
In United Kingdom Pound Sterling	123,529	114,535
In Euro	11,055	4,760
Other	4,394	4,120
	\$ 263,771	\$ 250,012

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, interest risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The demographics of the customer including the default risk of the industry and country in which the customer operates also has an influence on credit risk assessment.

Risk management procedures

The Company manages market risk through treasury operations. Senior management and Board of Directors approve the Company's treasury operations' objectives and policies. The activities of treasury operations include management of cash resources, implementation of hedging strategies for foreign currency exposures, implementation of borrowing strategies and monitoring compliance with market risk limits and policies. The Company's foreign exchange committee, comprising the Chairman of the Board, Group Chief Executive Officer and Group Chief Financial Officer, is the approving authority for all hedging transactions.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****Components of market risk****Exchange rate risk:**

The Company's exposure to market risk arises principally from exchange rate risk. Although substantially all of revenue is denominated in pound sterling and US dollars, a significant portion of expenses for the nine months ended December 31, 2011 (net of payments to repair centers made as part of the Company's WNS Auto Claims BPO segment) were incurred and paid in Indian rupees. The exchange rates among the Indian rupee, the pound sterling and the US dollar have changed substantially in recent years and may fluctuate substantially in the future. The Company hedges a portion of forecasted external and inter-company revenue denominated in foreign currencies with forward contracts and options. The Company does not enter into hedging agreements for speculative purposes and does not anticipate non-performance by the counterparties.

Based upon the Company's level of operations for the nine months ended December 31, 2011, a sensitivity analysis shows that a 10% appreciation in the pound sterling against the US dollar would have increased revenue for the nine months ended December 31, 2011 by approximately \$26,882. Similarly, a 10% appreciation or depreciation in the Indian rupee against the US dollar would have increased or decreased, respectively, the Company's expenses incurred and paid in Indian rupee for the nine months ended December 31, 2011 by approximately \$18,238.

The following table presents foreign currency risk from non-derivative financial instruments as at December 31, 2011:

	September 30, US Dollar	September 30, Pound Sterling	September 30, As at December 31, 2011 Indian Rupees	September 30, Euro	September 30, Other Currencies	September 30, Total
Cash and cash equivalents	\$ 9,355	\$ 984	\$	\$ 189	\$ 834	\$ 11,362
Trade receivables	944,577	609,315	2,808	51,412	4,698	1,612,810
Unbilled revenue	1,518	2,812		1,991	657	6,978
Prepayments and other current assets	405	301	16	42	491	1,255
Other non-current assets	(4)	60			1	57
Trade payables	(773,908)	(480,095)	(3,849)	(36,124)	(2,183)	(1,296,159)
Provisions	(3,061)	(165)	(96)	(362)	(65)	(3,749)
Pension and other employee obligations	59	(13)		(17)	(29)	
Short term line of credit	(19,737)	(14,362)				(34,099)
Current portion of long term debt	(1,067)					(1,067)
Long term debt	(2,133)					(2,133)
Other liabilities	(13)	2			(2)	(13)
Net assets (liabilities)	\$ 155,991	\$ 118,839	\$ (1,121)	\$ 17,131	\$ 4,402	\$ 295,242

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)**

The following table presents foreign currency risk from non-derivative financial instruments as at March 31, 2011:

	September 30, US Dollar	September 30, Pound Sterling	September 30, As at March 31, 2011 Indian Rupees	September 30, Euro	September 30, Other Currencies	September 30, Total
Cash and cash equivalents	\$ 2,826	\$ 752	\$	\$ 125	\$ 748	\$ 4,451
Trade receivables	886,579	615,282	736	59,041	2,175	1,563,813
Unbilled revenue	1,722	1,925		2,406	127	6,180
Prepayments and other current assets	306	505	16	138	38	1,003
Non-current assets	15	62				77
Trade payables	(807,048)	(480,835)	(3,737)	(38,952)	(527)	(1,331,099)
Provisions	(2,332)	(110)	(112)	(48)	(122)	(2,724)
Pension and other employee obligations	(22)	(15)		(41)	(54)	(132)
Short term line of credit	(5,000)					(5,000)
Long term debt	(3,200)					(3,200)
Other liabilities	(14)	(561)		(1)		(575)
Net assets (liabilities)	\$ 73,832	\$ 137,005	\$ (3,097)	\$ 22,669	\$ 2,385	\$ 232,794

Other currencies reflect currencies such as Philippines Peso (PHP), Sri Lankan Rupee (LKR), Romanian Leu (RON) etc.

As at December 31, 2011 and March 31, 2011, every 5% increase/decrease of the respective foreign currencies compared to the functional currency of the Company would impact our results from operating activities by approximately \$14,762 and \$11,640, respectively.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****Interest risk:**

The Company's exposure to interest rate risk arises principally from borrowings which have a floating rate of interest, a portion of which is linked to the US dollar LIBOR and the remainder is linked to the Bank of England base rate. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. The costs of floating rate borrowings may be affected by the fluctuations in the interest rates. In connection with the term loan facility entered into in 2008, which was refinanced in 2010, the Company entered into interest rate swap agreements with banks in fiscal 2009. These swap agreements effectively converted the term loan from a variable US dollar LIBOR interest rate to a fixed rate, thereby managing the Company's exposure to changes in market interest rates under the term loan. The outstanding swap agreements as at December 31, 2011 aggregated \$54,000. Following the scheduled repayment installment of \$30,000 made under the term loan facility on January 10, 2012, the amount outstanding under the swap agreements aggregated \$24,000.

The Company monitors positions and does not anticipate non-performance by the counterparties. It intends to selectively use interest rate swaps, options and other derivative instruments to manage exposure to interest rate movements. These exposures are reviewed by appropriate levels of management on a periodic basis. The Company does not enter into hedging agreements for speculative purposes.

Credit risk:

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in the United Kingdom and the United States. Credit risk is managed through periodical assessment of the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable.

The following table gives details in respect of percentage of revenue generated from top customer and top five customers:

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Revenue from top customer	17.0%	15.8%	17.3%	16.4%
Revenue from top five customers	44.3%	54.3%	41.8%	54.0%
Financial assets that are neither past due nor impaired				

Cash equivalents, bank deposits and marketable securities, unbilled revenue and other assets, are neither past due and nor impaired except trade receivables as described below.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****Financial assets that are past due but not impaired**

There is no other class of financial assets that is past due but not impaired except for trade receivables. The Company's credit period generally ranges from 30- 60 days. The age wise break up of trade receivables, net of allowances that are past due beyond credit period, is given below:

	September 30, December 31, 2011	As at September 30, March 31, 2011
Neither past due nor impaired	\$ 52,778	\$ 44,323
Past due but not impaired Past due 0-30 days	6,751	9,362
Past due 31-60 days	2,119	1,580
Past due 61-90 days	688	4,934
Past due over 90 days	9,701	22,784
Total	\$ 72,037	\$ 82,983
Allowances for doubtful account receivables	\$ (5,038)	\$ (4,397)
Trade receivables net of allowances for doubtful account receivables	\$ 66,999	\$ 78,586

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses and service financial obligations. In addition, the Company has concluded arrangements with well reputed banks and has unused lines of credit that could be drawn upon should there be a need.

On July 12, 2010 the Company entered into a term loan facility of \$94,000 in Mauritius with interest equal to the three month US dollar LIBOR plus a margin of 2% per annum. This term loan was repayable in semi-annual installments of \$20,000 on each of January 10, 2011 and July 11, 2011 and \$30,000 on January 10, 2012 with the final installment of \$24,000 payable on July 10, 2012. On January 10, 2011, July 11, 2011 and January 10, 2012, the Company made scheduled installment repayments of \$20,000, \$20,000 and \$30,000, respectively, following which the amount outstanding under the facility is \$24,000.

The Company has also established a £19,760 (\$30, 516 based on the exchange rate on December 31, 2011) line of credit in UK pursuant to a facility agreement dated June 30, 2010. This facility consists of a two year term loan facility of £9,880 (\$15,258 based on the exchange rate on December 31, 2011) at the Bank of England base rate plus a margin of 1.95% per annum and a working capital facility of £9,880 (\$15,258 based on the exchange rate on December 31, 2011) at the Bank of England base rate plus a margin of 2.45% per annum which has been renewed on June 30, 2011. As at December 31, 2011, the amount outstanding under the term loan facility was £9,880 (\$15,258 based on the exchange rate on December 31, 2011) and there was no amount outstanding under the working capital facility.

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The Company has also established a \$3,200 line of credit in the Philippines pursuant to a facility agreement dated September 8, 2010. This facility consists of a three year term loan facility at the three-month US dollar LIBOR plus a margin of 3% per annum. As at December 31, 2011, the amount outstanding under the facility was \$3,200.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)**

The Company's Indian subsidiary, WNS Global, has set up unsecured lines of credit of 960,000 (\$18,093 based on the exchange rate on December 31, 2011) from The Hongkong and Shanghai Banking Corporation Limited, \$15,000 from BNP Paribas and 480,000 (\$9,057 based on the exchange rate on December 20, 2011) from Citibank N.A, interest on which would be determined on the date of the borrowing. As at December 31, 2011, 566,681 (\$10,680 based on the exchange rate on December 31, 2011) was utilized for working capital requirement, 11,482 (\$216 based on the exchange rate on December 31, 2011) was utilized for obtaining bank guarantees and 13,500 (\$254 based on the exchange rate on December 31, 2011) was utilized for obtaining letters of credit from the line of credit available with The Hongkong and Shanghai Banking Corporation Limited, and \$14,362 (based on the exchange rate on December 31, 2011) and \$9,057 was utilized for working capital requirements from the lines of credit available with BNP Paribas and Citibank N.A. respectively.

The following table provides the details regarding the contractual maturities of significant financial liabilities.

	September 30, Less than 1 Year	September 30, 1-2 years	September 30, 2-4 years As at December 31, 2011	September 30, 4-7 years	September 30, Total
Long term debt ⁽¹⁾	\$ 70,324	\$ 2,133	\$	\$	\$ 72,457
Trade Payables	35,758				35,758
Short term line of credit	34,099				34,099
Provision and accrued expenses	34,886				34,886
Other liabilities	907				907
Pension and other employee obligations	22,172				22,172
Derivative financial instruments	20,601	2,205			22,806
Total	\$ 218,747	\$ 4,338	\$	\$	\$ 223,085

Note:

1) Before netting off debt issuance cost of \$225.

	September 30, Less than 1 Year	September 30, 1-2 years	September 30, 2-4 years As at March 31, 2011	September 30, 4-7 years	September 30, Total
Long term debt ⁽¹⁾	\$ 50,000	\$ 42,028	\$ 1,067	\$	\$ 93,095
Trade Payables	43,748				43,748
Short term line of credit	14,593				14,593
Provision and accrued expenses	31,421				31,421
Other liabilities	2,892				2,892
Pension and other employee obligations	26,132				26,132
Derivative financial instruments	9,963	431			10,394

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Total	\$	178,749	\$	42,459	\$	1,067	\$	222,275
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Note:

1) Before netting off debt issuance cost of \$814.

The balanced view of liquidity and financial indebtedness is stated in the table below. This calculation of the net cash position is used by the management for external communication with investors, analysts and rating agencies:

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Cash and cash equivalents	\$ 23,327	\$ 27,090	\$ 32,311
Bank deposits and marketable securities	11,402	12	45
Short term line of credit	(34,099)	(14,593)	
Long term debt ⁽¹⁾	(72,457)	(93,095)	(135,000)
Net cash position	\$ (71,827)	\$ 80,586	\$ (102,644)

Note:

1) Before netting off debt issuance costs of \$225, \$814 and \$775 as at December 31, 2011, March 31, 2011 and April 1, 2010, respectively.

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

11. Employee benefits

Pension and other employee obligations includes the following:

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Current:			
Salaries and bonus	\$ 22,130	\$ 26,004	\$ 27,308
Pension	1,344	1,365	923
Withholding taxes on salary and statutory payables	2,520	3,532	2,792
Other employees payable	42	128	
Total	\$ 26,036	\$ 31,029	\$ 31,023
Non-current:			
Pension	\$ 4,276	\$ 4,485	\$ 4,286

Employee costs include:

	September 30, Three months ended December 31, 2011	September 30, 2010	September 30, Nine months ended December 31, 2011	September 30, 2010
Salaries and bonus	\$ 48,110	\$ 46,151	\$ 152,798	\$ 138,622
Employee benefit plans				
Defined contribution plan	1,547	1,655	4,970	5,082
Defined benefit plan	450	507	1,447	1,486
Share based compensation	1,090	1,088	3,616	1,727
Total	\$ 51,197	\$ 49,401	\$ 162,831	\$ 146,917

The employee benefit cost is recognized in the following line items in the statement of income:

September 30, Three months ended December 31,	September 30, Nine months ended December 31,
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	2011	2010	2011	2010
Cost of revenue	\$ 38,155	\$ 37,929	\$ 120,849	\$ 114,380
Selling and marketing expenses	4,797	4,455	14,955	12,740
General and administrative expenses	8,245	7,017	27,027	19,797
Total	\$ 51,197	\$ 49,401	\$ 162,831	\$ 146,917

Defined contribution plan

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

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
India	\$ 1,205	\$ 1,330	\$ 3,900	\$ 3,998
Philippines	9	9	28	28
Sri Lanka	60	81	220	247
United Kingdom	212	177	608	575
United States	61	58	214	234
Total	\$ 1,547	\$ 1,655	\$ 4,970	\$ 5,082

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

	September 30, Three months ended December 31,		September 30, Three months ended December 31,		September 30, Nine months ended December 31,		September 30, Nine months ended December 31,	
	2011		2010		2011		2010	
Service cost	\$	339	\$	400	\$	1,088	\$	1,172
Interest cost		111		107		359		314
Net gratuity cost	\$	450	\$	507	\$	1,447	\$	1,486

	September 30, December 2011		September 30, As at March 2011	
Change in projected benefit obligations				
Obligation at beginning of the year	\$	5,964	\$	5,405
Foreign currency translation		(897)		75
Service cost		1,088		1,539
Interest cost		359		418
Benefits paid		(780)		(780)
Plan Amendments				
Actuarial (gain) loss		(2)		(692)
Benefit obligation at end of the year	\$	5,732	\$	5,965
Change in plan assets				
Plan assets at beginning of the year	\$	115	\$	232
Foreign currency translation		(12)		
Actuarial (gain) loss		33		(9)
Actual contributions		692		673
Benefits paid		(780)		(781)
Plan assets at end of the year	\$	48	\$	115
Accrued pension liability				
Current	\$	1,403	\$	1,364
Non-current		4,277		4,485

Net amount recognized	\$	5,680	\$	5,849
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The assumptions used in accounting for the gratuity plan are set out as below:

	September 30, As at December 31, 2011	September 30, 2010
Discount rate	6% to 9%	7% to 9%
Rate or increase in compensation level	8% to 10%	8% to 10%
Rate of return on plan assets	7.50%	7.50%

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 to reflect the additional risk for high quality corporate bonds.

As at December 31, 2011, \$nil and \$48 (\$35 and \$80, respectively, as at March 31, 2011) of the fund assets are invested with LIC and AICPL, respectively. Of the funds invested with LIC, approximately 40% and 60% of the funds are invested in government securities and money market instruments, respectively. Of the funds invested with ALICPL, approximately 9%, 19%, 10% and 62% are invested in cash and money market instruments, equity, government securities and corporate bonds, respectively. Since the Company's plan assets are managed by third party fund administrators, the contributions made by the Company are pooled with the corpus of the funds managed by such fund administrators and invested in accordance with the regulatory guidelines.

The expected benefits are based on the same assumptions used to measure the Company's benefit obligations as at December 31, 2011.

	September 30, December 2011	September 30, As at, March 2011
Obligation at end of the year	\$ 5,732	\$ 5,964
Fair value of plan assets at end of the year	48	115
Deficit	(5,680)	(5,849)
Experience adjustments on plan liabilities	73	(315)
Experience adjustments on plan assets	29	(9)

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Provisions and accrued expenses consist of the following:

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Provisions	\$ 534	\$ 1,512	\$ 874
Accrued expenses	34,886	31,421	42,516
Total	\$ 35,420	\$ 32,933	\$ 43,390

A summary of activity for provision is as follows:-

	September 30, December 31, 2011	September 30, As at March 31, 2011
Balance at the beginning of the year	\$ 1,512	\$ 874
Additional provision	575	1,477
Provision used	1,411	859
Translation adjustments	(142)	20
Balance at the end of the period	\$ 534	\$ 1,512

13. Deferred revenue

Deferred revenue comprises of:

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Payments in advance of services	\$ 3,030	\$ 4,356	\$ 5,234
Advance billings	5,388	6,546	1,615
Claims handling	1,013	1,399	862
Others	280	637	695

Total	\$	9,711	\$	12,938	\$	8,406
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14. Other liabilities

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Current:			
Withholding taxes and VAT payables	\$ 2,452	\$ 1,005	\$ 2,728
Noncontrolling interest		1,767	1,676
Deferred rent expenses	345	229	
Other liabilities	907	1,125	4,341
Total	\$ 3,704	\$ 4,126	\$ 8,745
Non-current:			
Deferred rent expenses	\$ 2,335	\$ 2,851	\$ 3,071
Other liabilities		127	656
Total	\$ 2,335	\$ 2,978	\$ 3,727

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NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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15. Share capital

As at December 31, 2011, the authorized share capital was £6,100,000 divided into 60,000,000 ordinary shares of 10 pence each and 1,000,000 preferred shares of 10 pence each. We had 44,665,791 ordinary shares outstanding as at December 31, 2011. There were no preferred shares outstanding as at December 31, 2011.

As at March 31, 2011, the authorized share capital was £5,100,000 divided into 50,000,000 ordinary shares of 10 pence each and 1,000,000 preferred shares of 10 pence each. We had 44,443,726 ordinary shares outstanding as at March 31, 2011. There were no preferred shares outstanding as at March 31, 2011.

As at April 1, 2010, the authorized share capital was £5,100,000 divided into 50,000,000 ordinary shares of 10 pence each and 1,000,000 preferred shares of 10 pence each. We had 43,743,953 ordinary shares outstanding as at April 1, 2010. There were no preferred shares outstanding as at April 1, 2010.

16. Revenue recognition

In Auto Claims BPO, the Company has been re-negotiating contractual terms with insurance companies and the repair centers as and when they come up for renewal. The Company has renewed its contract with one of its customers and negotiated a new contract with a repair center in April 2011. In May 2011, the Company has further negotiated a new contract with a repair center, which is appended as part of the main revenue contract with two other insurance customers.

The key changes to the Principal Agent Consideration are summarized below:

- a) The primary responsibility of the repair work has now shifted from the Company to the repair center.
- b) The credit risk that the client may not pay for the services is no longer borne by the Company.
- c) The true economic benefit which the Company earns in the process is the claims handling fee with the repairs cost being a pass through from the insurance company to the repair center without any significant risk and reward involved on the Company's part. The Company has evaluated the principal or agent recognition criteria as per IAS 18. Based on the evaluation of the terms of the contracts with these repair centers and arrangements with these insurance companies, the Company has concluded that it is not the principal in providing claims handling services and hence it would be appropriate to record revenue from repair services on a net basis i.e. net of repair cost.

Accordingly, the revenues from three of the Company's clients in Auto Claims BPO have been recorded net of repair cost during the nine months period ended December 31, 2011. The change in revenue accounting for one of its clients is effective from April 2011 and the balance two clients is effective from May 2011.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****17. Expenses by nature**

	September 30, Three months ended December 31,		September 30, Nine months ended December 31,	
	2011	2010	2011	2010
Employee cost	\$ 51,197	\$ 49,401	\$ 162,831	\$ 146,917
Repair payments	20,022	59,974	65,554	181,679
Facilities cost	14,215	14,347	43,008	42,809
Depreciation cost	3,965	4,294	12,160	13,521
Legal and professional expenses	2,847	3,899	10,290	12,511
Travel expenses	3,051	3,449	10,497	9,272
Other cost	5,768	5,871	16,850	16,194
Total cost of revenue, selling and marketing and general and administrative expenses	\$ 101,065	\$ 141,235	\$ 321,190	\$ 422,903

18. Share-based payments

The Company has two share-based incentive plans, the 2002 Stock Incentive Plan adopted on July 1, 2002 and the 2006 Incentive Award Plan adopted on June 1, 2006, as amended and restated in February 2009 and September 2011 (collectively referred to as the Plans). Under the Plans, share based awards may be granted to eligible participants. Awards are generally granted for a term of ten years and have a graded vesting period of up to four years. The Company settles employee share-based award exercises with newly issued ordinary shares. As at December 31, 2011, the Company had 524,031 ordinary shares available for future grants.

Share-based compensation expense during the three and nine months ended December 31, 2011 and 2010 are as follows:

	September 30, Three months ended December 31,		September 30, Nine months ended December 31,	
	2011	2010	2011	2010
Share-based compensation expense recorded in				
Cost of revenue	\$ 202	\$ 214	\$ 712	\$ 341
Selling and marketing expenses	37	71	258	109
General and administrative expenses	851	803	2,646	1,277
Total share-based compensation expense	\$ 1,090	\$ 1,088	\$ 3,616	\$ 1,727

Upon exercise of share options and RSUs, the Company issued 62,272 and 83,159 shares, respectively, for the three months ended December 31, 2011 and 2010 and 222,065 and 669,165 shares, respectively, for the nine months ended December 31, 2011 and 2010.

Share-based options

A summary of option activity under the Plans as at December 31, 2011, and changes during the nine months then ended is presented below:

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	September 30, Shares	September 30, Weighted average exercise price	September 30, Weighted average remaining contract term (in years)	September 30, Aggregate intrinsic value
Outstanding as at April 1, 2011	1,015,250	\$ 19.84	5.24	\$ 796
Granted				
Exercised	(30,391)	4.92		
Forfeited				
Lapsed	(9,344)	12.25		
Outstanding as at December 31, 2011	975,515	\$ 20.38	4.54	\$ 623
Options vested	975,515	\$ 20.38	4.54	\$ 623
Options exercisable	975,515	\$ 20.38	4.54	\$ 623

The aggregate intrinsic value of options exercised during the nine months ended December 31, 2011 and 2010 was \$178 and \$662, respectively. The total grant date fair value of options vested during the nine months ended December 31, 2011 and 2010 was \$nil and \$300, respectively. Total cash received as a result of option exercises during the nine months ended December 31, 2011 and 2010 was \$131 and \$767, respectively.

The fair value of options granted is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. No options were granted during the nine months ended December 31, 2011 and 2010.

The expected term of options is based on the historic exercise pattern of the Company's employees. The volatility was calculated based on the volatility of the Company's share price. The risk free rate is based on the United States Federal Reserve rates. Forfeitures are estimated based on the Company's historical analysis of actual stock option forfeitures. The Company does not currently pay cash dividends on its ordinary shares and does not anticipate doing so in the foreseeable future. Accordingly, the expected dividend yield is zero.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)*****Restricted Share Units***

The 2006 Incentive Award Plan also allows for grant of RSUs. Each RSU represents the right to receive one ordinary share and vests over a period of up to three years.

A summary of RSU activity under the 2006 Incentive Award Plan as at December 31, 2011, and changes during the nine months then ended is presented below:

	September 30, Shares	September 30, Weighted average fair value	September 30, Weighted average remaining contract term (in years)	September 30, Aggregate intrinsic value
Outstanding as at April 1, 2011	1,338,225	\$ 12.46	8.37	\$ 14,118
Granted	308,287	10.05		
Exercised	(191,434)	14.77		
Forfeited	(89,440)	9.41		
Lapsed				
Outstanding as at December 31, 2011	1,365,638	\$ 11.79	8.07	\$ 12,263
RSUs vested and expected to vest	1,155,897	\$ 11.79	8.07	\$ 10,801
RSUs exercisable	429,710	\$ 13.76	7.14	\$ 3,859

The fair value of RSUs is generally the market price of the Company's shares on the date of grant. Accordingly, the fair value of such RSUs was estimated on the date of grant using the Black-Scholes -Merton option pricing model. The following table presents the weighted average assumptions for estimating the fair value of RSUs granted to employees. The basis of these assumptions is similar to the basis of assumptions used for estimating the fair value of options.

	September 30, Nine months ended December 31, 2011
Expected life	2.0 years
Risk free interest rates	0.8%
Volatility	52.2%
Dividend yield	0.0%

As at December 31, 2011, there was \$3,452 of unrecognized compensation cost related to unvested RSUs. This amount is expected to be recognized over a weighted average period of 2 years. To the extent the actual forfeiture rate is different than what the Company has anticipated,

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share based compensation related to these RSUs will be different from the Company's expectations.

The weighted average grant date fair value of RSUs granted during the nine months ended December 31, 2011 and 2010 was \$10.05 and \$9.16 per ADS, respectively. The aggregate intrinsic value of RSUs exercised during the nine months ended December 31, 2011 and 2010 was \$2,019 and \$5,645, respectively. The total grant date fair value of RSUs vested during the nine months ended December 31, 2011 and 2010 was \$4,218 and \$6,365, respectively.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****Performance share units**

The 2006 Incentive Award Plan also allows for grant of performance share units (PSUs). Each PSU represents the right to receive one ordinary share based on the Company's performance against specified targets and vests over a period of up to four years.

A summary of PSU activity under the 2006 Incentive Award Plan as at December 31, 2011, and changes during the nine months then ended is presented below:

	September 30, Shares	September 30, Weighted average fair value	September 30, Weighted average remaining contract term (in years)	September 30, Aggregate intrinsic value
Outstanding as at April 1, 2011	285,159	\$ 9.00	9.42	\$ 3,008
Granted	756,906	10.88		
Vested/exercised				
Forfeited	(51,000)	9.38		
Lapsed				
Outstanding as at December 31, 2011	991,065	\$ 10.41	9.40	\$ 8,900
PSUs expected to vest	768,967	\$ 10.41	9.40	\$ 6,905
PSUs exercisable		\$		\$

The fair value of PSUs is generally the market price of the Company's shares on the date of grant, and assumes that performance targets will be achieved. The fair value of PSUs was estimated on the date of grant using the Black-Scholes -Merton option pricing model. The following table presents the weighted average assumptions for estimating the fair value of PSUs granted to employees. The basis of these assumptions is similar to the basis of assumptions used for estimating the fair value of options.

	September 30, Nine months ended December 31, 2011
Expected life	1.3 years
Risk free interest rates	0.3%
Volatility	40.0%
Dividend yield	0.0%

As at December 31, 2011, there was \$4,629 of unrecognized compensation cost related to unvested PSUs, net of forfeitures. This amount is expected to be recognized over a weighted average period of 2.4 years. Over the performance period, the number of shares that will be issued will be adjusted upward or downward based upon the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized as expense will be based on a comparison of the final performance metrics to the specified

targets.

The weighted average grant date fair value of PSUs granted during the nine months ended December 31, 2011 and 2010 was \$10.88 and \$8.97 respectively per ADS. Nil PSUs vested during the years ended December 31, 2011 and 2010.

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19. Income taxes

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

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Domestic	\$ (1,102)	\$ 1,379	\$ (2,695)	\$ 774
Foreign	8,389	7,351	19,202	10,430
Profit before income taxes	\$ 7,287	\$ 8,730	\$ 16,507	\$ 11,204

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

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Current taxes				
Domestic taxes	\$	\$	\$	\$
Foreign taxes	6,565	3,397	18,484	9,710
	\$ 6,565	\$ 3,397	\$ 18,484	\$ 9,710
Deferred taxes				
Domestic taxes	\$	\$	\$	\$
Foreign taxes	(3,324)	(3,631)	(10,110)	(7,620)
	\$ (3,324)	\$ (3,631)	\$ (10,110)	\$ (7,620)
	\$ 3,241	\$ (234)	\$ 8,374	\$ 2,090

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

The Company has 13 delivery centers in India which were eligible to claim income-tax exemption with respect to profits earned from export revenue from operating units registered under the Software Technology Parks of India (STPI) which expired on April 1, 2011. The Company has a delivery center located in Gurgaon, India registered under the Special Economic Zone (SEZ) scheme and eligible for 100% income tax exemption until fiscal 2012, and 50% income tax exemption from fiscal 2013 till fiscal 2022. During fiscal 2012, the Company has also started its operations in delivery centers in Pune & Navi Mumbai, India registered under the SEZ scheme and eligible for 100% income tax exemption

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until fiscal 2016 and 50% income tax exemption from fiscal 2017 till fiscal 2026. The Government of India pursuant to the Indian Finance Act, 2011 has levied minimum alternate tax (MAT) on the profits earned by the SEZ units at the rate of 20.01%. The Company's operations in Costa Rica and Philippines are also eligible for tax exemptions which expire in fiscal 2017 and fiscal 2013, respectively. The Company's operations in Sri Lanka were also eligible for tax exemptions which expired in fiscal 2011. However, the Government of Sri Lanka has exempted the profits earned from export revenue from tax. This will enable the Company's Sri Lankan subsidiary to continue to claim tax exemption under Sri Lankan Inland Revenue Act following the expiry of the tax holiday.

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Income taxes recognized directly in equity:

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Current taxes				
Excess tax deductions related to share-based payments	317	23	892	336
	\$ 317	\$ 23	\$ 892	\$ 336
Deferred taxes				
Excess tax deductions related to share-based payments				
	\$	\$	\$	\$
Total income tax recognized directly in equity	\$ 317	\$ 23	\$ 892	\$ 336

Income taxes recognized in other comprehensive income:

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Current taxes				
	\$	\$	\$	\$
Deferred taxes				
Unrealized gain (loss) on cash flow hedging derivatives	(3,305)	601	(6,383)	427
Total income tax recognized directly in other comprehensive income	\$ (3,305)	\$ 601	\$ (6,383)	\$ 427

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

September 30,	September 30,	September 30,	September 30,
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	Three months ended December 31,		Nine months ended December 31,	
	2011	2010	2011	2010
Net income before taxes	\$ 7,287	\$ 8,730	\$ 16,507	\$ 11,204
Enacted tax rates in Jersey	0%	0%	0%	0%
Statutory income tax				
Provision due to:				
Differential foreign tax rates	3,230	(244)	8,339	2,062
Others (permanent differences)	11	10	35	28
Provision for income taxes	\$ 3,241	\$ (234)	\$ 8,374	\$ 2,090

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Deferred taxes for nine months ended December 31, 2011 arising from temporary differences and unused tax losses can be summarized below:

	September 30, Opening balance	September 30, Recognised in statement of income	September 30, Recognised in other comprehensive income	September 30, Translation differences	September 30, Closing balance
Deferred tax assets:					
Property and equipment	\$ 11,374	\$ 554	\$	\$ (1,760)	\$ 10,168
Net operating loss carry forward	555	440		(32)	963
Accruals deductible on actual payment	2,317	209		(382)	2,144
Share-based compensation	654	1,997		(167)	2,484
Minimum alternate tax	20,398	7,644		(3,825)	24,217
Others	1,088			(18)	1,070
Total deferred tax assets	36,386	10,844		(6,184)	41,046
Deferred tax liabilities:					
Intangibles	6,471	734		(257)	6,948
Others	1,543		(6,383)		(4,840)
Total deferred tax liabilities	8,014	734	(6,383)	(257)	2,108
Net deferred tax assets/(liabilities)	\$ 28,372	\$ 10,110	\$ 6,383	\$ (5,927)	\$ 38,938

Deferred taxes for the year ended March 31, 2011 can be summarized as follows:

	September 30, Opening balance	September 30, Recognised in statement of income	September 30, Recognised in other comprehensive income	September 30, Translation differences	September 30, Closing balance
Deferred tax assets:					
Property and equipment	\$ 9,827	\$ 1,395	\$	\$ 152	\$ 11,374
Net operating loss carry forward	1,225	(732)		62	555
Accruals deductible on actual payment	633	1,633		51	2,317
Share-based compensation	2,011	(1,381)		24	654
Minimum alternate tax	12,904	7,204		290	20,398
Others	706	353		29	1,088

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Total deferred tax assets	27,306	8,472		608	36,386
Deferred tax liabilities:					
Intangibles	9,704	(3,342)		109	6,471
Others	628	44	871		1,543
Total deferred tax liabilities	10,332	(3,298)	871	109	8,014
Net deferred tax assets/(liabilities)	\$ 16,974	\$ 11,770	\$ (871)	\$ 499	\$ 28,372

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Deferred tax presented in the statement of financial position:

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Deferred tax assets	\$ 43,229	\$ 33,518	\$ 25,200
Deferred tax liabilities	(4,291)	(5,146)	(8,226)
Net deferred tax assets	\$ 38,938	\$ 28,372	\$ 16,974

As at December 31, 2011, the Company had unabsorbed depreciation aggregating to \$12,443 in India, which does not have any expiration. The Company has not recorded deferred tax assets against the unabsorbed depreciation as there is uncertainty regarding the availability of such amounts to offset taxable income in subsequent years due to ongoing tax litigation on this issue. As at December 31, 2011, the Company had net operating loss carry forward aggregating to \$4,831 and \$339 in UK and Australia, respectively, which does not have any expiration.

Deferred income taxes on undistributed earnings of foreign subsidiaries have not been provided as such earnings are deemed to be permanently reinvested.

From time to time, the Company receives orders of assessment from the Indian tax authorities assessing additional taxable income on the Company and/or its subsidiaries in connection with their review of their tax returns. The Company currently has orders of assessment outstanding for various years through fiscal 2009, which assess additional taxable income that could in the aggregate give rise to an estimated \$41,354 in additional taxes, including interest of \$14,413. These orders of assessment allege that the transfer price the Company applied to certain of the international transactions between WNS Global and its other wholly-owned subsidiaries were not on arm's length terms, disallow a tax holiday benefit claimed by the Company and disallow certain expenses claimed as tax deductible by WNS Global. The Company has appealed against these orders of assessment before higher appellate authorities.

In addition, the Company has orders of assessment pertaining to similar issues that have been decided in favor of the Company by first appellate authorities, vacating the tax demands of \$36,351 in additional taxes, including interest of \$11,007. The income tax authorities have filed appeals against these orders at higher appellate authorities. As of December 31, 2011, the Company has provided a tax reserve of \$8,955 on account of the Indian tax authorities' denying the set off of brought forward business losses and unabsorbed depreciation.

As at December 31, 2011, corporate tax returns for years ended March 31, 2009 and onward remain subject to examination by tax authorities in India.

Based on the facts of these cases, the nature of the tax authorities' disallowances and the orders from first level appellate authorities deciding similar issues in favor of the Company in respect of assessment orders for earlier fiscal years and after consultation with the Company's tax advisors, the Company believes these orders are unlikely to be sustained at the higher appellate authorities. The Company has deposited a small portion of the disputed amounts with the tax authorities and may be required to deposit the remaining portion of the disputed amounts with the tax authorities pending final resolution of the respective matters.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)*****Others***

On March 21, 2009, the Company received an order from the Indian service tax authority, demanding \$6,525 of service tax and related penalty for the period from March 1, 2003 to January 31, 2005. The assessment order alleges that service tax is payable in India on BPO services provided by the Company to clients based abroad as the export proceeds are repatriated outside India by the Company. The Company has filed an appeal to the appellate tribunal against the assessment order and the appeal is currently pending. After consultation with Indian tax advisors, the Company believes this order of assessment is more likely than not to be upheld in favor of the Company. The Company intends to continue to vigorously dispute the assessment.

20. Earnings per share

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

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Numerator:				
Profit	\$ 4,046	\$ 8,964	\$ 8,133	\$ 9,114
Denominator:				
Basic weighted average ordinary shares outstanding	44,643,494	44,381,410	44,552,596	44,205,854
Dilutive impact of equivalent stock options and RSUs	1,109,721	938,862	1,162,728	958,217
Diluted weighted average ordinary shares outstanding	45,753,215	45,320,272	45,715,324	45,164,072

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

The Company excludes options with exercise price that are greater than the average market price from the calculation of diluted EPS because their effect would be anti-dilutive. In the three months and nine months period ended December 31, 2011, the Company excluded from the calculation of diluted EPS options to purchase 815,378 and 881,714 shares, respectively. In the three months and nine months period ended December 31, 2010, the Company excluded from the calculation of diluted EPS options to purchase 919,582 and 974,732 shares, respectively.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****21. Related party**

The following is a list of the Company's subsidiaries as at December 31, 2011:

Direct subsidiaries	Step subsidiaries	Place of incorporation
WNS Global Services Netherlands Cooperative U.A.		The Netherlands
	WNS Philippines Inc.	Philippines
	WNS Global Services Philippines Inc.	Philippines
	WNS Global Services (Romania) S.R.L.	Romania
WNS North America Inc.		Delaware, USA
	WNS Business Consulting Services Private Limited	India
WNS Global Services (UK) Limited		United Kingdom
	WNS Workflow Technologies Limited	United Kingdom
	Accidents Happen Assistance Limited	United Kingdom
Business Applications Associates Limited		United Kingdom
	Baizan International Software Technology (Beijing) Co. Limited	China
WNS (Mauritius) Limited		Mauritius
	WNS Capital Investment Limited	Mauritius
	WNS Customer Solutions (Singapore) Private Limited	Singapore
	WNS Customer Solutions (Private) Limited	Sri Lanka
	WNS Global Services (Australia) Pty Limited	Australia
	WNS Global Services Private Limited ⁽¹⁾	India
	WNS Global Services (Private) Limited	Sri Lanka
	WNS BPO Services Costa Rica, S.A.	Costa Rica
	WNS Global FZE	United Arab Emirates

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- 1) WNS Global Services Private Limited is being held jointly by WNS (Mauritius) Limited and WNS Customer Solutions (Singapore) Limited. The percentage of holding for WNS (Mauritius) Limited is 83% and for WNS Customer Solutions (Singapore) Limited is 17%.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)**

Name of the related party	Relationship
Warburg Pincus and its affiliates	Principal shareholder
Datacap Software Private Limited (Datacap)	A company of which a member of management is a principal shareholder
Students in free Enterprise (SIFE)	A company having a director in common with WNS Holdings
World Network Services Pvt. Ltd. Employees Group Gratuity Assurance Scheme	Post-employment benefit trust

Key management personnel

Eric B. Herr	Non-Executive Chairman
Keshav R. Murugesh	Director and Group Chief Executive Officer
Jeremy Young	Director
Deepak S. Parekh	Director
Richard O. Bernays	Director
Anthony A. Greener	Director
Albert Aboody (Appointed on June 28, 2010)	Director
Alok Misra	Group Chief Financial Officer
Johnson J. Selvadurai	Managing Director - Europe
Michael Garber	Global Head Sales and Marketing
Ronald Strout	Chief of Staff and Head Americas
Swaminathan Rajamani (Appointed on November 29, 2010)	Chief People Officer
Karthikeya N. Sarma (Resigned on December 31 2010)	Chief People Officer

	September 30, Three months ended December 31,		September 30, Three months ended December 31,		September 30, Nine months ended December 31,		September 30, September 30, Amount receivable As at December 31 March 31	
Nature of transaction with related parties	2011	2010	2011	2010	2011	2010	2011	2011
Revenue								
Warburg Pincus and its Affiliates	\$ 879	\$ 851	\$ 2,916	\$ 2,831	\$ 618	\$ 556		
Cost of Revenue								
Warburg Pincus and its Affiliates		1		20				
Datacap				1				
Selling and marketing expenses								
SIFE				55				
Key management personnel								
Remuneration and short-term benefits	1,329	1,657	4,982	5,053				

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Other benefits	2	2	6	6
Post-employment benefit trust				
Amount contributed	285	111	732	285

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

22. Operating segments

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

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

In order to provide accident management services, the Company arranges for the repair through a network of repair centers. Repair costs paid to automobile repair centers are invoiced to customers and recognized as revenue. The Company uses revenue less repair payments for Fault repairs as a primary measure to allocate resources and measure segment performance. For Non-fault repairs , revenue including repair payments is used as a primary measure. As the Company provides a consolidated suite of accident management services including credit hire and credit repair for its Non-fault repairs business, the Company believes that measurement of that line of business has to be on a basis that includes repair payments in revenue. The Company believes that the presentation of this measure in the segmental information provides useful information for investors regarding the segment s financial performance. The presentation of this information is not meant to be considered in isolation or as a substitute for the Company s financial results prepared in accordance with IFRS.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011**

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

	September 30, WNS Global BPO	September 30, Three months ended WNS Auto Claims BPO	September 30, December 31, 2011 Inter segments*	September 30, Total
Revenue from external customers	\$ 88,411	\$ 28,817	\$	\$ 117,228
Segment revenue	\$ 88,564	\$ 28,817	\$ (153)	\$ 117,228
Payments to repair centers		20,022		20,022
Revenue less repair payments	88,564	8,795	(153)	97,206
Depreciation	3,587	378		3,965
Other costs	70,674	6,527	(153)	77,048
Segment operating profit	14,303	1,890		16,193
Other income, net	(85)	(76)		(161)
Finance expense	972			972
Segment profit before income taxes	13,416	1,966		15,382
Provision for income taxes	2,799	442		3,241
Segment profit	10,617	1,524		12,141
Amortization of intangible assets				7,005
Share based compensation expense				1,090
Profit				\$ 4,046
Addition to non-current assets	\$ 4,557	\$ 130	\$	\$ 4,687
Total assets, net of elimination	359,701	112,718		472,419
Total liabilities, net of elimination	\$ 207,941	\$ 49,430	\$	\$ 257,371

* Transactions between inter segments represent invoices raised by WNS Global BPO on WNS Auto Claims BPO on an arm's length basis for business process outsourcing services rendered by the former to latter.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011**

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

	September 30, WNS Global BPO	September 30, Three months ended WNS Auto Claims BPO	September 30, December 31, 2010 Inter segments*	September 30, Total
Revenue from external customers	\$ 82,591	\$ 70,060	\$	\$ 152,651
Segment revenue	\$ 82,802	\$ 70,060	\$ (211)	\$ 152,651
Payments to repair centers		59,974		59,974
Revenue less repair payments	82,802	10,086	(211)	92,677
Depreciation	3,949	345		4,294
Other costs	63,088	6,829	(211)	69,706
Segment operating profit	15,765	2,912		18,677
Other income, net	(214)	(58)		(272)
Finance expense	1,180			1,180
Segment profit before income taxes	14,799	2,970		17,769
(Benefit) provision for income taxes	(853)	619		(234)
Segment profit	15,652	2,351		18,003
Amortization of intangible assets				7,951
Share based compensation expense				1,088
Profit				\$ 8,964
Addition to non-current assets	\$ 3,475	\$ 222	\$	\$ 3,697
Total assets, net of elimination	406,241	123,671		529,912
Total liabilities, net of elimination	\$ 211,412	\$ 63,249	\$	\$ 274,661

* Transactions between inter segments represent invoices raised by WNS Global BPO on WNS Auto Claims BPO on an arm's length basis for business process outsourcing services rendered by the former to latter.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011**

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

	September 30, WNS Global BPO	September 30, Nine months ended WNS Auto Claims BPO	September 30, December 31, 2011 Inter segments*	September 30, Total
Revenue from external customers	\$ 269,884	\$ 90,905	\$	\$ 360,789
Segment revenue	\$ 270,419	\$ 90,905	\$ (535)	\$ 360,789
Payments to repair centers		65,554		65,554
Revenue less repair payments	270,419	25,351	(535)	295,235
Depreciation	10,999	1,161		12,160
Other costs	217,709	20,583	(535)	237,757
Segment operating profit	41,711	3,607		45,318
Other income, net	(119)	(158)		(277)
Finance expense	3,079			3,079
Segment profit before income taxes	38,751	3,765		42,516
Provision for income taxes	7,686	688		8,374
Segment profit	31,065	3,077		34,142
Amortization of intangible assets				22,393
Share based compensation expense				3,616
Profit				\$ 8,133
Addition to non-current assets	\$ 16,695	\$ 954	\$	\$ 17,649
Total assets, net of elimination	359,701	112,718		472,419
Total liabilities, net of elimination	\$ 207,941	\$ 49,430	\$	\$ 257,371

* Transactions between inter segments represent invoices raised by WNS Global BPO on WNS Auto Claims BPO on an arm's length basis for business process outsourcing services rendered by the former to latter.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011**

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

	September 30, WNS Global BPO	September 30, Nine months ended WNS Auto Claims BPO	September 30, December 31, 2010 Inter segments*	September 30, Total
Revenue from external customers	\$ 246,332	\$ 210,442	\$	\$ 456,774
Segment revenue	\$ 246,951	\$ 210,442	\$ (619)	\$ 456,774
Payments to repair centers		181,679		181,679
Revenue less repair payments	246,951	28,763	(619)	275,095
Depreciation	12,575	946		13,521
Other costs	195,878	19,878	(619)	215,137
Segment operating profit	38,498	7,939		46,437
Other income, net	(397)	(216)		(613)
Finance expense	10,263	3		10,266
Segment profit before income taxes	28,632	8,152		36,784
Provision for income taxes	306	1,784		2,090
Segment profit	28,326	6,368		34,694
Amortization of intangible assets				23,853
Share based compensation expense				1,727
Profit				\$ 9,114
Addition to non-current assets	\$ 8,901	\$ 1,575	\$	\$ 10,476
Total assets, net of elimination	406,241	123,671		529,912
Total liabilities, net of elimination	\$ 211,412	\$ 63,249	\$	\$ 274,661

* Transactions between inter segments represent invoices raised by WNS Global BPO on WNS Auto Claims BPO on an arm's length basis for business process outsourcing services rendered by the former to latter.

External Revenue

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

	September 30, Three months ended December 31, 2011	September 30, Three months ended December 31, 2010	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010
Jersey, Channel Islands	\$	\$	\$	\$

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UK	72,076	93,299	224,328	276,192
North America	34,926	33,092	108,851	103,014
Europe (excluding UK)	6,815	24,564	20,026	72,979
Rest of the world	3,411	1,696	7,584	4,589
Total	\$ 117,228	\$ 152,651	\$ 360,789	\$ 456,774

The Company's non-current assets (excluding goodwill and intangibles) by geographic area are as follows;

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, April 1, 2010
Jersey, Channel Islands	\$	\$	\$
UK	3,212	3,605	2,249
US	299	268	411
India	33,236	35,579	40,905
Rest of the world	8,366	7,726	4,982
Total	\$ 45,113	\$ 47,178	\$ 48,547

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****23. Commitment and Contingencies*****Leases***

The Company has entered into various non-cancelable operating lease agreements for certain delivery centers and offices with original lease periods expiring between 2011 and 2026. The details of future minimum lease payments under non-cancelable operating leases as at December 31, 2011 are as follows:

	September 30, Operating leases
Less than 1 year	\$ 14,418
1-3 years	26,566
3-5 years	14,868
More than 5 years	11,190
Total minimum lease payments	\$ 67,042

Rental expenses were \$3,480 and \$4,733, respectively for the three months ended December 31, 2011 and December 31, 2010 and \$10,367 and \$15,562 for the nine months ended December 31, 2011 and December 31, 2010.

Capital commitments

As at December 31, 2011 and March 31, 2011, the Company had committed to spend approximately \$4,937 and \$8,238, respectively, under agreements to purchase property and equipment. These amounts are net of capital advances paid in respect of these purchases.

Bank guarantees and others

Certain subsidiaries in India and Romania hold bank guarantees aggregating \$462 and \$483 as at December 31, 2011 and March 31, 2011, respectively. These guarantees have a remaining expiry term ranging from one to five years.

Restricted time deposits placed with bankers as security for guarantees given by them to regulatory authorities in India and lessors in Romania, aggregating to \$285 and \$194 at December 31, 2011 and March 31, 2011, respectively, are included in other current assets. These deposits represent cash collateral against bank guarantees issued by the banks on behalf of the Company to third parties.

Contingencies

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

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WNS (HOLDINGS) LIMITED

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

24. Joint venture with ACS

In April 2008, the Company formed a joint venture, WNS Philippines, Inc., with Advanced Contact Solutions, Inc. (ACS), a BPO services and customer care provider, in the Philippines. ACS assigned its rights and obligations under the joint venture agreement in favor of its holding company Paxys. This joint venture was initially majority owned by the Company (65%) and the balance by Paxys. WNS Philippines, Inc. offers contact center services to global clients across industries. This entity enables the Company to bring a large scale talent pool to help solve the business challenges of its clients while diversifying the geographic concentration of delivery. Pursuant to the joint venture agreement, the Company had a call option to acquire from Paxys the remaining shares owned by Paxys and Paxys had a put option to sell all of its shareholding in the joint venture to the Company, upon the occurrence of certain conditions, as set forth in the joint venture agreement, or after August 6, 2012.

As the Company always had the risk and rewards for the ownership of the joint venture and with the existence of put option, the Company had a contractual obligation to deliver cash, hence the noncontrolling interest was classified as liability in accordance with IAS 32.

As at the Transition Date, the Company had done the probability weighted assessment of possible outcomes of the put and call options under the various conditions of contract and recorded its obligation towards the put option liability. Accordingly, a liability had been recorded based on the obligation existing at the Transition Date based on the present value of the put option with the initial recognition to equity amounting to \$1,676.

At every period end, the Company re-measured the put liability. As at June 30, 2011, the non-performance event was triggered as the joint venture had incurred six months of continuous losses for the period January 2011 to June 2011.

The Company had evaluated the trigger of non-performance event and the consequent put and call option liability and concluded that the liability recorded in the books of accounts was adequate as at June 30, 2011.

In the three months ended September 30, 2011, the joint venture continued to incur losses. As a result, the Company and Paxys, after discussions, decided to mutually terminate the joint venture. Accordingly, the Company's Board of Directors, in its meeting held in September 2011, determined that its call option had become exercisable as a result of the non-performance event being triggered in the prior quarter and approved the exercise of the call option. Accordingly, the Company shared its intention to exercise the call option with Paxys.

As at September 30, 2011, the Company had not yet exercised its call option but assessed that the event of the Company exercising the call option was highly probable as against Paxys exercising their put option and since the Company anticipated that there would be an outflow of cash in connection with the exercise of the call option in the near future, the liability was re-measured at the fair value of the call option as at September 30, 2011. Accordingly, the Company recorded an additional charge of \$346 towards the interest payable and increased its liability from \$1,676 (as measured based on put liability) to \$2,033 as at September 30, 2011.

On November 2, 2011, the Company entered into an agreement with Paxys to acquire the latter's 35% stake in the joint venture and terminate the joint venture. The Company's acquisition of Paxys' 35% stake in the joint venture was completed on November 16, 2011 by a payment of the cash consideration amounting to \$2,157, including interest expense of \$346. Following the acquisition of Paxys' stake, WNS Philippines Inc. has become a wholly-owned subsidiary of WNS Holdings.

Table of Contents**WNS (HOLDINGS) LIMITED****NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2011****(Amounts in thousands, except share and per share data)****25. Additional capital disclosures**

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company focuses on keeping a strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company.

The capital structure as at December 31, 2011 and March 31, 2011 was as follows:

	September 30, December 31, 2011	September 30, As at March 31, 2011	September 30, % Change
Total equity attributable to the equity shareholders of the Company	\$ 215,048	\$ 264,856	(19)%
As percentage of total capital	67%	71%	
Short term line of credit	34,099	14,593	
Long term debt ⁽¹⁾	72,457	93,095	
Total debt and equity	\$ 106,556	\$ 107,688	(1)%
As percentage of total capital	23%	29%	
Total capital (debt and equity)	\$ 321,604	\$ 372,544	(14)%

The Company is predominantly equity-financed. This is also evident from the fact that debt represented only 23% and 29% of total capital as at December 31, 2011 and March 31, 2011, respectively.

Note:

- 1) Before netting off debt issuance cost of \$225 and \$814 as at December 31, 2011 and March 31, 2011, respectively.

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

You should read the following discussion in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report. We urge you to carefully review and consider the various disclosures made by us in this report and in our other SEC filings, including our annual report on Form 20-F for our fiscal year ended March 31, 2011. Some of the statements in the following discussion are forward-looking statements. See Special note regarding forward-looking statements.

Overview

We are a leading global provider of offshore business process outsourcing, or BPO, services, offering comprehensive data, voice, analytical and business transformation services. We transfer the business processes of our clients to our delivery centers, located in India, the Philippines, the United Kingdom, Sri Lanka, Romania and Costa Rica, as well as to our subcontractor's delivery center in South Africa, with a view to offer cost savings to our clients as well as offer more flexibility in managing their operations. In addition, our transformation practice seeks to help our clients identify business and process optimization opportunities through technology-enabled solutions and process design improvements.

We win outsourcing engagements from our clients based on our domain knowledge of their business and our experience in managing the specific processes they seek to outsource. Accordingly, we are organized into vertical business units in order to provide more specialized focus on each of the industries that we target, to more effectively manage our sales and marketing process and to develop in-depth domain knowledge. The major industry verticals we currently target are the insurance, travel and leisure and manufacturing, retail, consumer products and telecom industries, as well as the consulting and professional services, healthcare, banking and financial services, utilities and shipping and logistics industries.

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

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

Our revenue is generated primarily from providing business process outsourcing services. We have two reportable segments for financial statement reporting purposes: WNS Global BPO and WNS Auto Claims BPO. In our WNS Auto Claims BPO segment, we provide both fault and non fault repairs. For fault repairs, we provide claims handling and accident management services, where we arrange for automobile repairs through a network of third party repair centers. In our accident management services, where we act as the principal in our dealings with the third party repair centers and our clients, the amounts which we invoice to our clients for payments made by us to third party repair centers are reported as revenue. Where we are not the principal in providing the services, we record revenue from repair services net of repair cost. See Note 16 of the unaudited condensed consolidated financial statements included elsewhere in this report. Since we wholly subcontract the repairs to the repair centers, we evaluate our financial performance based on revenue less repair payments to third party repair centers, which is a non-GAAP financial measure. We believe that revenue less repair payments for fault repairs reflects more accurately the value addition of the business process outsourcing services that we directly provide to our clients. For non fault repairs, revenue including repair payments is used as a primary measure to allocate resources and measure operating performance. As we provide a consolidated suite of accident management services including credit hire and credit repair for our non fault repairs business, we believe that measurement of that line of business has to be on a basis that includes repair payments in revenue. Our non fault repairs business accounts for a relatively small portion of our revenue for our WNS Auto Claims BPO segment. Revenue less repair payments is calculated as revenue less payments to repair centers. This non-GAAP financial

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information is not meant to be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP. Our revenue less repair payments may not be comparable to similarly titled measures reported by other companies due to potential differences in the method of calculation.

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

	September 30, Three months ended December 31, 2011	September 30, 2010 (US dollars in millions)	September 30, Nine months ended December 31, 2011	September 30, 2010
Revenue	117.2	152.7	360.8	456.8
Less: Payments to repair centers	20.0	60.0	65.6	181.7
Revenue less repair payments	97.2	92.7	295.2	275.1

The following table sets forth our constant currency revenue less repair payments for the periods indicated. Constant currency revenue less repair payments is a non-GAAP financial measure. We present constant currency revenue less repair payments so that revenue less repair payments may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of business performance. Constant currency revenue less repair payments is calculated by restating prior quarters revenue less repair payments denominated in pound sterling, or Euro using the foreign exchange rate used for the latest quarter.

	September 30, December 31, 2011	September 30, Fiscal 2012 Three months ended September 30, 2011	September 30, June 30, 2011	September 30, Fiscal 2011 Three months ended March 31, 2011	September 30, December 31, 2010
	(US dollars in millions)				
Constant currency revenue less repair payments	\$ 97.2	\$ 98.9	\$ 95.8	\$ 93.3	\$ 92.4

Global Market and Economic Conditions

During the past several years, global economic conditions have been challenging as certain adverse financial developments have caused a significant slowdown in the growth of the European, US and international financial markets, accompanied by a significant reduction in consumer and business spending worldwide. These adverse financial developments have included increased market volatility, tightening of liquidity in credit markets and diminished expectations for the global economy. While the world economy has grown since 2010, the recent speculation regarding the inability of certain European countries to pay their national debts, the response by Eurozone policy makers to mitigate this sovereign debt crisis and the concerns regarding the stability of the Eurozone currency have created additional uncertainty in the European and global economies. Further, there continue to be signs of economic weakness such as relatively high levels of unemployment in major markets including Europe and the United States.

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

Furthermore, a weakening of the rate of exchange for the US dollar or the pound sterling (in which our revenue is principally denominated) against the Indian rupee (in which a significant portion of our costs are denominated) also adversely affects our results. Fluctuations between the pound sterling or the Indian rupee and the US dollar also expose us to translation risk when transactions denominated in pound sterling or Indian rupees are translated into US dollars, our reporting currency. For example, the average pound sterling/US dollar exchange rate for fiscal 2011 depreciated 2.6% as compared to the average exchange rate for fiscal 2010, which adversely impacted our results of operations. The average pound sterling/US dollar exchange rate for fiscal the nine months ended December 31, 2011 appreciated 4.1% as compared to the average exchange rate for the nine months ended December 31, 2010.

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

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

	XXXXXX Three months ended December 31, 2011	XXXXXX 2010	XXXXXX Change \$	XXXXXX %	XXXXXX Nine months ended December 31, 2011	XXXXXX 2010	XXXXXX Change \$	XXXXXX %
	(US dollars in millions)							
Revenue	117.2	152.7	(35.4)	(23.2)%	360.8	456.8	(96.0)	(21.0)%
Revenue less repair payments	97.2	92.7	4.5	4.9%	295.2	275.1	20.1	7.3%

During the nine months ended December 31, 2011, we re-negotiated contracts with certain of our clients and repair centers in the Auto Claims business, whereby the primary responsibility for providing the services is borne by the repair centers instead of us and the credit risk that the client may not pay for the services is no longer borne by us. As a result of these changes, we are no longer considered to be the principal in providing the services. Accordingly, we no longer account for the amount received from these clients for payments to repair centers and the payments made to repair centers for cases referred by these clients as revenue and cost of revenue, respectively, resulting in lower revenue and cost of revenue. The contract re-negotiation process is ongoing and aimed at simplifying our accounting requirements. This contract re-negotiation process does not affect our revenue less repair payments.

Revenue by Top Clients

The following table sets forth the percentage of revenue and revenue less repair payments that we derived from our largest clients for the periods indicated:

	September 30, Revenue Three months ended December 31, 2011	September 30, Revenue Three months ended December 31, 2010	September 30, Revenue less repair payments Three months ended December 31, 2011	September 30, Revenue less repair payments Three months ended December 31, 2010
Top client	17.0%	15.8%	20.5%	20.8%
Top five clients	44.3%	54.3%	40.2%	41.0%
Top ten clients	55.7%	66.0%	52.7%	53.6%
Top twenty clients	70.7%	77.9%	69.2%	70.8%

Revenue generated from certain clients in our WNS Global BPO segment, including our largest client by revenue contribution, has started declining since December 2011 and these clients are currently forecasting that they expect to provide us a lower volume of business in respect of the services we have been providing them as a result of automation initiatives and various reasons, including their strategic decisions to bring those functions back in-house and the current challenging market and economic conditions. We are exploring with these clients new areas of opportunity where we can provide other services to them, to offset the above decline. Further, subsequent to the authorization of our unaudited condensed interim consolidated financial statements included in this report by our Board of Directors, our second largest client by revenue contribution, which accounted for 7.5% of our revenue and 1.9% of our revenue less repair payments in fiscal 2011 and for 11.3% of our revenue and 1.4% of our revenue less repair payments in the nine months ended December 31, 2011, gave us notice of termination of our contract with effect from April 2012.

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Our Contracts

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

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

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

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

- 1) per full-time equivalent arrangements, which typically involve billings based on the number of full-time employees (or equivalent) deployed on the execution of the business process outsourced;
- 2) per transaction arrangements, which typically involve billings based on the number of transactions processed (such as the number of e-mail responses, or airline coupons or insurance claims processed);
- 3) fixed-price arrangements, which typically involve billings based on achievements of pre-defined deliverables or milestones;
- 4) outcome-based arrangements, which typically involve billings based on the business result achieved by our clients through our service efforts (such as measured based on a reduction in days sales outstanding, an improvement in working capital, an increase in collections or a reduction in operating expenses); or
- 5) other pricing arrangements, including cost-plus arrangements, which typically involve billing the contractually agreed direct and indirect costs and a fee based on the number of employees deployed under the arrangement.

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

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

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

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Our prior contracts with a major client, Aviva International Holdings Limited, or Aviva, granted Aviva Global Services Singapore Pte. Ltd., or Aviva Global, the option to require us to transfer our facilities at Pune and Sri Lanka to Aviva Global. We transferred the Sri Lanka facility at book value, which did not result in a material gain or loss, although we lost the revenue generated by the facility upon our transfer of the facility to Aviva Global. With the transaction that we entered into with Aviva in July 2008 described below, we have, through the acquisition of Aviva Global, resumed control of the Sri Lanka facility and we have continued to retain ownership of the Pune facility, and we expect these facilities to continue to generate revenue for us under the Aviva master services agreement described below. However, we may in the future enter into contracts with other clients with similar call options that may result in the loss of revenue that may have a material impact on our business, results of operations, financial condition and cash flows, particularly during the quarter in which the option takes effect.

In July 2008, we entered into a transaction with Aviva consisting of a share sale and purchase agreement with Aviva and a master services agreement with Aviva Global Services (Management Services) Private Limited, or Aviva MS. Pursuant to the share sale and purchase agreement with Aviva, we acquired all the shares of Aviva Global in July 2008.

Pursuant to the master services agreement with Aviva MS, or the Aviva master services agreement, we provide BPO services to Aviva's UK and Canadian businesses for a term of eight years and four months. Under the terms of the agreement, we have agreed to provide a comprehensive spectrum of life and general insurance processing functions to Aviva, including policy administration and settlement, along with finance and accounting, customer care and other support services. In addition, we have the exclusive right to provide certain services such as finance and accounting, insurance back-office, customer interaction and analytics services to Aviva's UK and Canadian businesses for the first five years, subject to the rights and obligations of the Aviva group under their existing contracts with other providers. In March 2009, we entered into a variation deed to the Aviva master services agreement pursuant to which we commenced provision of services to Aviva's Irish subsidiary, Hibernian Aviva Direct Limited, and certain of its affiliates. Aviva's Canadian business has ceased to require our BPO services and we are currently providing BPO services to Aviva's UK business and Aviva's Irish subsidiary, Hibernian Aviva Direct Limited, and certain of its affiliates.

Our clients customarily provide one to three month rolling forecasts of their service requirements. Our contracts with our clients do not generally provide for a committed minimum volume of business or committed amounts of revenue, except for the Aviva master services agreement that we entered into in July 2008 as described above. Aviva MS has agreed to provide a minimum volume of business, or minimum volume commitment, to us during the term of the contract. The minimum volume commitment is calculated as 3,000 billable full-time employees, where one billable full time employee is the equivalent of a production employee engaged by us to perform our obligations under the contract for one working day of at least nine hours for 250 days a year. In August 2009, we entered into a variation agreement to the Aviva master services agreement pursuant to which Aviva MS agreed to increase the minimum volume commitment from the current 3,000 billable full time employees to 3,300 billable full time employees for a period of 17 months from March 1, 2010 to July 31, 2011 and to 3,250 billable full time employees for a period of six months from August 1, 2011 to January 31, 2012. The minimum volume commitment will revert to 3,000 billable full time employees after January 31, 2012 for the remaining term of the Aviva master services agreement. In the event the mean average monthly volume of business in any rolling three-month period does not reach the minimum volume commitment, Aviva MS has agreed to pay us a minimum commitment fee as liquidated damages. Notwithstanding the minimum volume commitment, there are termination at will provisions which permit Aviva MS to terminate the Aviva master services agreement without cause, with six months' notice upon payment of a termination fee. The annual minimum volume commitment under this contract was met in fiscal 2011. Based on Aviva MS's latest forecast of its service requirements for the fourth quarter of fiscal 2012 and fiscal 2013 provided to us, we expect them to meet their annual minimum volume commitment under this contract in fiscal 2012 and fiscal 2013.

Under the terms of an agreement with one of our top five clients negotiated in December 2009, we are the exclusive provider of certain key services from delivery locations outside of the US, including customer service and ticketing support for the client. This agreement became effective on April 1, 2010 and expires in December 2015. Under our earlier agreement with this client, we were entitled to charge premium pricing because we had absorbed the initial transition cost in 2004. That premium pricing is no longer available in the new contract with this client. The early termination of the old agreement entitled us to a payment by the client of a termination fee of \$5.4 million which was received on April 1, 2010. As the termination fee was related to a renewal of our agreement with the client, we have determined that the recognition of the termination fee as revenue will be deferred over the term of the new agreement (i.e., over the period from April 1, 2010 to December 31, 2015).

Expenses

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

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Cost of Revenue

Employee costs represent the largest component of cost of revenue. In addition to employee salaries, employee costs include costs related to recruitment, training and retention.

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

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Foreign Exchange Gains or Losses, Net

Foreign exchange gains or losses, net includes:

marked to market gains or losses on derivative instruments;

foreign currency exchange gains or losses on translation of other assets and liabilities; and

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

Amortization of Intangible Assets

Amortization of intangible assets is associated with our acquisitions of Marketics, in May 2007, Flovate in June 2007, Accidents Happen Assistance Limited, or AHA (formerly known as Call 24-7 Limited, or Call 24-7) in April 2008, BizAps in June 2008 and Aviva Global in July 2008.

Finance Expense

Finance expense primarily relates to interest charges payable on our term loan and short-term borrowings.

Other Income and Expense, Net

Other income and expense, net comprise interest income and income or loss from sale of fixed assets and other miscellaneous expenses.

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

	September 30, December 31, 2011	September 30, September 30, 2011	September 30, As at June 30, 2011	September 30, March 31, 2011	September 30, December 31, 2010
Total head count	22,697	21,565	21,808	21,523	21,213
Built up seats ⁽¹⁾	17,991	17,915	16,573	16,278	16,320
Used seats ⁽¹⁾	13,826	13,336	13,450	13,256	13,235

Note:

- (1) Built up seats refer to the total number of production seats (excluding support functions such as Finance, Human Resource and Administration) that are set up in any premises. Used seats refer to the number of built up seats that are being used by employees. The remainder are referred to as vacant seats. The vacant seats would be converted into used seats when we increase headcount.

We expect our total headcount in the fourth quarter of fiscal 2012 to reduce as compared to the third quarter of fiscal 2012 as the impact of our declining attrition rate and a reduced volume of business from certain clients, including our largest client by revenue contribution, is expected to reduce our hiring requirements in the fourth quarter of fiscal 2012.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our unaudited condensed interim consolidated financial statements included elsewhere in this report which have been prepared in accordance with IAS 34 under IFRS, as issued by IASB. Note 2 to our unaudited condensed interim consolidated financial statements included elsewhere in this report describes our significant accounting policies and is an essential part of our unaudited condensed interim consolidated financial statements.

We believe the following to be critical accounting policies. By critical accounting policies, we mean policies that are both important to the portrayal of our financial condition and financial results and require critical management judgments and estimates. Although we believe that our judgments and estimates are appropriate, actual future results may differ from our estimates.

Revenue Recognition

We derive revenue from providing BPO services to our clients, which primarily include providing back office administration, data management, contact center management and automobile claims handling services. We recognize revenue when the significant terms of the arrangement are enforceable, services are being delivered and the collectability is reasonably assured. We recognize revenue on an accrual basis when services are performed.

When the terms of the agreement specify service level parameters that must be met, we monitor such service level parameters and determine if there are any service credits or penalties that we need to account for. Revenue is recognized net of any service credits that are due to a client. Generally, our revenue is from large companies, where we do not believe we have a significant credit risk.

We invoice our clients depending on the terms of the arrangement, which include billing based on a per employee basis, a per transaction basis, a fixed price basis, an outcome based basis or other pricing arrangements including cost-plus arrangements. 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 BPO services unrelated to transition services (discussed below) are recognized in the period in which the services are rendered. An upfront payment received towards future services is recognized ratably over the period when such services are provided.

For certain of our clients, we perform transition activities at the outset of entering into a new contract for the provision of BPO services. We have determined these transition activities do not meet the revenue recognition criteria, to be accounted for as a separate unit of accounting with stand-alone value separate from the on-going BPO contract. Accordingly, transition revenue and costs are subsequently recognized ratably over

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the period in which the BPO services are performed. Further, the deferral of costs is limited to the amount of the deferred revenue. Any costs in excess of the deferred transition revenue are recognized in the period it was incurred.

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In limited instances, we have entered into 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 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 revenue received in excess of minimum commitments in a subsequent year, we recognize deferred revenue for the shortfall which has been invoiced and received. To the extent we have sufficient experience to conclude that the shortfall will not be satisfied by excess revenue in a subsequent period, the deferred revenue will be recorded as revenue in that period. In order to determine whether we have sufficient experience, we consider 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 with us, (ii) the length of time for which we have such historical experience, (iii) future volume expected based on projections received from the client, and (iv) our internal expectations of the ongoing volume with the client. Otherwise, the deferred revenue will remain until such time when we can conclude that we will not receive revenue in excess of the minimum commitment. For certain agreements, we have retroactive discounts related to meeting agreed volumes. In such situations, we record revenue at the discounted rate, although we initially bill at the higher rate, unless we can determine that the agreed volumes will not be met, based on the factors discussed above.

Our revenue is net of value-added taxes and includes reimbursements of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenue.

We provide automobile claims handling services, which include claims handling and administration (which we refer to as *claims handling*), car hire and arranging for repairs with repair centers across the United Kingdom and the related payment processing for such repairs (which we refer to as *accident management*).

We also provide services where motorists involved in accidents were not at fault. Our service offerings include the provision of replacement hire vehicles (which we refer to as *credit hire*), accident management services and claims handling and administration.

With respect to claims handling, we enter into contracts with our clients to process all their claims over the contract period, where the fees are determined either on a per claim basis or is a fixed payment for the contract period. Where our contracts are on a per claim basis, we invoice the client at the inception of the claim process. We estimate the processing period for the claims and recognize revenue over the estimated processing period. This processing period generally ranges between one to two months. The processing time may be greater for new clients and the estimated service period is adjusted accordingly. The processing period is estimated based on historical experience and other relevant factors, if any. Where the fee is a fixed payment for the contract period, revenue is recognized on a straight line basis over the period of the contract. In certain cases, where the fee is contingent upon the successful recovery of a claim by the client, revenue is not recognized until the contingency is resolved. Revenue in respect of car hire is recognized over the car hire term.

In order to provide accident management services, we arrange for the repair of vehicles involved in an accident 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, we consider the criteria established by IAS 18, *Illustrative example (IE) 21 Determining whether an entity is acting as a principal or as an agent*. When we determine that we are 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 income.

Factors considered in determining whether we are the principal in the transaction include whether

- a) we have the primary responsibility of providing the services,
- b) we negotiate the labor rates with repair centers,
- c) we are responsible for timely and satisfactory completion of repairs, and
- d) we bear the risk that the customer may not pay for the services provided (credit risk).

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If there are circumstances where we do not have exposure to the significant risk and rewards associated with the rendering of services and therefore we are not the principal in providing accident management services, amounts received from customers are recognized and presented net of payments to repair centers in the consolidated statement of income. Revenue from accident management services is recorded net of the repairer referral fees passed on to customers.

Share-based Compensation

We provide share-based awards such as share options and RSUs to our employees, directors and executive officers through various equity compensation plans. We account for share-based compensation expense relating to share-based payments using a fair-value method in accordance with IFRS 2, *Share-based Payments*. IFRS 2 addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments.

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Equity instruments granted is measured by reference to the fair value of the instrument at the date of grant. The grants vest in a graded manner. Under the fair value method, the estimated fair value of awards is charged to income over the requisite service period, which is generally the vesting period of the award, for each separately vesting portion of the award as if the award was, in substance, multiple awards. We include a forfeiture estimate in the amount of compensation expense being recognized based on our estimate of equity instrument that will eventually vest.

IFRS 2 requires the use of a valuation model to calculate the fair value of share-based awards. Based on our judgment, we have elected to use the Black-Scholes-Merton pricing model to determine the fair value of share-based awards on the date of grant. RSUs are measured based on the fair market value of the underlying shares on the date of grant.

We believe the Black-Scholes-Merton model to be the most appropriate model for determination of fair value of the share-based awards. In determining the fair value of share-based awards using the Black-Scholes-Merton option pricing model, we are required to make certain estimates of the key assumptions that include expected term, expected volatility of our shares, dividend yield and risk free interest rate. Estimating these key assumptions involves judgment regarding subjective future expectations of market prices and trends. The assumptions for expected term and expected volatility have the most significant effect on calculating the fair value of our stock options. We use the historical volatility of our ADSs in order to estimate future share price trends. In order to determine the estimated period of time that we expect employees to hold their share-based options, we have used historical exercise pattern of employees. The aforementioned inputs entered into the option valuation model that we use to determine the fair value of our stock awards are subjective estimates and changes to these estimates will cause the fair value of our share-based awards and related share-based compensation expense we record to vary.

We are required to estimate the share-based awards that we expect to vest and to reduce share-based compensation expense for the effects of estimated forfeitures of awards over the expense recognition period. Although we estimate forfeitures based on historical experience and other factors, actual forfeitures in the future may differ. To the extent our actual forfeitures are different than our estimates, we record a true-up for the difference in the period in which the awards vest, and such true-ups could materially affect our operating results.

We record deferred tax assets for share-based awards based on the future tax deduction which will be based on our ADS price at the reporting date. If the amount of the future tax deduction exceeds the cumulative amount of share-based compensation expense, the excess deferred tax is directly recognized in equity.

Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. As a part of acquisition accounting, we allocate the purchase price of acquired companies to the identified tangible and intangible assets based on the estimated fair values on the date of the acquisition. The purchase price allocation process requires management to make significant estimates and assumptions, especially at acquisition date with respect to intangible assets, income taxes, contingent consideration and estimated restructuring liabilities. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to appropriate method of valuation, future cash flow projections, weighted average cost of capital, discount rates, risk-free rates, market rate of return and risk premiums.

Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

Goodwill is initially measured at cost, being the excess of the cost of the acquisition of the acquiree over our share of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities on the date of the acquisition. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognized immediately in the income statement. Goodwill is tested for impairment at least annually and when events occur or changes in circumstances indicate that the recoverable amount of the cash generating unit is less than its carrying value. The goodwill impairment test is performed at the level of cash-generating unit or groups of cash-generating units which represent the lowest level at which goodwill is monitored for internal management purposes.

We use market related information and estimates (generally risk adjusted discounted cash flows) to determine the fair values. Cash flow projections take into account past experience and represents management's best estimate about future developments. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. See also the discussion on impairment testing under **Impairment of Goodwill and Intangible Assets** below.

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Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to us and the cost can be reliably measured. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition determined using generally accepted valuation methods appropriate for the type of intangible asset. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated and consumed. These estimates are reviewed at least at each financial year end. Intangible assets with indefinite lives are not amortized, but instead are tested for impairment at least annually and written down to the fair value as required. See also the discussion on impairment testing under [Impairment of Goodwill and Intangible Assets](#) below.

Impairment of Goodwill and Intangible Assets

Goodwill is not subject to amortization and is instead tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the cash generating unit level, which is the lowest level for which there are separately identifiable cash flows. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units (or group of cash generating units) and then, to reduce the carrying amount of the other assets in the cash generating unit (or group of cash generating units) on a pro rata basis. Intangible assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to our assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

We cannot predict the occurrence of future events that might adversely affect the reported value of goodwill, intangible assets. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the environment on our customer base, and material negative changes in relationships with significant customers.

Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in statements of income except to the extent it relates to items directly recognized in equity, in which case it is recognized in equity.

Current Income Tax

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. We are subject to tax assessments in each of these jurisdictions. Current income taxes for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable profit for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. We offset current tax assets and current tax liabilities, where we have a legally enforceable right to set off the recognized amounts and where we intend either to settle on a net basis, or to realize the asset and liability simultaneously.

Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods. The recognition of taxes that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Though we have considered all these issues in estimating our income taxes, there could be an unfavorable resolution of such issues that may affect results of our operations.

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Deferred Income Tax

We recognize deferred income tax using the balance sheet approach. Deferred income tax assets and liabilities are recognized for all deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of transaction.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax asset in respect of carry forward of unused tax credits and unused tax losses are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. We consider the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. All deferred tax assets are subject to review of probable utilization. The assessment of the probability of future taxable profit in which deferred tax assets can be utilized is based on the latest approved budget forecast, which is adjusted for significant non-taxable profit and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which we operate are also carefully taken into consideration. If a positive forecast of taxable profit indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

As part of our accounting for business combinations, some of the purchase price is allocated to goodwill and intangible assets. Impairment charges associated with goodwill are generally not tax deductible and will result in an increased effective income tax rate in the quarter any impairment is recorded. Amortization expenses associated with acquired intangible assets are generally not tax deductible pursuant to our existing tax structure; however, deferred taxes have been recorded for non-deductible amortization expenses as a part of the purchase price allocation process. We have taken into account the allocation of these identified intangibles among different taxing jurisdictions, including those with nominal or zero percent tax rates, in establishing the related deferred tax liabilities. Income tax contingencies existing as of the acquisition dates of the acquired companies are evaluated quarterly and any adjustments are recorded as adjustments to goodwill during the measurement period.

Uncertainties in income taxes are not addressed specifically in IAS12 *Income Taxes* and hence the general measurement principles in IAS12 are applied in measuring the uncertain tax positions. Uncertain tax positions are reflected at the amount likely to be paid to the taxation authorities. A liability is recognized in connection with each item that is not probable of being sustained on examination by taxing authority. The liability is measured using single best estimate of the most likely outcome for each position taken in the tax return. Thus the provision would be the aggregate liability in connection with all uncertain tax positions. We also include interest related to such uncertain tax positions within our provision for income tax expense.

Evaluation of tax positions and recognition of provisions, as discussed above, involves interpretation of tax laws, estimates of probabilities of tax positions being sustained and the amounts of payments to be made under various scenarios. Although we believe we are adequately reserved for our unresolved disputes with the taxation authorities, no assurance can be given with respect to the final outcome on these matters. To the extent that the final outcome on these matters is different than the amounts recorded, such differences will impact our provision for income taxes in the period in which such a determination is made.

Derivative Financial Instruments and Hedge Accounting

We are exposed to foreign currency fluctuations on foreign currency assets, liabilities, net investment in foreign operations and forecasted cash flows denominated in foreign currency. We limit the effect of foreign exchange rate fluctuation by following established risk management policies including the use of derivatives. We enter into derivative financial instruments where the counter party is a bank. We hold derivative financial instruments such as foreign exchange forward and option contracts and interest rate swaps to hedge certain foreign currency and interest rate exposures. Forward and option contracts on various foreign currencies are entered into to manage the foreign currency exchange

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rate risk on forecasted revenue denominated in foreign currencies and monetary assets and liabilities held in non-functional currencies. Interest rate swaps are entered into to manage interest rate risk associated with floating rate borrowings. Our primary exchange rate exposure is with the US dollars, pound sterling and the Indian rupee.

Table of Contents*Cash Flow Hedges*

We recognize derivative instruments as either assets or liabilities in the statement of financial position at fair value. Derivative instruments qualify for hedge accounting when the instrument is designated as a hedge; the hedged item is specifically identifiable and exposes us to risk; and it is expected that a change in fair value of the derivative instrument and an opposite change in the fair value of the hedged item will have a high degree of correlation. Determining that there is a high degree of correlation between the change in fair value of the hedged item and the derivative instruments involves significant judgment including the probability of the occurrence of the forecasted transaction. Although our estimates of the forecasted transactions are based on historical experience and we believe that they are reasonable, the final occurrence of such transactions could be different as a result of external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts, which will have a material effect on our earnings.

For derivative instruments where hedge accounting is applied, we record the effective portion of derivative instruments that are designated as cash flow hedges in other comprehensive income (loss) in the statement of comprehensive income, which is reclassified into earnings in the same period during which the hedged item affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffective portion) or hedge components excluded from the assessment of effectiveness, and changes in fair value of other derivative instruments not designated as qualifying hedges is recorded as gains / losses, net in the statement of income. Gains/losses on cash flow hedges on intercompany forecasted revenue transactions are recorded in foreign exchange gains/losses and cash flow hedge on interest rate swaps are recorded in finance expense. Cash flows from the derivative instruments are classified within cash flows from operating activities in the statement of cash flows.

Fair Value Measurements

IAS 32 *Financial Instruments: Presentation* defines fair value as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit risk, foreign exchange rates, and forward and spot prices for currencies.

IAS 32 also discusses the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique as detailed below:

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2- other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3- techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value is estimated using the discounted cash flow approach and market rates of interest. The valuation technique involves assumptions and judgments regarding risk characteristics of the instruments, discount rates, future cash flows and other factors.

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

*Other Estimates**Allowance for Doubtful Accounts*

We make estimates of the uncollectability of our accounts receivable based on historical trends and other factors such as ageing and economic trends. Adverse economic conditions or other factors that might cause deterioration of the financial health of customers could change the timing and levels of payments received and necessitate a change in estimated losses.

Accounting for Defined Benefit Plans

In accounting for pension and post-retirement benefits, several statistical and other factors that attempt to anticipate future events are used to calculate plan expenses and liabilities. These factors include expected return on plan assets, discount rate assumptions and rate of future compensation increases. To estimate these factors, actuarial consultants also use estimates such as withdrawal, turnover, and mortality rates which require significant judgment. The actuarial assumptions used by us may differ materially from actual results in future periods due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates, or longer or shorter participant life spans.

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Results of Operations

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

	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
	As a percentage of							
	Revenue less repair payments				Revenue less repair payments			
	Revenue Three months ended December 31,		Revenue Three months ended December 31,		Revenue Nine months ended December 31,		Revenue Nine months ended December 31,	
	2011	2010	2011	2010	2011	2010	2011	2010
Cost of revenue	70.0%	79.3%	63.9%	66.0%	72.8%	79.7%	66.8%	66.4%
Gross profit	30.0%	20.7%	36.1%	34.0%	27.2%	20.3%	33.2%	33.6%
Operating expenses:								
Selling and marketing expenses	5.5%	4.0%	6.6%	6.6%	5.6%	3.8%	6.8%	6.4%
General and administrative expenses	10.7%	9.2%	12.9%	15.1%	10.6%	9.0%	13.0%	14.9%
Foreign exchange (gains) loss, net	0.9%	(4.0)%	1.1%	(6.7)%	(0.6)%	(2.4)%	(0.7)%	(3.9)%
Amortization of intangible assets	6.0%	5.2%	7.2%	8.6%	6.2%	5.2%	7.6%	8.7%
Operating profit	6.9%	6.3%	8.3%	10.4%	5.4%	4.6%	6.5%	7.6%
Other (income) expense, net	(0.1)%	(0.2)%	(0.2)%	(0.3)%	(0.1)%	(0.1)%	(0.1)%	(0.2)%
Finance expense	0.8%	0.8%	1.0%	1.3%	0.9%	2.2%	1.0%	3.7%
Provision (benefit) for income taxes	2.8%	(0.2)%	3.3%	(0.3)%	2.3%	0.5%	2.8%	0.8%
Profit	3.5%	5.9%	4.2%	9.7%	2.3%	2.0%	2.8%	3.3%

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

	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
	Three months ended December 31,				Nine months ended December 31,			
	2011	2010	2011	2010	2011	2010	2011	2010
	(US dollars in millions)							
Revenue	\$ 117.2	\$ 152.7	100%	100%	\$ 360.8	\$ 456.8	100%	100%
Less: Payments to repair centers	20.0	60.0	17%	39%	65.6	181.7	18%	40%
Revenue less repair payments	\$ 97.2	\$ 92.7	83%	61%	\$ 295.2	\$ 275.1	82%	60%

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

	September 30, Three months ended December 31, 2011	September 30, December 31, 2010 (US dollars in millions)	September 30, Nine months ended December 31, 2011	September 30, December 31, 2010
Revenue	\$ 117.2	\$ 152.7	\$ 360.8	\$ 456.8
Cost of revenue ⁽¹⁾	82.1	121.1	262.7	364.2
Gross profit	35.1	31.6	98.1	92.5
Operating expenses:				
Selling and marketing expenses ⁽²⁾	6.4	6.1	20.1	17.6
General and administrative expenses ⁽³⁾	12.5	14.0	38.4	41.1
Foreign exchange (gains) loss, net	1.1	(6.2)	(2.1)	(10.8)
Amortization of intangible assets	7.0	8.0	22.4	23.9
Operating profit	8.1	9.6	19.3	20.9
Other (income) expense, net	(0.2)	(0.3)	(0.3)	(0.6)
Finance expense	1.0	1.2	3.1	10.3
Provision (benefit) for income taxes	3.2	(0.2)	8.4	2.1
Profit	\$ 4.0	\$ 9.0	\$ 8.1	\$ 9.1

Notes:

- (1) Includes share-based compensation expense of \$0.2 million and \$0.7 million for the three and nine months ended December 31, 2011, respectively, and \$0.2 million and \$0.3 million for the three and nine months ended December 31, 2010, respectively.
- (2) Includes share-based compensation expense of \$0.0 million and \$0.3 million for the three and nine months ended December 31, 2011, respectively, and \$0.1 million for each of the three and nine months ended December 31, 2010.
- (3) Includes share-based compensation expense of \$0.9 million and \$2.6 million for the three and nine months ended December 31, 2011, respectively, and \$0.8 million and \$1.3 million for the three and nine months ended December 31, 2010, respectively.

Results for three months ended December 31, 2011 compared to the three months ended December 31, 2010**Revenue**

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

	September 30, Three months ended December 31, 2011	September 30, December 31, 2010 (US dollars in millions)	September 30, Change	September 30, % Change
Revenue	\$ 117.2	\$ 152.7	\$ (35.4)	(23.2)%

The decrease in revenue of \$35.4 million was primarily attributable to a decrease in revenue from existing clients of \$38.7 million, partially offset by revenue from new clients of \$3.3 million. The decrease in revenue from existing clients was attributable to our auto claims business on account of changes to certain client contracts and contracts with repair centers whereby the primary responsibility for providing the services is

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borne by the repair centers instead of us and the credit risk that the client may not pay for services is no longer borne by us. As a result of these changes, we no longer account for the amounts received from these clients for payments to repair centers as revenue, resulting in lower revenue. This change in the accounting has no impact on the corresponding revenue less repair payments discussed below. For more information, see Revenue above.

Table of Contents*Revenue by Geography*

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

	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	Revenue Three months ended December 31, (US dollars in millions)		As a percentage of revenue	
UK	\$ 72.1	\$ 93.3	61.5%	61.1%
North America (primarily the US)	34.9	33.1	29.8%	21.7%
Europe (excluding the UK)	6.8	24.6	5.8%	16.1%
Rest of world	3.4	1.7	2.9%	1.1%
Total	\$ 117.2	\$ 152.7	100%	100%

The decrease in revenue from the UK and Europe region was primarily attributable to our auto claims business on account of changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the amounts received from these clients for payments to repair centers as revenue, resulting in lower revenue.

Revenue Less Repair Payments

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

	September 30, Three months ended December 31, 2011	September 30, 2010	September 30, Change	September 30, % Change
	Revenue less repair payments Three months ended December 31, (US dollars in millions)			
Revenue less repair payments	\$ 97.2	\$ 92.7	\$ 4.5	4.9%

The increase in revenue less repair payments of \$4.5 million was primarily attributable to revenue less repair payments from new clients of \$3.1 million and an increase of \$1.4 million in revenue less repair payments from existing clients. The increase in revenue less repair payments was primarily due to higher volumes in our travel and leisure, insurance, consulting and professional services, healthcare and diversified verticals.

Revenue Less Repair Payments by Geography

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

	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	Revenue less repair payments Three months ended December 31, (US dollars in millions)		As a percentage of revenue less repair payments	
UK	\$ 52.1	\$ 51.3	53.6%	55.3%
North America (primarily the US)	34.9	33.1	35.9%	35.7%
Europe (excluding the UK)	6.8	6.6	7.0%	7.1%
Rest of world	3.4	1.7	3.5%	1.9%

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Total	\$	97.2	\$	92.7	100%	100%
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The increase in revenue less repair payments from the UK region was primarily attributable to higher volumes in our consulting and professional services vertical, and the increase from the North America (primarily the US) region was primarily attributable to higher volumes in our travel and leisure vertical. The increase in revenue from rest of world was primarily attributable to higher volumes in our insurance vertical.

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Cost of Revenue

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

Cost of revenue	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Employee costs	\$ 38.2	\$ 37.9	\$ (0.3)
Repair payments	20.0	60.0	40.0
Facilities costs	13.2	11.6	(1.6)
Depreciation	3.9	4.0	0.1
Legal and professional costs	0.8	1.9	1.1
Travel costs	1.7	2.1	0.4
Other costs	4.3	3.6	(0.7)
Total cost of revenue	\$ 82.1	\$ 121.1	\$ 39.0

As a percentage of revenue	70.0%	79.3%
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The decrease in repair payments was primarily attributable to our auto claims business on account of changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the payments made to repair centers for cases referred by these clients as cost of revenue, which resulted in lower repair payments. The increase in employee costs was due to an increase in salary, the increase in facilities costs was due to new facilities in Costa Rica, Mumbai, Pune and Chennai and the increase in other costs was due to an increase in headcount and the new facilities. These increases were partially offset by the impact of a depreciation of the Indian rupee against the US dollar. The decrease in depreciation, legal and professional costs and travel costs were partially attributable to the depreciation of the Indian rupee against the US dollar.

Gross Profit

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Gross profit	\$ 35.1	\$ 31.6	\$ 3.5
As a percentage of revenue	30.0%	20.7%	
As a percentage of revenue less repair payments	36.1%	34.0%	

Gross profit is higher due to higher revenue less repair payments as discussed above and a decrease in cost of revenue on account of a depreciation of the Indian rupee against the US dollar. Gross profit as a percentage of revenue increased primarily due to changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the amounts received from these clients for payments to repair centers as revenue, resulting in lower revenue.

Selling and Marketing Expenses

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
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	(US dollars in millions)		
Employee costs	\$	4.8	\$ 4.5 \$ (0.3)
Other costs		1.6	1.7 0.0
Total selling and marketing expenses	\$	6.4	\$ 6.1 \$ (0.3)

As a percentage of revenue

5.5%

4.0%

As a percentage of revenue less repair payments

6.6%

6.6%

The increase was primarily the result of the expenses incurred in the expansion of our sales team, client partner program, and branding and marketing initiatives. We anticipate maintaining a consistent level of such expenses (as a percentage of our revenue less repair payments) in support of our growth strategy.

Table of Contents*General and Administrative Expenses*

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Employee costs	\$ 8.2	\$ 7.0	\$ (1.2)
Other costs	4.3	7.0	2.7
Total general and administrative expenses	\$ 12.5	\$ 14.0	\$ 1.5

As a percentage of revenue

10.7%

9.2%

As a percentage of revenue less repair payments

12.9%

15.1%

The decrease was primarily on account of a depreciation of the Indian rupee against the US dollar, cost optimization in support functions resulting in lower facilities costs, legal, professional and other costs and better operating leverage. This decrease was partially offset by an increase in employee costs as a result of higher salary. We anticipate maintaining a consistent level of employee costs and other costs (as a percentage of our revenue less repair payments).

Foreign Exchange Gains, net

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Foreign exchange (gains) loss, net	\$ 1.1	\$ (6.2)	\$ (7.2)

The foreign exchange losses recorded for the three months ended December 31, 2011 were on account of hedging loss on our rupee-denominated contracts as a result of a depreciation of the Indian rupee against the US dollar, partially offset by realized and unrealized foreign exchange gains on a revaluation of intercompany assets and liabilities. The foreign exchange gains recorded for the three months ended December 31, 2010 were on account of hedging gains on our rupee-denominated contracts as a result of an appreciation of the Indian rupee against the US dollar and the impact of the transition from US GAAP to IFRS with respect to hedge accounting.

Amortization of Intangible Assets

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Amortization of intangible assets	\$ 7.0	\$ 8.0	\$ 0.9

The decrease was primarily due to the lower amortization charges relating to intangible assets acquired in connection with the acquisition of Flovate in June 2007 and BizAps in June 2008, due to declining balance of intangible assets subject to amortization and a depreciation of the Indian rupee against the US dollar, which impacts the amortization charges relating to intangible assets acquired in connection with the acquisition of Aviva Global in 2008 following the transfer of intangible assets from WNS (Mauritius) Limited (held in US dollars) to WNS Global Services Private Limited, or WNS Global (held in Indian rupees), in March 2011.

Operating Profit

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010 (US dollars in millions)	September 30, Change
Operating profit	\$ 8.1	\$ 9.6	\$ (1.5)
As a percentage of revenue	6.9%	6.3%	
As a percentage of revenue less repair payments	8.3%	10.4%	

Operating profit decreased due to a higher foreign exchange loss as discussed above, partially offset by higher revenue less repair payments, and lower general and administrative cost and lower amortization charges relating to intangible assets.

Table of Contents*Finance Expense*

The following table sets forth our finance expense for the periods indicated:

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Finance expense	\$ 1.0	\$ 1.2	\$ 0.2

The decrease was primarily due to lower interest cost on account of the scheduled payments of principal on our 2010 Term Loan (as defined under Liquidity and Capital Resources) in January and June 2011, partially offset by an increase in interest paid on our outstanding short term loans.

Other (Income) Expense, Net

The following table sets forth our other income, net for the periods indicated:

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Other (income) expense, net	\$ (0.2)	\$ (0.3)	\$ (0.1)

Provision for Income Taxes

The following table sets forth our provision for income taxes for the periods indicated:

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Provision (benefit) for income taxes	\$ 3.2	\$ (0.2)	\$ (3.5)

The increase in income taxes is primarily on account of the expiry of the STPI tax holiday period in India as of April 1, 2011.

Profit

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

	September 30, Three months ended 2011	September 30, Three months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Profit	\$ 4.0	\$ 9.0	\$ (4.9)
As a percentage of revenue	3.5%	5.9%	
As a percentage of revenue less repair payments	4.2%	9.7%	

The decrease in profit was primarily on account of higher foreign exchange loss and provision for income taxes as discussed above, partially offset by higher revenue less repair payment, and lower general and administrative cost and amortization charges relating to intangible assets.

Table of Contents**Results for nine months ended December 31, 2011 compared to the nine months ended December 31, 2010***Revenue*

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

	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010	September 30, Change	September 30, % Change
	(US dollars in millions)			
Revenue	\$ 360.8	\$ 456.8	\$ (96.0)	(21.0)%

The decrease in revenue of \$96.0 million was primarily attributable to a decrease in revenue from existing clients of \$104.5 million, partially offset by revenue from new clients of \$8.5 million. The decrease in revenue from existing clients was attributable to our auto claims business on account of changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the amounts received from these clients for payments to repair centers as revenue, resulting in lower revenue. This change in the accounting has no impact on the corresponding revenue less repair payments discussed below. For more information, see *Revenue* above.

Revenue by Geography

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

	September 30, Revenue 2011	September 30, Nine months ended December 31, 2010	September 30, As a percentage of revenue 2011	September 30, As a percentage of revenue 2010
	(US dollars in millions)			
UK	\$ 224.3	\$ 276.2	62.2%	60.5%
North America (primarily the US)	108.9	103.0	30.2%	22.5%
Europe (excluding the UK)	20.0	73.0	5.5%	16.0%
Rest of world	7.6	4.6	2.1%	1.0%
Total	\$ 360.8	\$ 456.8	100%	100%

The decrease in revenue from the UK and Europe region was primarily attributable to our auto claims business on account of changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the amounts received from these clients as revenue, resulting in lower revenue. The increase in revenue in North America (primarily the US) was primarily due to higher volumes in our travel and leisure, insurance and healthcare verticals, and to a lesser extent, an appreciation of the pound sterling against the US dollar, the effects of which were partially offset by lower volumes in our banking and financial services and our retail and consumer products verticals.

Revenue Less Repair Payments

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

	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010	September 30, Change	September 30, % Change
	(US dollars in million)			

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Revenue less repair payments	\$	295.2	\$	275.1	\$	20.1	7.3%
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The increase in revenue less repair payments of \$20.1 million was primarily attributable to an increase in revenue less repair payments from existing clients of \$12.0 million and revenue less repair payments from new clients of \$8.1 million. The increase in revenue less repair payments was primarily due to higher volumes in our insurance, travel and leisure, diversified businesses, consulting and professional services and healthcare verticals and, to a lesser extent, an appreciation of the pound sterling against the US dollar.

Table of Contents*Revenue Less Repair Payments by Geography*

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

	September 30, 2011	September 30, 2010 (US dollars in millions)	September 30, As a percentage of revenue less repair payments 2011	September 30, As a percentage of revenue less repair payments 2010
	Revenue less repair payments Nine months ended December 31,			
UK	\$ 158.8	\$ 147.6	53.8%	53.7%
North America (primarily the US)	108.8	103.0	36.9%	37.4%
Europe (excluding the UK)	20.0	19.9	6.8%	7.2%
Rest of world	7.6	4.6	2.5%	1.7%
Total	\$ 295.2	\$ 275.1	100%	100%

The increase in revenue less repair payments from the UK region was primarily attributable to higher volumes in our diversified businesses, insurance and consulting and professional services verticals. The increase in revenue in North America (primarily the US) was primarily due to higher volumes in the travel and leisure, insurance, healthcare verticals partially offset by lower volumes in our banking and financial services and retail and consumer products verticals.

Cost of Revenue

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

Cost of revenue	September 30, 2011	September 30, 2010 (US dollars in millions)	September 30, Change
Employee costs	\$ 120.8	\$ 114.4	\$ (6.5)
Repair payments	65.6	181.7	116.1
Facilities costs	40.0	34.4	(5.6)
Depreciation	11.7	12.6	0.9
Legal and professional costs	5.8	6.5	0.7
Travel costs	6.8	5.2	(1.6)
Other costs	12.0	9.4	(2.6)
Total cost of revenue	\$ 262.7	\$ 364.2	\$ 101.5

As a percentage of revenue	72.8%	79.7%
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The decrease in repair payments was primarily attributable to our auto claims business on account of changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the payments made to repair centers for cases referred by these clients as cost of revenue, which resulted in lower repair payments. The increase in employee costs was due to an increase in salary, the increase in facilities costs was due to new facilities in Costa Rica, Mumbai, Pune and Chennai and the increase in travel and other costs was due to an increase in headcount and the new facilities. These increases were partially offset by the impact of a depreciation of the Indian rupee against the US dollar. The decrease in depreciation, and legal and professional costs were partially attributable to the depreciation of the Indian rupee against the US dollar.

Gross Profit

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

	September 30, Nine months ended 2011	September 30, Nine months ended 2010 (US dollars in millions)	September 30, Change
Gross profit	\$ 98.1	\$ 92.5	\$ 5.5
As a percentage of revenue	27.2%	20.3%	
As a percentage of revenue less repair payments	33.2%	33.6%	

Gross profit is higher due to higher revenue less repair payments as discussed above and a depreciation of the Indian rupee against the US dollar which partially offset increases in employee costs and facilities costs as discussed above. Gross profit as a percentage of revenue increased primarily due to changes to certain client contracts and contracts with repair centers as discussed above, as a result of which we no longer account for the amounts received from these clients for payments to repair centers as revenue, resulting in lower revenue.

Table of Contents*Selling and Marketing Expenses*

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

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Employee costs	\$ 15.0	\$ 12.7	\$ (2.2)
Other costs	5.1	4.8	(0.3)
Total selling and marketing expenses	\$ 20.1	\$ 17.6	\$ (2.5)

As a percentage of revenue

5.6% 3.8%

As a percentage of revenue less repair payments

6.8% 6.4%

The increase was primarily the result of the expenses incurred in the expansion of our sales team, client partner program, and branding and marketing initiatives. We anticipate maintaining a consistent level of such expenses (as a percentage of our revenue less repair payments) in support of our growth strategy.

General and Administrative Expenses

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

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Employee costs	\$ 27.0	\$ 19.8	\$ (7.2)
Other costs	11.4	21.3	9.9
Total general and administrative expenses	\$ 38.4	\$ 41.1	\$ 2.7

As a percentage of revenue

10.6% 9.0%

As a percentage of revenue less repair payments

13.0% 14.9%

The decrease was primarily on account of a depreciation of the Indian rupee against the US dollar, cost optimization in support functions resulting in lower facilities costs, legal and professional costs and other costs and better operating leverage. This decrease was partially offset by an increase in employee costs as a result of higher salary including share based compensation expense of \$1.4 million. We anticipate maintaining a consistent level of employee costs and other costs (as a percentage of our revenue less repair payments).

Foreign Exchange Gains, Net

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

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Foreign exchange (gains) loss, net	\$ (2.1)	\$ (10.8)	\$ (8.7)

The foreign exchange gains recorded for the nine months ended December 31, 2011 were on account of realized and unrealized foreign exchange gains on revaluation of intercompany assets and liabilities, partially offset by hedging loss on our rupee-denominated contracts as a

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result of a depreciation of the Indian rupee against the US dollar. The foreign exchange gains recorded for the nine months ended December 31, 2010 were on account of hedging gains on our rupee-denominated contracts as a result of an appreciation of the Indian rupee against the US dollar and, to a lesser extent, the impact of the transition from US GAAP to IFRS with respect to hedge accounting, partially offset by realized and unrealized foreign exchange loss on a revaluation of intercompany assets and liabilities.

Table of Contents*Amortization of Intangible Assets*

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

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Amortization of intangible asset	\$ 22.4	\$ 23.9	\$ 1.5

The decrease was primarily due to the lower amortization of intangible assets acquired in connection with the acquisition of Flovate in June 2007 and BizAps in June 2008 due to declining balance of intangible assets subject to amortization, and the depreciation of the Indian rupee against the US dollar, which impacts the amortization charges relating to intangible assets acquired in connection with the acquisition of Aviva Global in 2008 following the transfer of the intangible assets from WNS (Mauritius) Limited (held in US dollars) to WNS Global Services Private Limited (held in Indian rupees) in March 2011.

Operating Profit

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

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Operating profit	\$ 19.3	\$ 20.9	\$ (1.5)
As a percentage of revenue	5.4%	4.6%	
As a percentage of revenue less repair payments	6.5%	7.6%	

Operating profit is lower due to lower foreign exchange gains and higher selling and marketing expenses, partially offset by higher gross profit as discussed above and lower general and administrative expenses and amortization of intangible assets.

Finance Expense

The following table sets forth our finance expense for the periods indicated:

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Finance expense	\$ 3.1	\$ 10.3	\$ 7.2

The decrease was primarily due to lower interest cost on account of scheduled repayment of principal on our 2010 Term Loan (as defined under Liquidity and Capital Resources) in January and June 2011 and a one-time cost impact of \$5.1 million due to an interest rate swap unwinding charge as a result of our term loan restructuring in the nine months period ended December 31, 2010.

Other (Income) Expense, Net

The following table sets forth our other income, net for the periods indicated:

September 30,	September 30,	September 30,
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	Nine months ended December 31,		
	2011	2010	Change
	(US dollars in millions)		
Other income, net	\$ (0.3)	\$ (0.6)	\$ (0.3)
<i>Provision for Income Taxes</i>			

The following table sets forth our provision for income taxes for the periods indicated:

	September 30, Nine months ended December 31, 2011	September 30, Nine months ended December 31, 2010	September 30, Change
	(US dollars in millions)		
Provision for income taxes	\$ 8.4	\$ 2.1	\$ (6.3)

The increase in income tax is primarily on account of the expiry of the STPI tax holiday period in India as of April 1, 2011.

Table of Contents*Profit*

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

	September 30, Nine months ended 2011	September 30, December 31, 2010	September 30, Change
	(US dollars in millions)		
Profit	\$ 8.1	\$ 9.1	\$ (1.0)
As a percentage of revenue	2.3%	2.0%	
As a percentage of revenue less repair payments	2.8%	3.3%	

The decrease in profit was primarily on account of higher employee costs, lower foreign exchange gains and higher provision for income taxes as discussed above partially offset by higher revenue less repair payments, cost savings from management initiatives and a one-time cost impact of \$5.1 million due to an interest rate swap unwinding charge in the nine month ended December 31, 2010.

Liquidity and Capital Resources

Our capital requirements are principally for debt repayment, the establishment of operating facilities to support our growth and acquisitions. Our sources of liquidity include cash and cash equivalents and cash flow from operations, supplemented by equity and debt financing and bank credit lines as required.

As at December 31, 2011, we had cash and cash equivalents of \$23.3 million. We typically seek to invest our available cash on hand in bank deposits, and money market instruments. Our investment in marketable securities, consisting of liquid mutual funds, was \$11.4 million as at December 31, 2011.

In our WNS Auto Claims BPO segment, certain client contracts entered into in the last two years provide for a longer credit period in the payment terms extended to the client than the credit period extended to us by third party repair centers. Accordingly, under such contracts, we have to pay third party repair centers in advance of receipt of payments from the clients. This has increased our working capital requirements to fund our payments to the third party repair centers prior to receipt of payments from our clients. In June 2010, WNS Global Services (UK) Limited, or WNS UK, took a line of credit for £19.8 million from HSBC Bank plc, as described below, to partially fund our increased working capital requirements in the UK. Our contract with a large client (by revenue contribution), which initially provided for a credit period of 180 days and has since December 2010 been amended to provide for a credit period of 100 days, has been the primary reason for the increase in our working capital requirements over the last two years. This client has given us notice to terminate the contract with effect from April 2012. We expect our working capital requirements will likely be reduced following the termination of this contract.

As at December 31, 2011, our Indian subsidiary, WNS Global Services Private Limited or WNS Global, had unsecured lines of credit of 960.0 million (\$18.1 million based on the exchange rate on December 31, 2011) from The Hongkong and Shanghai Banking Corporation Limited, \$15.0 million from BNP Paribas and 480.0 million (\$9.1 million based on the exchange rate on December 31, 2011) from Citibank N.A., interest on which would be determined on the date of the borrowing. These lines of credit generally can be withdrawn by the relevant lender at any time. As at December 31, 2011, (1)(i) 566.7 million (\$10.7 million based on the exchange rate on December 31, 2011) was utilized for working capital requirements, (ii) 11.5 million (\$0.2 million based on the exchange rate on December 31, 2011) was utilized for obtaining bank guarantees, and (iii) 13.5 million (\$0.3 million based on the exchange rate on December 31, 2011) was utilized for obtaining letters of credit, each from the line of credit available with The Hongkong and Shanghai Banking Corporation Limited, (2) \$14.4 million was utilized for working capital requirements from the line of credit available with BNP Paribas and (3) \$9.1 million was utilized for working capital requirements from the line of credit available with Citibank N.A.

In July 2008, we obtained a \$200 million term loan facility to fund, together with existing cash and cash equivalents, the Aviva transaction. Interest on the term loan was payable on a quarterly basis. Interest on the term loan was initially agreed at a rate equivalent to the three-month US dollar LIBOR plus 3% per annum. Effective January 10, 2009, the interest rate was increased by 0.5% per annum. In connection with the term loan, we entered into an interest rate swap with banks covering the outstanding amount under the facility to swap the variable portion of the interest based on US dollar LIBOR to a fixed average rate. The outstanding balance of the term loan following prepayments and scheduled repayments made on the term loan as at July 12, 2010 was \$115 million.

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On July 12, 2010, the balance of \$115 million was prepaid with cash on hand and proceeds from a term loan facility for \$94 million obtained pursuant to a facility agreement dated July 2, 2010 between WNS (Mauritius) Limited, as borrower, and The Hongkong and Shanghai Banking Corporation Limited, Hong Kong, DBS Bank Limited, Singapore and BNP Paribas, Singapore, or the 2010 Term Loan. This 2010 Term Loan has been financed equally by all the three lenders and bears interest at a rate equivalent to three-month US dollar LIBOR plus a margin of 2% per annum. On January 10, 2011, July 11, 2011 and January 10, 2012, we made scheduled payments of principal of \$20 million, \$20 million and \$30 million, respectively. Following the installment repayments, the amount outstanding under the facility is \$24 million. The final installment of \$24 million is repayable on July 10, 2012. Repayment under the facility is guaranteed by WNS (Holdings) Limited, WNS UK, WNS Capital Investments Limited, WNS Customer Solutions (Singapore) Private Limited, WNS North America Inc., AHA and WNS Global Services Netherlands Cooperative U.A., and secured by pledges of shares of WNS (Mauritius) Limited, WNS Capital Investments Limited and WNS Customer Solutions (Singapore) Private Limited, charges over the bank accounts of WNS (Mauritius) Limited, WNS Capital Investments Limited and WNS Customer Solutions (Singapore) Private

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Limited, a charge over receivables of WNS Capital Investment Limited from Aviva held in escrow, an assignment by WNS (Mauritius) Limited to the lenders of the 2010 Term Loan of its put option to sell its shares of WNS Capital Investment Limited to WNS Global Services Private Limited, pursuant to which the lenders may, in the event of a default under the loan, compel WNS (Mauritius) Limited to exercise its put option and apply the proceeds from the sale of its shares of WNS Capital Investment Limited to WNS Global Services Private Limited towards repayment of the loan, and a fixed and floating charge over the assets of WNS UK, or the 2010 Term Loan Charge, which ranks pari passu with the UK Loan Charge (as defined below). The facility agreement contains certain covenants, including restrictive covenants relating to our indebtedness, total borrowings to tangible net worth ratio, total borrowings to EBITDA ratio and a minimum interest coverage ratio, each as defined in the facility agreement, and undertakings by each of WNS (Mauritius) Limited and WNS Customer Solutions (Singapore) Private Limited not to sell, transfer or otherwise dispose of their respective shares of WNS Global Services Private Limited.

WNS UK entered into a facility agreement dated June 30, 2010 with HSBC Bank plc for a secured line of credit for the £19.8 million (\$30.6 million based on the exchange rate on December 31, 2011), consisting of a £9.9 million (\$15.3 million based on the exchange rate on December 31, 2011) two year term loan facility and a £9.9 million (\$15.3 million based on the exchange rate on December 31, 2011) working capital facility which has been renewed on June 30, 2011. The term loan bears interest at Bank of England base rate plus a margin of 1.95% per annum and is repayable at maturity on July 7, 2012. The working capital facility bears interest at Bank of England base rate plus a margin of 2.45% per annum and is repayable on July 1, 2012. Repayment under the two year term loan facility is guaranteed by WNS (Holdings) Limited, WNS (Mauritius) Limited and WNS Capital Investment Limited, WNS UK and AHA, and secured by pledges of shares of WNS (Mauritius) Limited and WNS Capital Investment Limited, a charge over receivables of WNS Capital Investments Limited from Aviva held in escrow, a fixed and floating charge over the assets of AHA and a fixed and floating charge over the assets of WNS UK, or the UK Loan Charge, which ranks pari passu with the 2010 Term Loan Charge. Repayment under the working capital facility is guaranteed by WNS (Holdings) Limited for up to \$15 million and also guaranteed by WNS UK and AHA, and secured by a fixed and floating charge over the assets of AHA and the UK Loan Charge, which ranks pari passu with the 2010 Term Loan Charge. The facility agreement contains certain covenants, including restrictive covenants relating to our indebtedness, total borrowings to tangible net worth ratio and total borrowings to EBITDA ratio, as well as a minimum interest coverage ratio and a minimum current ratio, each as defined in the facility agreement. In addition, the working capital facility is subject to conditions to drawdown, and can be withdrawn by the lender at any time by notice to the borrower. As at December 31, 2011, £9.9 million (\$15.3 million based on the exchange rate on December 31, 2011) was outstanding under the term loan facility and there was no amount outstanding under the working capital facility.

WNS Global Services Philippines Inc. has established a \$3.2 million line of credit pursuant to a facility agreement dated September 8, 2010 with The Hongkong and Shanghai Banking Corporation Limited. This facility consists of a three year term loan facility, repayable in three equal installments on September 28, 2012, March 28, 2013 and September 27, 2013. The loan bears interest at the three-month US dollar LIBOR plus a margin of 3% per annum. This facility is secured by, among other things, a guarantee provided by us and an assignment on a with recourse basis of all rights, titles and interests in and to receivables due to WNS Global Services Philippines Inc. from WNS North America Inc. and WNS UK. The facility agreement contains certain restrictive covenants on our indebtedness, total borrowings to tangible net worth ratio and total borrowings to EBITDA ratio, as well as a minimum interest coverage ratio, each as defined in the facility agreement. As at December 31, 2011, the amount outstanding under the facility was \$3.2 million

We expect that our anticipated cash generated from operating activities, cash and cash equivalents on hand, and available lines of credit will be sufficient to meet our debt repayment obligations and working capital needs for the next 12 months. However, if our lines of credit were to become unavailable for any reason, we would require additional financing to meet our debt repayment obligations and working capital needs. Moreover, we expect to require financing to fund our expansion plans, including to fund our capital expenditures in fiscal 2013. We currently expect that our level of capital expenditures in fiscal 2013 to be approximately in line with that budgeted for fiscal 2012. Further, under the current extremely volatile conditions as discussed under Global Market and Economic Conditions above, there can be no assurance that our business activity would be maintained at the expected level to generate the anticipated cash flows from operations. If the current market conditions persist or further deteriorate, we may experience a decrease in demand for our services, resulting in our cash flows from operations being lower than anticipated. If our cash flows from operations are lower than anticipated, including as a result of the ongoing downturn in the market conditions or otherwise, we may need to obtain additional financing to meet some of our existing debt repayment obligations and pursue certain of our expansion plans. Further, we may in the future consider making acquisitions. If we have significant growth through acquisitions or require additional operating facilities beyond those currently planned to service new client contracts, we may also need to obtain additional financing. We believe in maintaining maximum flexibility when it comes to financing our business. We regularly evaluate our current and future financing needs. Depending on market conditions, we may access the capital markets to strengthen our capital position, and provide us with additional liquidity for general corporate purposes, which may include capital expenditures acquisitions, refinancing of indebtedness and working capital. If current market conditions continue to persist or deteriorate further, we may not be able to obtain additional financing or any such additional financing may be available to us on unfavorable terms. An inability to pursue additional opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

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The following table shows our cash flows for the nine months ended December 31, 2011 and 2010:

	September 30, Nine months ended 2011	September 30, Nine months ended 2010
	(US dollars in millions)	
Net cash provided by operating activities	\$ 40.9	\$ 21.2
Net cash used in investing activities	\$ (32.6)	\$ (10.7)
Net cash provided (used in) by financing activities	\$ 0.5	\$ (14.8)
<i>Cash Flows from Operating Activities</i>		

Net cash provided by operating activities increased to \$40.9 million for the nine months ended December 31, 2011 from \$21.2 million for the nine months ended December 31, 2010. The increase in net cash provided by operating activities for the nine months ended December 31, 2011 as compared to the nine months ended December 31, 2010 was attributable to an increase in profit as adjusted by non-cash related items by \$9.3 million and a reduction in interest paid by \$2.8 million, partially offset by an increase in income taxes paid by \$1.2 million and a reduction in interest received by \$0.1 million.

Cash from working capital changes increased by \$8.9 million during the nine months ended December 31, 2011 as compared to nine months ended December 31, 2010, primarily due to (i) an increase in cash inflow from accounts receivable of \$29.1 million primarily as a result of a decrease in the credit period of the payment terms extended to a large client in our WNS Auto Claims BPO segment, and (ii) a decrease in cash outflow towards settlement of other current liabilities by \$21.4 million primarily as a result of a decrease in value-added tax payment liability and derivative contract liability settlement, partially offset by an increase in cash outflow by (i)

\$18.0 million in accounts payable primarily as a result of an increase in outflow towards accounts payable in our WNS Auto Claims BPO segment, (ii) \$16.1 million in other current assets primarily as a result of an increase in funds held for clients, a reduction in cash received upon settlement of derivative financial instruments on maturity and an advance given to a client and (iii) \$7.4 million in deferred revenue primarily as a result of a decrease in an advance received from a client.

The increase in profit as adjusted for non-cash related items by \$9.3 million was primarily on account of (i) an increase in income tax expense by \$8.8 million, (ii) an increase in unrealized loss on derivative instruments by \$7.7 million, (iii) an increase in share-based compensation expense by \$1.9 million, and (iv) an increase deferred rent expense by \$0.2 million. This increase was partially offset by (i) a decrease in depreciation and amortization expenses by \$2.8 million, (ii) an increase in deferred tax credit by \$2.5 million, (iii) a decrease in interest expense by \$1.4 million, (iv) a decrease of \$1.0 million in profit, (v) a decrease in excess tax benefit on share based options exercised by \$0.6 million, (vi) a decrease in amortization charge of deferred financing cost of \$0.5 million, and (vii) a decrease in allowance for doubtful debts by \$0.5 million.

Cash Flows from Investing Activities

Net cash used in investing activities increased to \$32.6 million for the nine months ended December 31, 2011 from \$10.7 million for the nine months ended December 31, 2010. Investing activities comprised the following: (i) the capital expenditures incurred for leasehold improvements, purchase of computers, furniture, fixtures and other office equipment associated with expanding the capacity of our delivery centers in the nine months ended December 31, 2011 was \$17.7 million, which was higher by \$7.2 million as compared to the nine months ended December 31, 2010, (ii) the amount invested in marketable securities was \$12.9 million for the nine months ended December 31, 2011, (iii) the payment of \$2.2 million to ACS for the acquisition of the balance 35% stake in WNS Philippines Inc. in the nine months ended December 31, 2011, as compared to the payment made towards earnout consideration of \$0.5 million during the nine months ended December 31, 2010 in connection with the acquisition of Biz Aps in June 2008, and (iv) the payment made towards the purchase of software (classified as intangibles) of \$0.2 million for the nine months ended December 31, 2010.

Cash Flows from Financing Activities

Net cash provided in financing activities was \$0.5 million for the nine months ended December 31, 2011, as compared to net cash used in financing activities of \$14.8 million for the nine months ended December 31, 2010. Financing activities in the nine months ended December 31, 2011 was primarily on account of (i) short term loans amounting to \$34.1 million taken by WNS Global, partially offset by a repayment of \$5.0 million of a short term loan by WNS Global, a repayment of \$8.9 million of a short term loan by WNS UK, and a repayment of \$0.7 million of a loan from ACS, (ii) a decrease in payment made towards debt issuance cost by WNS (Mauritius) Limited by \$1.0 million for the nine months

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ended December 31, 2011 as compared to the nine months ended December 31, 2010, (iii) a decrease in proceeds from the issuance of shares from the exercise of share options by \$0.6 million for the nine months ended December 31, 2011 as compared to the nine months ended December 31, 2010, (iv) long term debt taken by WNS UK for \$14.9 million, by WNS (Mauritius) Limited for \$46.8 million and by WNS Global Services Philippines, Inc. for \$3.2 million during the nine months ended December 31, 2010 and (v) a loan repayment of \$20.0 million during the nine months ended December 31, 2011 as compared to a repayment of \$87.8 million during the nine months ended December 31, 2010 by WNS (Mauritius) Limited.

Table of Contents**Contingencies*****Tax Assessment Orders***

Transfer pricing regulations to which we are subject require that any international transaction among WNS and its subsidiaries, or the WNS group enterprises, be on arm's-length terms. We believe that the international transactions among the WNS group enterprises are on arm's-length terms. If, however, the applicable tax authorities determine that the transactions among the WNS group enterprises do not meet arm's-length criteria, we may incur increased tax liability, including accrued interest and penalties. This would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows. The applicable tax authorities may also disallow deductions or tax holiday benefits claimed by us and assess additional taxable income on us in connection with their review of our tax returns.

From time to time, we receive orders of assessment from the Indian tax authorities assessing additional taxable income on us and/or our subsidiaries in connection with their review of our tax returns. We currently have orders of assessment for fiscal 2003 through fiscal 2009 pending before the first level tax appellate authorities. These orders assess additional taxable income that could in the aggregate give rise to an estimated 2,194.3 million (\$41.4 million based on the exchange rate on December 31, 2011) in additional taxes, including interest of 764.8 million (\$14.4 million based on the exchange rate on December 31, 2011).

The following sets forth the details of these orders of assessment:

Entity	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
	Tax Year(s)	Amount Demanded		Interest on Amount Demanded	
		(Including Interest)		(and US dollars in millions)	
WNS Global, WNS Customer Solutions (Private) Limited, or WNS Customer Solutions, and Noida Customer Operations Private Limited, or Noida	Fiscal 2003	180.2	\$ (3.4) ⁽¹⁾	60.0	\$ (1.1) ⁽¹⁾
WNS Global, WNS Customer Solutions and Noida	Fiscal 2004	12.5	\$ (0.2) ⁽¹⁾	3.1	\$ (0.1) ⁽¹⁾
WNS Global, WNS Customer Solutions and Noida	Fiscal 2005	27.4	\$ (0.5) ⁽¹⁾	8.6	\$ (0.2) ⁽¹⁾
WNS Global, WNS Customer Solutions and Noida	Fiscal 2006	539.9	\$ (10.2) ⁽¹⁾	188.9	\$ (3.6) ⁽¹⁾
WNS Business Consulting Services Private Limited, or WNS BCS and permanent establishment of WNS North America Inc. and WNS UK in India	Fiscal 2006	140.1	\$ (2.6) ⁽¹⁾	51.4	\$ (1.0) ⁽¹⁾
WNS Global, WNS Customer Solutions and Noida	Fiscal 2007	98.7	\$ (1.9) ⁽¹⁾	31.9	\$ (0.6) ⁽¹⁾
WNS BCS and permanent establishment of WNS North America Inc. and WNS UK in India	Fiscal 2007	337.5	\$ (6.4) ⁽¹⁾	106.0	\$ (1.8) ⁽¹⁾
WNS Global, WNS Customer Solutions and Noida	Fiscal 2008	763.3	\$ (14.4) ⁽¹⁾	287.9	\$ (5.4) ⁽¹⁾
WNS BCS and permanent establishment of WNS North America Inc. and WNS UK in India	Fiscal 2008	79.6	\$ (1.5) ⁽¹⁾	25.0	\$ (0.5) ⁽¹⁾
WNS BCS and permanent establishment of WNS North America Inc. and WNS UK in India	Fiscal 2009	15.1	\$ (0.3) ⁽¹⁾	2.0	\$ (0.1) ⁽¹⁾
Total		2,194.3	\$ (41.4) ⁽¹⁾	764.8	\$ (14.4) ⁽¹⁾

Note:

(1) Based on the exchange rate on December 31, 2011.

The aforementioned orders of assessment allege that the transfer prices we applied to certain of the international transactions between WNS Global, one of our Indian subsidiaries, and our other wholly-owned subsidiaries named above were not on arm's length terms, disallow a tax

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holiday benefit claimed by us and disallow certain expenses claimed as tax deductible by WNS Global.

In addition, we currently have orders of assessment pertaining to similar issues that have been decided in our favor by first level appellate authorities, vacating tax demands of 1,928.8 million (\$36.4 million based on the exchange rate on December 31, 2011) in additional taxes, including interest of interest of 584.0 million (\$11.0 million based on the exchange rate on December 31, 2011). The income tax authorities have filed appeals against these orders.

As of December 31, 2011, we have provided a tax reserve of 475.1 million (\$8.9 million based on the exchange rate on December 31, 2011) on account of the Indian tax authorities denying the set off of brought forward business losses and unabsorbed depreciation.

In case of disputes, the Indian tax authorities may require us to deposit with them all or a portion of the disputed amounts pending resolution of the matters on appeal. Any amount paid by us as deposits will be refunded to us with interest if we succeed in our appeals. We have deposited a small portion of the disputed amount with the tax authorities and may be required to deposit the remaining portion of the disputed amount with the tax authorities pending final resolution of the respective matters.

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After consultation with our Indian tax advisors and based on the facts of these cases, the nature of the tax authorities' disallowances and the orders from first level appellate authorities deciding similar issues in our favor in respect of assessment orders for earlier fiscal years, we believe these orders are unlikely to be sustained at the higher appellate authorities and we intend to vigorously dispute the orders of assessment.

In March 2009, we also received an assessment order from the Indian Service Tax Authority demanding payment of \$346.2 million (\$6.5 million based on the exchange rate on December 31, 2011) of service tax and related penalty for the period from March 1, 2003 to January 31, 2005. The assessment order alleges that service tax is payable in India on BPO services provided by WNS Global to clients based abroad as the export proceeds are repatriated outside India by WNS Global. In April 2009, we filed an appeal to the appellate tribunal against the assessment order and the appeal is currently pending. After consultation with our Indian tax advisors, we believe this order of assessment is more likely than not to be upheld in our favor. We intend to continue to vigorously dispute the assessment.

No assurance can be given, however, that we will prevail in our tax disputes. If we do not prevail, payment of additional taxes, interest and penalties may adversely affect our results of operations, financial condition and cash flows. There can also be no assurance that we will not receive similar or additional orders of assessment in the future.

Legal Proceedings

Subsequent to the authorization of our unaudited condensed interim consolidated financial statements included in this report by our Board of Directors, we received a complaint filed by ExlService Holdings, Inc., or the Plaintiff, against one of our employees who used to work for the Plaintiff, or the Employee Defendant, and us, alleging (as against us) that our employment of the Employee Defendant, among others, amounts to a misappropriation of the Plaintiff's confidential and proprietary information, engaging in unfair competition against the Plaintiff and tortious interference with the duties owed to the Plaintiff by the Employee Defendant and the Plaintiff's contractual and business relationships. The Plaintiff is seeking injunction against the continuation of the alleged conduct and monetary damages in an amount which they have stated is presently unascertainable. We are currently evaluating the merits of the complaint and intend to respond to the complaint in due course.

Quantitative and Qualitative Disclosures about Market Risk

General

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

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

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

Risk Management Procedures

We manage market risk through our treasury operations. Our senior management and our board of directors approve our treasury operations objectives and policies. The activities of our treasury operations include management of cash resources, implementation of hedging strategies for foreign currency exposures, implementation of borrowing strategies and monitoring compliance with market risk limits and policies. Our foreign exchange committee, comprising the Chairman of the Board, our Group Chief Executive Officer and our Group Chief Financial Officer, is the approving authority for all our hedging transactions.

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Components of Market Risk

Exchange Rate Risk

Our exposure to market risk arises principally from exchange rate risk. Although substantially all of our revenue less repair payments is denominated in pound sterling and US dollars, a significant portion of our expenses for the nine months ended December 31, 2011 (net of payments to repair centers made as part of our WNS Auto Claims BPO segment) were incurred and paid in Indian rupees. The exchange rates among the Indian rupee, the pound sterling and the US dollar have changed substantially in recent years and may fluctuate substantially in the future. We hedge a portion of our foreign currency exposures.

Our exchange rate risk primarily arises from our foreign currency-denominated receivables. Based upon our level of operations for the nine months ended December 31, 2011, a sensitivity analysis shows that a 10.0% appreciation in the pound sterling against the US dollar would have increased revenue for the nine months ended December 31, 2011 by approximately \$26.9 million and would have increased revenue less repair payments for the nine months ended December 31, 2011 by approximately \$20.3 million. Similarly, a 10.0% appreciation or depreciation in the Indian rupee against the US dollar would have increased or decreased, respectively, expenses incurred and paid in Indian rupee for the nine months ended December 31, 2011 by approximately \$18.1 million.

To protect against exchange gains (losses) on forecasted inter-company revenue, we have instituted a foreign currency cash flow hedging program. We hedge a part of our forecasted external and inter-company revenue denominated in foreign currencies with forward and option contracts.

Interest Rate Risk

Our exposure to interest rate risk arises principally from our borrowings which has a floating rate of interest, a portion of which is linked to US dollar LIBOR and the balance of which is linked to the Bank of England base rate. The costs of floating rate borrowings may be affected by the fluctuations in interest rates. In connection with the term loan facility entered into in 2008, which we refinanced in 2010, we entered into interest rate swap agreements with banks in fiscal 2009. These swap agreements effectively converted the term loan from a variable US dollar LIBOR interest rate to a fixed rate, thereby managing our exposure to changes in market interest rates under the term loan. The outstanding swap agreements as of December 31, 2011 aggregated \$54 million. Following the scheduled repayment installment of \$30 million made under the term loan facility on January 10, 2012, the amount outstanding under the swap agreements aggregated \$24 million.

We monitor our positions and do not anticipate non-performance by the counterparties. We intend to selectively use interest rate swaps, options and other derivative instruments to manage our exposure to interest rate movements. These exposures will be reviewed by appropriate levels of management on a periodic basis. We do not enter into hedging agreements for speculative purposes.

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Part III RISK FACTORS

This report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those described in the following risk factors and elsewhere in this report. If any of the following risks actually occur, our business, financial condition and results of operations could suffer and the trading price of our ADSs could decline.

*For material changes to the risk factors included in the section entitled **Part III Risk Factors** in our report on Form 6-K containing our unaudited condensed consolidated financial statements as of September 30, 2011 and for the three and six months ended September 30, 2011 and 2010 furnished to the SEC on October 19, 2011, please see the following risk factors:*

We may face difficulties as we expand our operations to establish delivery centers in onshore locations in the US and offshore in countries in which we have no prior operating experience ;

Recent concerns over increases in car insurance premiums have led the UK competition authority to investigate referral fees, such as those paid to claims management companies and insurance companies, which could have a material adverse effect on our auto claims business ;

If our pricing structures do not accurately anticipate the cost and complexity of performing our work, our profitability may be negatively affected ;

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

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

New tax legislation and the results of actions by taxing authorities may have an adverse effect on our operations and our overall tax rate ; and

We may be required to pay additional taxes in connection with audits by the Indian tax authorities.

Risks Related to Our Business

The global economic conditions have been challenging and have had, and may continue to have, an adverse effect on the financial markets and the economy in general, which has had, and may continue to have, a material adverse effect on our business, our financial performance and the prices of our equity shares and ADSs.

During the past several years, global economic conditions have been challenging as certain adverse financial developments have caused a significant slowdown in the growth of the European, US and international financial markets, accompanied by a significant reduction in consumer and business spending worldwide. These adverse financial developments have included increased market volatility, tightening of liquidity in credit markets and diminished expectations for the global economy. While the world economy has grown since 2010, the recent speculation regarding the inability of certain European countries to pay their national debts, the response by Eurozone policy makers to mitigate this sovereign debt crisis and the concerns regarding the stability of the Eurozone currency have created additional uncertainty in the European and global economies. Further, there continue to be signs of economic weakness such as relatively high levels of unemployment in major markets including Europe and the United States.

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

Furthermore, a weakening of the rate of exchange for the US dollar or the pound sterling (in which our revenue is principally denominated) against the Indian rupee (in which a significant portion of our costs are denominated) also adversely affects our results. Fluctuations between the pound sterling or the Indian rupee and the US dollar also expose us to translation risk when transactions denominated in pound sterling or Indian rupees are translated to US dollars, our reporting currency. For example, the average pound sterling/US dollar exchange rate for fiscal 2011, 2010 and 2009 depreciated 2.6%, 7.2% and 14.3%, respectively, as compared to the average exchange rate for fiscal 2010, 2009 and 2008, respectively, which adversely impacted our results of operations.

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

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

We have derived and believe that we will continue to derive in the near term a significant portion of our revenue from a limited number of large clients. In fiscal 2011 and 2010, our five largest clients accounted for 54.3% and 53.0% of our revenue and 41.1% and 45.1% of our revenue less repair payments, respectively. In fiscal 2011, our three largest clients individually accounted for 16.4%, 13.2% and 12.2%, respectively, of our revenue as compared to 15.5%, 13.4% and 12.6%, respectively, in fiscal 2010. In fiscal 2011, our largest client, Aviva, individually accounted for 20.4% of our revenue less repair payments compared to 23.1% in fiscal 2010.

First Magnus Financial Corporation, or FMFC, a US mortgage lender, was one of our major clients from November 2005 to August 2007. FMFC was a major client of Trinity Partners which we acquired in November 2005 from the First Magnus Group. In August 2007, FMFC filed a voluntary petition for relief under Chapter 11 of the US Bankruptcy Code. In fiscal 2007, FMFC accounted for 4.3% of our revenue and 6.8% of our revenue less repair payments. The loss of revenue from FMFC materially reduced our revenue in fiscal 2008.

Our prior contracts with another major client, Aviva International Holdings Limited, or Aviva, provided Aviva Global, which was Aviva's business process offshoring subsidiary, options to require us to transfer the relevant projects and operations of our facilities at Sri Lanka and Pune, India to Aviva Global. On January 1, 2007, Aviva Global exercised its call option requiring us to transfer the Sri Lanka facility to Aviva Global effective July 2, 2007. Effective July 2, 2007, we transferred the Sri Lanka facility to Aviva Global and we lost the revenue generated by the Sri Lanka facility. For the period from April 1, 2007 through July 2, 2007, the Sri Lanka facility contributed \$2.0 million of revenue and in fiscal 2007, it accounted for 1.9% of our revenue and 3.0% of our revenue less repair payments. We may, in the future, enter into contracts with other clients with similar call options that may result in the loss of revenue that may have a material impact on our business, results of operations, financial condition and cash flows, particularly during the quarter in which the option takes effect.

We have, through our acquisition of Aviva Global in July 2008, resumed control of the Sri Lanka facility and we have continued to retain ownership of the Pune facility. Revenue from Aviva under the Aviva master services agreement accounts for a significant portion of our revenue and we expect our dependence on Aviva to continue for the foreseeable future. The Aviva master services agreement provides for a committed amount of volume. However, notwithstanding the minimum volume commitment, there are also termination at will provisions which permit Aviva to terminate the agreement without cause with 180 days' notice upon payment of a termination fee. These termination provisions dilute the impact of the minimum volume commitment.

In addition, the volume of work performed for specific clients is likely to vary from year to year, particularly since we may not be the exclusive outside service provider for our clients. Thus, a major client in one year may not provide the same level of revenue in any subsequent year. The loss of some or all of the business of any large client could have a material adverse effect on our business, results of operations, financial condition and cash flows. A number of factors other than our performance could cause the loss of or reduction in business or revenue from a client, and these factors are not predictable.

For example, a client may demand price reductions, change its outsourcing strategy or move work in-house. A client may also be acquired by a company with a different outsourcing strategy that intends to switch to another business process outsourcing service provider or return work in-house.

Our revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in Europe and the United States. Economic slowdowns or factors that affect these industries or the economic environment in Europe or the United States could reduce our revenue and seriously harm our business.

A substantial portion of our clients are concentrated in the banking, financial services and insurance, or BFSI, industry, and the travel and leisure industry. In fiscal 2011 and 2010, 66.5% and 65.4% of our revenue, respectively, and 44.2% and 48.4% of our revenue less repair payments, respectively, were derived from clients in the BFSI industry. During the same periods, clients in the travel and leisure industry contributed 13.8% and 16.3% of our revenue, respectively, and 23.0% and 24.3% of our revenue less repair payments, respectively. Our business and growth largely depend on continued demand for our services from clients in these industries and other industries that we may target in the future, as well as on trends in these industries to outsource business processes. During the past several years, certain adverse financial developments have caused a significant slowdown in the growth of the European, United States and international financial markets, accompanied by a significant reduction in consumer and business spending worldwide. While the world economy has grown since 2010, the European debt crisis and fears of a new recession have created additional uncertainty in the European and global economies. Certain of our targeted industries are especially vulnerable to crises in the financial and credit markets and potential economic downturns. A downturn in any of our targeted industries, particularly the BFSI or travel and leisure industries, a slowdown or reversal of the trend to outsource business processes in any of these industries or the introduction of regulation which restricts or discourages companies from outsourcing could result in a decrease in the demand for our services and adversely affect our results of operations. For example, as a result of the mortgage market crisis, in August 2007,

FMFC, a US mortgage services

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client, filed a voluntary petition for relief under Chapter 11 of the US Bankruptcy Code. FMFC was a major client of Trinity Partners which we acquired in November 2005 from the First Magnus Group and became one of our major clients. In fiscal 2008 and 2007, FMFC accounted for 1.0% and 4.3% of our revenue, respectively, and 1.4% and 6.8% of our revenue less repair payments, respectively.

Further, the downturn in worldwide economic and business conditions has resulted in a few of our clients reducing or postponing their outsourced business requirements, which in turn has decreased the demand for our services and adversely affected our results of operations. In particular, our revenue is highly dependent on the economic environments in Europe and the United States, which continue to show signs of economic weakness, such as relatively high levels of unemployment. In fiscal 2011 and 2010, 76.8% and 74.9% of our revenue, respectively, and 61.3% and 62.6% of our revenue less repair payments, respectively, were derived from clients located in Europe. During the same periods, 22.2% and 24.5% of our revenue, respectively, and 37.0% and 36.5% of our revenue less repair payments, respectively, were derived from clients located in North America (primarily the United States). Any further weakening of the European or United States economy will likely have a further adverse impact on our revenue.

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

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

The business process outsourcing industry relies on large numbers of skilled employees, and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees. The business process outsourcing industry, including our company, experiences high employee attrition. During fiscal 2011, 2010 and 2009, the attrition rate for our employees who have completed six months of employment with us was 43%, 32% and 31%, respectively. While our attrition rate for our employees who have completed six months of employment with us improved to 38% in the nine months ended December 31, 2011, we cannot assure you that our attrition rate will not increase. There is significant competition in the jurisdictions where our operation centers are located, including India, the Philippines and Sri Lanka, for professionals with the skills necessary to perform the services we offer to our clients. Increased competition for these professionals, in the business process outsourcing industry or otherwise, could have an adverse effect on us. A significant increase in the attrition rate among employees with specialized skills could decrease our operating efficiency and productivity and could lead to a decline in demand for our services.

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

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent or detect fraud. As a result, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports. The effective internal controls together with adequate disclosure controls and procedures are designed to prevent or detect fraud. Deficiencies in our internal controls may adversely affect our management's ability to record, process, summarize, and report financial data on a timely basis. As a public company, we are required by Section 404 of the Sarbanes-Oxley Act of 2002 to include a report of management's assessment on our internal control over financial reporting and an auditor's attestation report on our internal control over financial reporting in our annual report on Form 20-F.

Based on its evaluation, management had concluded that as at March 31, 2010, our company's disclosure controls and procedures and internal control over financial reporting were not effective due to a material weakness identified in the design and operating effectiveness of our controls over the recognition and accrual of repair payments to garages and the related fees in our WNS Auto Claims BPO segment. In fiscal 2011, we implemented remediation measures to address the material weakness. Although management concluded that our company's disclosure controls and procedures and internal control over financial reporting were effective as at March 31, 2011, it is possible that, in the future, material weaknesses could be identified in our internal controls over financial reporting and we could be required to further implement remedial

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measures. If we fail to maintain effective disclosure controls and procedures or internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on our stock price.

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Any changes in accounting standards can be difficult to predict and can materially impact how we report our financial results.

We have adopted IFRS, as issued by IASB with effect from April 1, 2011. From time to time, the IASB changes its standards that govern the preparation of our financial statements. For example, IASB has proposed amendments to its standards that govern hedge accounting, and these amendments, if adopted as proposed, would significantly change the way option contracts are accounted for. There is no assurance that the amendments will be adopted as proposed or at all or on the timing of any such amendments. Changes in accounting standards are difficult to anticipate and can significantly impact our reported financial condition and the results of our operations.

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

Since we were founded in April 1996, and especially since Warburg Pincus & Co. acquired a controlling stake in our company in May 2002, we have experienced rapid growth and significantly expanded our operations. Our revenue has grown at a compound annual growth rate of 15.6% to \$616.3 million in fiscal 2011 from \$345.4 million in fiscal 2007. Our revenue less repair payments has grown at a compound annual growth rate of 13.9% to \$369.4 million in fiscal 2011 from \$219.6 million in fiscal 2007. Our employees have increased to 21,523 as at March 31, 2011 from 15,084 as at March 31, 2007. In January 2008, we established a new delivery center in Romania, which we expanded in fiscal year 2011. Our subsidiary, WNS Philippines Inc., established a delivery center in the Philippines in April 2008, which it expanded in fiscal 2010. Additionally, in fiscal 2010, we established a new delivery center in Costa Rica and streamlined our operations by consolidating our production capacities in various delivery centers in Bangalore, Mumbai and Pune. We now have delivery centers in six locations in India, the Philippines, Sri Lanka, the UK, Romania and Costa Rica. In February 2011, we received in-principal approval for the allotment of a piece of land on lease for a term of 99 years, measuring 5 acres in Tiruchirapalli Navalpattu, special economic zone, or SEZ, in the state of Tamil Nadu, India from Electronics Corporation of Tamil Nadu Limited (ELCOT) for setting up delivery centers in future. We intend to expand our global delivery capability, and we are exploring plans to do so in areas such as the United States, Asia Pacific and Latin America.

We have also completed numerous acquisitions. For example, in July 2008, we entered into a transaction with Aviva consisting of (1) a share sale and purchase agreement pursuant to which we acquired from Aviva all the shares of Aviva Global and (2) a master services agreement with Aviva MS pursuant to which we are providing BPO services to Aviva's UK business and Aviva's Irish subsidiary, Hibernian Aviva Direct Limited, and certain of its affiliates. Aviva Global was the business process offshoring subsidiary of Aviva. Through our acquisition of Aviva Global, we also added three facilities in Bangalore, Chennai and Sri Lanka in July 2008, and one facility in Pune in August 2008.

This rapid growth places significant demands on our management and operational resources. In order to manage growth effectively, we must implement and improve operational systems, procedures and internal controls on a timely basis. If we fail to implement these systems, procedures and controls on a timely basis, we may not be able to service our clients' needs, hire and retain new employees, pursue new business, complete future acquisitions or operate our business effectively. Failure to effectively transfer new client business to our delivery centers, properly budget transfer costs or accurately estimate operational costs associated with new contracts could result in delays in executing client contracts, trigger service level penalties or cause our profit margins not to meet our expectations or our historical profit margins. As a result of any of these problems associated with expansion, our business, results of operations, financial condition and cash flows could be materially and adversely affected.

We may face difficulties as we expand our operations to establish delivery centers in onshore locations in the US and offshore in countries in which we have no prior operating experience.

We intend to continue to expand our global footprint in order to maintain an appropriate cost structure and meet our clients' delivery needs. We plan to establish onshore delivery centers in the US and offshore delivery centers in Africa, the Asia Pacific and Latin America, which may involve expanding into countries other than those in which we currently operate. We have no prior experience in operating onshore delivery centers in the US. Our expansion plans may also involve expanding into less developed countries, which may have less political, social or economic stability and less developed infrastructure and legal systems. As we expand our business into new countries we may encounter regulatory, personnel, technological and other difficulties that increase our expenses or delay our ability to start up our operations or become profitable in such countries. This may affect our relationships with our clients and could have an adverse affect on our business, results of operations, financial condition and cash flows.

We may not be successful in achieving the expected benefits from our transaction with Aviva in July 2008, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. Furthermore, the term loan that we have incurred to fund the transaction imposes operating and financial restrictions on us.

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In July 2008, we entered into a transaction with Aviva consisting of (1) a share sale and purchase agreement pursuant to which we acquired all the shares of Aviva Global and (2) the Aviva master services agreement pursuant to which we are providing BPO services to Aviva's UK business and Aviva's Irish subsidiary, Hibernian Aviva Direct Limited, and certain of its affiliates. We completed our acquisition of Aviva Global in July 2008. Aviva Global was the business process offshoring subsidiary of Aviva with facilities in Bangalore, India, and

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Colombo, Sri Lanka. In addition, through our acquisition of Aviva Global, we also acquired three facilities in Chennai, Bangalore and Sri Lanka in July 2008, and one facility in Pune in August 2008. The total consideration (including legal and professional fees) for this transaction with Aviva amounted to approximately \$249.0 million. We entered into a \$200 million term loan facility with ICICI Bank UK Plc, or the 2008 Term Loan, as agent, to fund, together with cash on hand, the consideration for the transaction. In July 2010, we refinanced the outstanding \$115 million amount under this facility with cash on hand and proceeds from a new term loan facility for \$94 million, or the 2010 Term Loan, pursuant to a facility agreement dated July 2, 2010 with The Hongkong and Shanghai Banking Corporation Limited, Hong Kong, DBS Bank Limited, Singapore and BNP Paribas, Singapore. See Part II Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. We cannot assure you that we will be able to grow our revenue, expand our service offerings and market share, or achieve the accretive benefits that we expected from our acquisition of Aviva Global and the Aviva master services agreement.

Furthermore, the 2010 Term Loan contains a number of covenants and other provisions that, among other things, impose operating and financial restrictions on us. For example:

it could increase our vulnerability to general adverse economic and industry conditions;

it could require us to dedicate a substantial portion of our cash flow from operations to payments on the 2010 Term Loan, thereby reducing the availability of our cash flow to fund capital expenditure, working capital and other general corporate purposes;

it may require us to seek lenders' consent prior to paying dividends on our ordinary shares;

it limits our ability to incur additional borrowings or raise additional financing through equity or debt instruments;

it imposes certain financial covenants on us which we may not be able to meet, which may cause the lenders to accelerate the repayment of the balance loan outstanding; and

a reduction in revenue generated from our top 10 clients by revenue for any fiscal half-year period by an amount constituting more than 20% of our consolidated group revenue generated for the comparative period in the preceding year would constitute an event of default under the 2010 Term Loan.

Our business and future growth depend on our continued access to bank lines of credit to finance our working capital, repay debt and fund our expansion plans. Any inability to obtain financing on favorable terms may negatively impact our business, results of operations, financial condition or liquidity.

Our business and future growth currently depend on our access to bank lines of credit. As of December 31, 2011, we had a working capital deficit of \$ 62.3 million, consisting of current liabilities of \$237.4 million and current assets of \$175.0 million as of that date. We had an aggregate of approximately \$57.4 million in line of credit facilities provided by various lenders as of December 31, 2011, of which \$22.8 million was available to be drawn down as of that date. We expect to draw down substantially all of our unused credit facilities in order to meet our debt repayment obligations and working capital needs for fiscal 2013. These credit facilities contain both financial and non-financial covenants, and non-compliance with these covenants may make the credit facilities unavailable to us. In addition, our key lines of credit can be withdrawn by the lenders upon notice to us.

Moreover, if our cash flows from operations were lower than anticipated for any reason, including the current global economic and market conditions, the amounts available to be drawn down under our current lines of credit may not be sufficient for our needs, in which case we would need to obtain additional financing to meet some of our existing debt repayment obligations. We also expect to require additional financing to fund our expansion plans, including to fund our expected capital expenditures in fiscal 2013. Our ability to maintain our current lines of credit, to renew or replace them upon expiration or to obtain additional financing to fund our expansion plans depends upon various factors, including the availability of bank loans and commercial credit in general, as well as our financial condition and prospects. Therefore, we cannot guarantee that our current lines of credit will continue to be available, or that we will be able to replace them or obtain additional financing, on reasonable terms or at all. Any inability on our part to maintain, renew or replace our lines of credit or to obtain additional

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financing would materially adversely affect our business, financial condition, operating results and cash flow.

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

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

significant currency fluctuations between the US dollar and the pound sterling (in which our revenue is principally denominated) and the Indian rupee (in which a significant portion of our costs are denominated);

legal uncertainty owing to the overlap of different legal regimes, and problems in asserting contractual or other rights across international borders;

potentially adverse tax consequences, such as scrutiny of transfer pricing arrangements by authorities in the countries in which we operate;

potential tariffs and other trade barriers;

unexpected changes in regulatory requirements;

the burden and expense of complying with the laws and regulations of various jurisdictions; and

terrorist attacks and other acts of violence or war.

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

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

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

The average Indian rupee/US dollar exchange rate was approximately 45.57 per \$1.00 in fiscal 2011, which represented an appreciation of the Indian rupee of 4.0% as compared with the average exchange rate of approximately 47.46 per \$1.00 in fiscal 2010, which in turn represented a depreciation of the Indian rupee of 3.0% as compared with the average exchange rate of approximately 46.10 per \$1.00 in fiscal 2009. The average pound sterling/US dollar exchange rate was approximately £0.64 per \$1.00 in fiscal 2011, which represented a depreciation of the pound sterling of 2.6% as compared with the average exchange rate of approximately £0.63 per \$1.00 in fiscal 2010, which in turn represented a depreciation of the pound sterling of 7.2% as compared with the average exchange rate of approximately £0.58 per \$1.00 in fiscal 2009.

Our results of operations may be adversely affected if the Indian rupee appreciates significantly against the pound sterling or the US dollar or if the pound sterling depreciates against the US dollar. We hedge a portion of our foreign currency exposures using options and forward contracts. We cannot assure you that our hedging strategy will be successful or will mitigate our exposure to currency risk.

Recent concerns over increases in car insurance premiums have led the UK competition authority to investigate referral fees, such as those paid to claims management companies and insurance companies, which could have a material adverse effect on our auto claims business.

A number of aspects of the motor insurance sector are currently being debated in the UK. The UK Office of Fair Trading, or OFT, is investigating increases in car insurance premiums over the past two years and have identified credit hire replacement vehicle arrangements and third-party vehicle repair arrangements as two factors that may be driving up insurance premiums. OFT's concerns relate to the practice of the payment of referral fees by accident management companies to claims management companies and insurance companies in the arrangements for the provision of credit hire replacement vehicles and third-party vehicle repairs, which it suspects has inflated the cost of insurance claims. If the OFT's concerns persist after its investigation, it has the power to refer the matter to the UK Competition Commission for a more detailed investigation. The Competition Commission has the power to impose remedies or recommend legislative changes that could include a ban on the payment of referral fees. One of our largest auto claims clients by revenue contribution generates revenues primarily through referral fees. A ban on such fees would likely have a material adverse effect on the business of clients that are dependent on referral fees. In turn, this would likely result in a loss of all or a significant portion of the claims handling and accident management services that we provide these clients. Subsequent to the authorization of our unaudited condensed interim consolidated financial statements included in this report by our Board of Directors, one of our largest auto claims clients by revenue contribution that generates significant revenues through referral fees gave us notice to terminate its contract with us with effect from April 2012. This client accounted for 7.5% of our revenue and 1.9% of our revenue less repair payments in fiscal 2011 and for 11.3% of our revenue and 1.4% of our revenue less repair payments in the nine months ended December 31, 2011. We may lose some or all of the business from other clients that may be adversely affected by a ban on referral fees.

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

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

Such concerns have led to proposed measures in the United States that are aimed at limiting or restricting outsourcing. There is also legislation that has been enacted or is pending at the state level in the United States, with regard to limiting outsourcing. The measures that have been enacted to date are generally directed at restricting the ability of government agencies to outsource work to offshore business service providers. These measures have not had a significant effect on our business because governmental agencies are not a focus of our operations. However, it is possible that legislation could be adopted that would restrict US private sector companies that have federal or state governmental contracts from outsourcing their services to offshore service providers or that could have an adverse impact on the economics of outsourcing for private companies in the US. Such legislation could have an adverse impact on our business with US clients.

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Such concerns have also led the United Kingdom and other European Union, or EU, jurisdictions to enact regulations which allow employees who are dismissed as a result of transfer of services, which may include outsourcing to non-UK/EU companies, to seek compensation either from the company from which they were dismissed or from the company to which the work was transferred. This could discourage EU companies from outsourcing work offshore and/or could result in increased operating costs for us.

In addition, there has been publicity about the negative experiences, such as theft and misappropriation of sensitive client data, of various companies that use offshore outsourcing, particularly in India.

Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends towards offshore outsourcing would seriously harm our ability to compete effectively with competitors that operate out of facilities located in the UK or the US.

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

Our future success substantially depends on the performance of the members of our senior management team and other key team members in each of our business units. These personnel possess technical and business capabilities including domain expertise that are difficult to replace. There is intense competition for experienced senior management and personnel with technical and industry expertise in the business process outsourcing industry, and we may not be able to retain our key personnel. Although we have entered into employment contracts with our executive officers, certain terms of those agreements may not be enforceable and in any event these agreements do not ensure the continued service of these executive officers. In the event of a loss of any key personnel, there is no assurance that we will be able to find suitable replacements for our key personnel within a reasonable time. The loss of key members of our senior management or other key team members, particularly to competitors, could have a material adverse effect on our business, results of operations, financial condition and cash flows. A loss of several members of our senior management at the same time or within a short period may lead to a disruption in the business of our company, which could materially adversely affect our performance.

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

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

Further, following our acquisitions of Aviva Global, Business Application Associates Limited, or BizAps, and Chang Limited, our operations in the UK have expanded and our wage costs for employees located in the UK now represent a larger proportion of our total wage costs. Wage increases in the UK may therefore also reduce our profit margins and have a material adverse effect on our financial condition and cash flows.

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

Our operating results may differ significantly from period to period due to factors such as client losses, variations in the volume of business from clients resulting from changes in our clients' operations, the business decisions of our clients regarding the use of our services, delays or difficulties in expanding our operational facilities and infrastructure, changes to our pricing structure or that of our competitors, inaccurate estimates of resources and time required to complete ongoing projects, currency fluctuations and seasonal changes in the operations of our clients. For example, our clients in the travel and leisure industry experience seasonal changes in their operations in connection with the year-end holiday season, as well as episodic factors such as adverse weather conditions. Transaction volumes can be impacted by market conditions affecting the travel and insurance industries, including natural disasters, outbreak of infectious diseases or other serious public health concerns in Asia or elsewhere (such as the outbreak of the Influenza A (H1N1) virus in various parts of the world) and terrorist attacks. In addition, our contracts do not generally commit our clients to providing us with a specific volume of business.

In addition, the long sales cycle for our services, which typically ranges from three to 12 months, and the internal budget and approval processes of our prospective clients make it difficult to predict the timing of new client engagements. Commencement of work and ramping up of volume of work with certain new and existing clients have been slower than we had expected. Revenue is recognized upon actual provision of services and when the criteria for recognition are achieved. Accordingly, the financial benefit of gaining a new client may be delayed due to delays in the implementation of our services. These factors may make it difficult for us to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of those delays. Due to the above factors, it is possible that in some future quarters our operating results may be significantly below the expectations of the public market, analysts and investors.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business depends on a large number of employees executing client operations. Strikes or labor disputes with our employees at our delivery centers may adversely affect our ability to conduct business. Our employees are not unionized, although they may in the future form unions. We cannot assure you that there will not be any strike, lock out or material labor dispute in the future. Work interruptions or stoppages could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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

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

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

The terms of our client contracts typically range from three to eight years. Many of our client contracts can be terminated by our clients with or without cause, with three to six months' notice and, in most cases, without penalty. The termination of a substantial percentage of these contracts could adversely affect our business and reduce our revenue. Contracts that will expire on or before December 31, 2012 (including work orders/statement of works that will expire on or before December 31, 2012 although the related master services agreement has been renewed) represented approximately 20% of our revenue and 24% of our revenue less repair payments from our clients in the nine months ended December 31, 2011. Failure to meet contractual requirements could result in cancellation or non-renewal of a contract. Some of our contracts may be terminated by the client if certain of our key personnel working on the client project leave our employment and we are unable to find suitable replacements. In addition, a contract termination or significant reduction in work assigned to us by a major client could cause us to experience a higher than expected number of unassigned employees, which would increase our cost of revenue as a percentage of revenue until we are able to reduce or reallocate our headcount. We may not be able to replace any client that elects to terminate or not renew its contract with us, which would adversely affect our business and revenue. For example, one of our largest auto claims clients, which accounted for 7.5% of our revenue and 1.9% of our revenue less repair payments in fiscal 2011 and for 11.3% of our revenue and 1.4% of our revenue less repair payments in the nine months ended December 31, 2011, has given us notice to terminate its contract with us with effect from April 2012. For more information, see Recent concerns over increases in car insurance premiums have led the UK competition authority to investigate referral fees, such as those paid to claims management companies and insurance companies, which could have a material adverse effect on our auto claims business.

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

In many of our client contracts, we agree to include certain provisions which provide for downward revision of our prices under certain circumstances. For example, certain contracts allow a client in certain limited circumstances to request a benchmark study comparing our pricing and performance with that of an agreed list of other service providers for comparable services. Based on the results of the study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the service we provide or to reduce the pricing for services to be performed under the remaining term of the contract. Some of our contracts also provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not provide similar services to certain or any of their competitors using the same personnel. These restrictions may hamper our ability to compete for and provide services to other clients in the same industry, which may result in lower future revenue and profitability.

Some of our contracts specify that if a change in control of our company occurs during the term of the contract, the client has the right to terminate the contract. These provisions may result in our contracts being terminated if there is such a change in control, resulting in a potential loss of revenue. Some of our client contracts also contain provisions that would require us to pay penalties to our clients if we do not meet pre-agreed service level requirements. Failure to meet these requirements could result in the payment of significant penalties by us to our clients which in turn could have an adverse effect on our business, results of operations, financial condition and cash flows.

If our pricing structures do not accurately anticipate the cost and complexity of performing our work, our profitability may be negatively affected.

The terms of our client contracts typically range from three to eight years. In many of our contracts, we commit to long-term pricing with our clients, and we negotiate pricing terms with our clients utilizing a range of pricing structures and conditions. Depending on the particular contract, these include input-based pricing (such as full-time equivalent-based pricing arrangements), fixed-price arrangements, output-based pricing (such as transaction-based pricing), outcome-based pricing, and contracts with features of all these pricing models. Our pricing is highly

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dependent on our internal forecasts and predictions about our projects and the marketplace, which are largely based on limited data and could turn out to be inaccurate. If we do not accurately estimate the costs and timing for completing projects, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. Some of our client contracts do not allow us to terminate the contracts except in the case of non-payment by our client. If any contract turns out to be economically non-viable for us, we may still be liable to continue to provide services under the contract.

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We intend to focus on increasing our service offerings that are based on non-linear pricing models (such as fixed-price and outcome-based pricing models) that allow us to price our services based on the value we deliver to our clients rather than the headcount deployed to deliver the services to them. Non-linear revenues may be subject to short term pressure on margins as initiatives in developing the products and services take time to deliver. The risk of entering into non-linear pricing arrangements is that if we fail to properly estimate the appropriate pricing for a project, we may incur lower profits or losses as a result of being unable to execute projects with the amount of labor we expected or at a margin sufficient to recover our initial investments in our solutions. While non-linear pricing models are expected to result in higher revenue productivity per employee and improved margins, they also mean that we bear the risk of cost overruns, wage inflation, fluctuations in currency exchange rates and failure to achieve clients' business objectives in connection with these projects. Although we use our internally developed methodologies and processes and past project experience to reduce the risks associated with estimating, planning and performing transaction-based pricing, fixed-price and outcome-based pricing projects, if we fail to estimate accurately the resources required for a project, future wage inflation rates or currency exchange rates, or if we fail to meet defined performance goals or objectives, our profitability may suffer.

We have recently entered into a subcontracting arrangement for the delivery of services in South Africa. We could face greater risk when pricing our outsourcing contracts, as our outsourcing projects typically entail the coordination of operations and workforces with our subcontractor, and utilizing workforces with different skill sets and competencies. Furthermore, when outsourcing work we assume responsibility for our subcontractors' performance. Our pricing, cost and profit margin estimates on outsourced work may include anticipated long-term cost savings from transformational and other initiatives that we expect to achieve and sustain over the life of the outsourcing contract. There is a risk that we will under price our contracts, fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. In particular, any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of this work, including those caused by factors outside our control, could make these contracts less profitable or unprofitable, which could have an adverse effect on our profit margin.

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

Our profit margin, and therefore our profitability, is largely a function of our asset utilization and the rates we are able to recover for our services. An important component of our asset utilization is our seat utilization rate, which is the average number of work shifts per day, out of a maximum of three, for which we are able to utilize our work stations, or seats. During the period from January to June 2011, we made significant investments to increase our number of seats by establishing additional delivery centers or expanding production capacities in our existing delivery centers. If we are not able to maintain the pricing for our services or an appropriate seat utilization rate, without corresponding cost reductions, our profitability will suffer. The rates we are able to recover for our services are affected by a number of factors, including our clients' perceptions of our ability to add value through our services, competition, introduction of new services or products by us or our competitors, our ability to accurately estimate, attain and sustain revenue from client contracts, margins and cash flows over increasingly longer contract periods and general economic and political conditions.

Our profitability is also a function of our ability to control our costs and improve our efficiency. As we increase the number of our employees and execute our strategies for growth, we may not be able to manage the significantly larger and more geographically diverse workforce that may result, which could adversely affect our ability to control our costs or improve our efficiency. Further, because there is no certainty that our business will ramp up at the rate that we anticipate, we may incur expenses for the increased capacity for a significant period of time without a corresponding growth in our revenues. Commencement of work and ramping up of volume of work with certain new and existing clients have been slower than we had expected. If our revenue does not grow at our expected rate, we may not be able to maintain or improve our profitability.

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

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

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

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We have incurred losses in the past. We may not be profitable in the future.

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

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

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

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

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

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

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

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

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Our growth strategy involves gaining new clients and expanding our service offerings, both organically and through strategic acquisitions. Historically, we have expanded some of our service offerings and gained new clients through strategic acquisitions. For example, we acquired Aviva Global in July 2008, BizAps in June 2008, Chang Limited in April 2008, and

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Flovate Technologies Limited, or Flovate (which we subsequently renamed as WNS Workflow Technologies Limited), in June 2007. In March 2008, we entered into a joint venture with Advanced Contact Solutions, Inc., or ACS, a provider in BPO services and customer care in the Philippines, to form WNS Philippines Inc. In November 2011, we acquired ACS's shareholding in WNS Philippines Inc. and increased our share ownership from 65% to 100%. It is possible that in the future we may not succeed in identifying suitable acquisition targets available for sale or investments on reasonable terms, have access to the capital required to finance potential acquisitions or investments, or be able to consummate any acquisition or investments. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. In addition, our management may not be able to successfully integrate any acquired business into our operations or benefit from any joint ventures that we enter into, and any acquisition we do complete or any joint venture we do enter into may not result in long-term benefits to us. For example, if we acquire a company, we could experience difficulties in assimilating that company's personnel, operations, technology and software, or the key personnel of the acquired company may decide not to work for us. The lack of profitability of any of our acquisitions or joint ventures could have a material adverse effect on our operating results. Future acquisitions or joint ventures may also result in the incurrence of indebtedness or the issuance of additional equity securities, which may present difficulties in financing the acquisition or joint venture on attractive terms. Further, we may receive claims or demands by the sellers of the entities acquired by us on the indemnities that we have provided to them for losses or damages arising from any breach of contract by us. Conversely, while we may be able to claim against the sellers on their indemnities to us for breach of contract or breach of the representations and warranties given by the sellers in respect of the entities acquired by us, there can be no assurance that our claims will succeed, or if they do, that we will be able to successfully enforce our claims against the sellers at a reasonable cost. Acquisitions and joint ventures also typically involve a number of other risks, including diversion of management's attention, legal liabilities and the need to amortize acquired intangible assets, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We recorded an impairment charge of \$15.5 million to our earnings in fiscal 2008 and may be required to record a significant charge to earnings in the future when we review our goodwill, intangible or other assets for potential impairment.

As at December 31, 2011, we had goodwill and intangible assets of approximately \$83.3 million and \$117.8 million, respectively, which primarily resulted from the purchases of Aviva Global, BizAps, Chang Limited, Flovate, Marketics Technologies (India) Private Limited, or Marketics, Town & Country Assistance Limited (which we subsequently rebranded as WNS Assistance) and WNS Global. Of the \$117.8 million of intangible assets as at December 31, 2011, \$115.7 million pertain to our purchase of Aviva Global. Under IFRS and US GAAP (prior to adoption of IFRS), we are required to review our goodwill, intangibles or other assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. In addition, goodwill, intangible or other assets with indefinite lives are required to be tested for impairment at least annually. We performed an impairment review and recorded an impairment charge of \$15.5 million to our earnings in fiscal 2008 relating to Trinity Partners. If, for example, the insurance industry experiences a significant decline in business and we determine that we will not be able to achieve the cash flows that we had expected from our acquisition of Aviva Global, we may have to record an impairment of all or a portion of the \$151.2 million of intangible assets relating to our purchase of Aviva Global. Although our impairment review of goodwill and intangible assets in fiscal 2011, 2010 and 2009 did not indicate any impairment, we may be required in the future to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or other intangible assets is determined. Such charges may have a significant adverse impact on our results of operations.

Our facilities are at risk of damage by natural disasters.

Our operational facilities and communication hubs may be damaged in natural disasters such as earthquakes, floods, heavy rains, tsunamis and cyclones. For example, during floods caused by typhoons in Manila, Philippines in September 2009, our delivery center was rendered inaccessible and our associates were not able to commute to the delivery center for a few days, thereby adversely impacting our provision of services to our clients. During the floods in Mumbai in July 2005, our operations were adversely affected as a result of the disruption of the city's public utility and transport services making it difficult for our associates to commute to our office. Such natural disasters may also lead to disruption to information systems and telephone service for sustained periods. Damage or destruction that interrupts our provision of outsourcing services could damage our relationships with our clients and may cause us to incur substantial additional expenses to repair or replace damaged equipment or facilities. We may also be liable to our clients for disruption in service resulting from such damage or destruction. While we currently have property damage insurance and business interruption insurance, our insurance coverage may not be sufficient. Furthermore, we may be unable to secure such insurance coverage at premiums acceptable to us in the future or secure such insurance coverage at all. Prolonged disruption of our services as a result of natural disasters would also entitle our clients to terminate their contracts with us.

Our largest shareholder, Warburg Pincus, is able to significantly influence our corporate actions, and may also enter into transactions that may result in a change in control of our company.

Warburg Pincus beneficially owns approximately 48.0% of our shares. As a result of its ownership position, Warburg Pincus has the ability to significantly influence matters requiring shareholder and board approval including, without limitation, the election of directors, significant corporate transactions such as amalgamations and consolidations, changes in control of our company and sales of all or substantially all of our

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assets. Actions that are supported by Warburg Pincus are very likely to be taken and the interests of Warburg Pincus may differ from the interests of other shareholders of our company.

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A change in control or potential change in control transaction may consume management time and company resources and may have a material adverse impact on our business.

In July 2009, our Board of Directors received unsolicited offers from a few financial institutions and strategic investors to buy a majority or all of the ordinary shares of our company. While such offers or proposed sale may not result in the consummation of a change in control transaction, consideration and evaluation of such offers may consume management time and company resources and distract management's attention. Warburg Pincus, our largest shareholder, which owns approximately 48.0% of our shares, may also seek to sell all or a substantial portion of its shareholding in our company, which may result in a change in control in our company. A potential change in control may cause uncertainty among our employees, our creditors and other stakeholders, and may thereby have a material adverse impact on our business. If a change in control transaction is consummated, many of our client contracts may entitle those clients to terminate the client contract with our company. A change in control in our company together with a loss of more than 10% of our clients by revenue or a credit rating downgrade (or we do not approach a credit rating agency for a rating review within one month of the change in control) may also constitute an event of default under our 2010 Term Loan. Any of the foregoing events could have a material adverse effect on our business, results of operations, financial condition and cash flows, as well as cause our ADS price to fall.

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

Our Articles of Association contain anti-takeover provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. These provisions include:

a classified Board of Directors with staggered three-year terms; and

the ability of our Board of Directors to determine the rights, preferences and privileges of our preferred shares and to issue the preferred shares without shareholder approval, which could be exercised by our Board of Directors to increase the number of outstanding shares and prevent or delay a takeover attempt.

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

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

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

We are incorporated in Jersey, Channel Islands and are subject to Jersey rules and regulations. If the tax benefits enjoyed by our company are withdrawn or changed, we may be liable for higher tax, thereby reducing our profitability.

As a company incorporated in Jersey, Channel Islands, we enjoy tax benefits that result in us not having to pay taxes in Jersey. In late 2009 it was reported that concerns had been raised by some members of the European Union's Economic and Financial Affairs Council, or ECOFIN, Code of Conduct group that the current tax regime for companies in Jersey, known as "zero-ten", could be interpreted as being outside the spirit of the EU Code of Conduct for Business Taxation, or the Code of Conduct. In the light of this, the Treasury and Resources Minister of the States of Jersey announced a review of business taxation in Jersey in his budget speech on December 8, 2009. In a review undertaken on January 31, 2011 by the EU Council's High Level Working Party on Tax issues, or HLWP, it was concluded that the personal tax provisions known as the "deemed distribution" and "attribution" rules were in fact a business tax measure, and were therefore within the scope of the Code of Conduct. On February 15, 2011, and in the light of the HLWP's conclusions, the States of Jersey announced that Jersey's business taxation regime known as "zero-ten" will remain in place but that, as part of its good neighbor policy, Jersey will abolish the deemed distribution and attribution rules with effect from January 1, 2012.

Representatives from Jersey met with the ECOFIN Code of Conduct group on September 13, 2011 to discuss Jersey's position on the harmful elements of the zero-ten regime. Jersey explained to the ECOFIN Code of Conduct group that legislation had been passed to abolish the deemed distribution and attribution rules with effect from January 1, 2012, thus removing the harmful elements of the zero-ten regime. The ECOFIN

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Code of Conduct group accepted Jersey's position and recommended to ECOFIN that Jersey had rolled back on the harmful tax measures and what now remains (the zero-ten tax rates) is compliant with the Code of Conduct. In December 2011, ECOFIN formally ratified the ECOFIN Code of Conduct group's recommendations. Accordingly, the way in which either we or our shareholders not resident in Jersey are taxed in Jersey will not change. We cannot assure you that in the future, the current taxation regime applicable in Jersey will not be amended and render us liable for taxation.

Table of Contents**Risks Related to Key Delivery Locations**

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

Our primary operating subsidiary, WNS Global, is incorporated in India, and a substantial portion of our assets and employees are located in India. We intend to continue to develop and expand our facilities in India. The Government of India, however, has exercised and continues to exercise significant influence over many aspects of the Indian economy. The Government of India has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the business process outsourcing industry. Those programs that have benefited us include tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. We cannot assure you that such liberalization policies will continue. The Government of India may also enact new tax legislation or amend the existing legislation that could impact the way we are taxed in the future. For more information, see

New tax legislation and the results of actions by taxing authorities may have an adverse effect on our operations and our overall tax rate. Various other factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members or the formation of a new unstable government with limited support, could trigger significant changes in India's economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of our ADSs may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation regulations and policies), social stability or other political, economic or diplomatic developments affecting India in the future.

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

If the tax benefits and other incentives that we currently enjoy are reduced or withdrawn or not available for any other reason, our financial condition would be negatively affected.

We have benefitted from, and continue to benefit from, certain tax holidays and exemptions in various jurisdictions in which we have operations.

For example, the majority of our Indian operations were eligible to claim income-tax exemption with respect to profits earned from export revenue from operating units registered under STPI. The benefit was available for a period of 10 years from the date of commencement of operations, but not beyond March 31, 2011. We had 13 delivery centers for the year ended March 31, 2011 eligible for the income tax exemption, which expired on April 1, 2011 for all the units. We incurred minimal income tax expense on our Indian operations in fiscal 2011 as a result of this tax exemption, compared to approximately \$13.6 million that we would have incurred if the tax exemption had not been available for the period. Effective April 1, 2011, upon the expiration of this tax exemption, income derived from our operations in India is subject to the annual tax rate of 32.45%.

Further, in 2005, the Government of India implemented the Special Economic Zones Act, 2005, or the SEZ legislation, with the effect that taxable income of new operations established in designated special economic zones, or SEZs, may be eligible for a 15-year tax holiday scheme consisting of a complete tax holiday for the initial five years and a partial tax holiday for the subsequent ten years, subject to the satisfaction of certain capital investment conditions. We have a delivery center located in Gurgaon, India registered under the SEZ scheme and eligible for a 100% income tax exemption until fiscal 2012, and a 50% income tax exemption from fiscal 2013 until fiscal 2022. During fiscal 2012, we have also started operations in delivery centers in Pune and Navi Mumbai, India registered under the SEZ scheme and eligible for 100% income tax exemption until fiscal 2016 and 50% income tax exemption from fiscal 2017 until 2026. The SEZ legislation has been criticized on economic grounds by the International Monetary Fund and the SEZ legislation may be challenged by certain non-governmental organizations. It is possible that, as a result of such political pressures, the procedure for obtaining benefits under the SEZ legislation may become more onerous, the types of land eligible for SEZ status may be further restricted or the SEZ legislation may be amended or repealed. Moreover, there is continuing uncertainty as to the governmental and regulatory approvals required to establish operations in the SEZs or to qualify for the tax benefit. This uncertainty may delay our establishment of operations in the SEZs. Further, the Government of India, pursuant to the Indian Finance Act, 2011, has levied minimum alternate tax, or MAT, on the book profits earned by the SEZ units at the rate of 20.01%.

We have operations in Costa Rica and Philippines which are also eligible for tax exemptions which expire in fiscal 2017 and fiscal 2013, respectively. Our operations in Sri Lanka are also eligible for tax exemptions. We incurred minimal income tax expense on our Sri Lanka operations in fiscal 2011 as a result of the tax holiday, compared to approximately \$0.5 million that we would have incurred if the tax holiday had not been available for the period. The tax holiday our Sri Lankan subsidiary initially relied upon expired in fiscal 2011. However, the Government of Sri Lanka has exempted the profits earned from export revenue from tax. This enables our Sri Lankan subsidiary to continue to

claim tax exemption under the Sri Lankan Inland Revenue Act following the expiry of the tax holiday.

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We incurred minimal income tax expense on our operations in Sri Lanka and SEZ operations in India in the first nine months of fiscal 2012 as a result of the tax holidays described above, compared to approximately \$0.6 million that we would have incurred if the tax holiday had not been available for the period.

When any of our tax holidays expires or terminates, or if the applicable government withdraws or reduces the benefits of a tax holiday that we enjoy, our tax expense will materially increase and this increase will have a material impact on our results of operations.

The applicable tax authorities may also disallow deductions claimed by us and assess additional taxable income on us in connection with their review of our tax returns.

New tax legislation and the results of actions by taxing authorities may have an adverse effect on our operations and our overall tax rate.

The Government of India may enact new tax legislation that could impact the way we are taxed in the future. For example, the Direct Taxes Code Bill was tabled in the Indian Parliament in August 2010, which is proposed to come into effect in April 2012, if enacted. The Direct Taxes Code, if enacted, is intended to replace the Indian Income Tax Act, 1961 beginning April 1, 2012. Under the Direct Taxes Code Bill, a non-Indian company with a place of effective management in India would be treated as a tax resident in India and would be consequently liable to tax in India on its global income. The Direct Taxes Code Bill, if enacted, also proposes to discontinue the existing profit based incentives for SEZ units operational after March 31, 2014 and replace them with investment based incentive for SEZ units operational after that date. The implications of the Direct Taxes Code, if enacted, on our operations are presently still unclear and may result in a material increase to our tax liability.

The Government of India, the United States or other jurisdictions where WNS has a presence could enact new tax legislation which would have a material adverse effect on our business, results of operations and financial condition. In addition, our ability to repatriate surplus earnings from our delivery centers in a tax-efficient manner is dependent upon interpretations of local laws, possible changes in such laws and the renegotiation of existing double tax avoidance treaties. Changes to any of these may adversely affect our overall tax rate, or the cost of our services to our clients, which would have a material adverse effect on our business, results of operations and financial condition.

We are subject to transfer pricing and other tax related regulations and any determination that we have failed to comply with them could materially adversely affect our profitability.

Transfer pricing regulations to which we are subject require that any international transaction among WNS and its subsidiaries, or the WNS group enterprises, be on arm's-length terms. We believe that the international transactions among the WNS group enterprises are on arm's-length terms. If, however, the applicable tax authorities determine that the transactions among the WNS group enterprises do not meet arm's-length criteria, we may incur increased tax liability, including accrued interest and penalties. This would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows.

We may be required to pay additional taxes in connection with audits by the Indian tax authorities.

From time to time, we receive orders of assessment from the Indian tax authorities assessing additional taxable income on us and/or our subsidiaries in connection with their review of our tax returns. We currently have orders of assessment for fiscal 2003 through fiscal 2009 pending before the first level appellate authorities. These orders assess additional taxable income that could in the aggregate give rise to an estimated 2,194.3 million (\$41.4 million based on the exchange rate on December 31, 2011) in additional taxes, including interest of 764.8 million (\$14.4 million based on the exchange rate on December 31, 2011).

These orders of assessment primarily allege that the transfer prices we applied to certain of the international transactions between WNS Global, one of our Indian subsidiaries, and our other wholly-owned subsidiaries were not on arm's length terms, disallow a tax holiday benefit claimed by us and disallow certain expenses claimed as tax deductible by WNS Global. For more details on these assessments, see Part II Management's Discussion and Analysis of Financial Condition and Results of Operations Tax Assessment Orders.

In addition, we currently have orders of assessment pertaining to similar issues that have been decided in our favor by first level appellate authorities, vacating tax demands of 1,928.8 million (\$36.4 million based on the exchange rate on December 31, 2011) in additional taxes, including interest of 584.0 million (\$11.0 million based on the exchange rate on December 31, 2011). The income tax authorities have filed appeals against these orders.

As of December 31, 2011, we have provided a tax reserve of 475.1 million (\$8.9 million based on the exchange rate on December 31, 2011) on account of the Indian tax authorities denying the set off of brought forward losses and unabsorbed depreciation.

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In case of disputes, the Indian tax authorities may require us to deposit with them all or a portion of the disputed amounts pending resolution of the matters on appeal. Any amount paid by us as deposits will be refunded to us with interest if we succeed in our appeals. We have deposited a small portion of the disputed amount with the tax authorities and may be required to deposit the remaining portion of the disputed amount with the tax authorities pending final resolution of the respective matters.

After consultation with our tax advisors and based on the facts of these cases, the nature of the tax authorities' disallowances and the orders from first level appellate authorities deciding similar issues in our favor in respect of assessment orders for earlier fiscal years, we believe these orders are unlikely to be sustained at the higher appellate authorities and we intend to vigorously dispute the orders of assessment.

In March 2009, we also received an assessment order from the Indian Service Tax Authority demanding payment of 346.2 million (\$6.5 million based on the exchange rate on December 31, 2011) of service tax and related penalty for the period from March 1, 2003 to January 31, 2005. The assessment order alleges that service tax is payable in India on BPO services provided by WNS Global to clients based abroad as the export proceeds are repatriated outside India by WNS Global. In April 2009, we filed an appeal to the appellate tribunal against the assessment order and the appeal is currently pending. Based on consultations with our tax advisors, we believe this order of assessment is more likely than not to be upheld in our favor. We intend to continue to vigorously dispute the assessment.

No assurance can be given, however, that we will prevail in our tax disputes. If we do not prevail, payment of additional taxes, interest and penalties may adversely affect our results of operations, financial condition and cash flows. There can also be no assurance that we will not receive similar or additional orders of assessment in the future.

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

Terrorist attacks and other acts of violence or war involving India or its neighboring countries may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations, financial condition and cash flows. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including India and Pakistan. In previous years, military confrontations between India and Pakistan have occurred in the region of Kashmir and along the India/Pakistan border. There have also been incidents in and near India such as the bombings of the Taj Mahal Hotel and Oberoi Hotel in Mumbai in 2008, a terrorist attack on the Indian Parliament, troop mobilizations along the India/Pakistan border and an aggravated geopolitical situation in the region. Such military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in Indian companies involve a high degree of risk. Such political tensions could similarly create a perception that there is a risk of disruption of services provided by India-based companies, which could have a material adverse effect on the market for our services. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue our operations.

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

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

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

India has stringent labor legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. Though

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we are exempt from a number of these labor laws at present, there can be no assurance that such laws will not become applicable to the business process outsourcing industry in India in the future. In addition, our employees may in the future form unions. If these labor laws become applicable to our workers or if our employees unionize, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, and our profitability may be adversely affected.

Risks Related to our ADSs

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

Sales by us or our shareholders of a substantial number of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. These sales, or the perception that these sales could occur, also might make it more difficult for us to sell securities in the future at a time or at a price that we deem appropriate or to pay for acquisitions using our equity securities. As at December 31, 2011, we had 44,665,791 ordinary shares outstanding, including 22,675,081 shares represented by 22,675,081 ADSs. In addition, as at December 31, 2011, there were options and RSUs outstanding under our 2002 Stock Incentive Plan and our Second Amended and Restated 2006 Incentive Award Plan to purchase a total of 3,332,218 ordinary shares or ADSs. All ADSs are freely transferable, except that ADSs owned by our affiliates, including Warburg Pincus, may only be sold in the US if they are registered or qualify for an exemption from registration, including pursuant to Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. The remaining ordinary shares outstanding may also only be sold in the United States if they are registered or qualify for an exemption from registration, including pursuant to Rule 144 under the Securities Act.

The market price for our ADSs may be volatile.

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

announcements of technological developments;

regulatory developments in our target markets affecting us, our clients or our competitors;

actual or anticipated fluctuations in our three monthly operating results;

changes in financial estimates by securities research analysts;

changes in the economic performance or market valuations of other companies engaged in business process outsourcing;

addition or loss of executive officers or key employees;

sales or expected sales of additional shares or ADSs;

loss of one or more significant clients; and

a change in control, or possible change of control, of our company

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

ADSs.

Holders of ADSs may be restricted in their ability to exercise voting rights.

At our request, the depositary of the ADSs will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the ordinary shares represented by ADSs. If the depositary timely receives voting instructions from you, it will endeavor to vote the ordinary shares represented by your ADSs in accordance with such voting instructions. However, the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the ordinary shares on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner. Ordinary shares for which no voting instructions have been received will not be voted.

As a foreign private issuer, we are not subject to the proxy rules of the Commission, which regulate the form and content of solicitations by US-based issuers of proxies from their shareholders. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the Commission's proxy rules.

We may be classified as a passive foreign investment company, which could result in adverse US federal income tax consequences to US Holders of our ADSs or ordinary shares.

Based on our financial statements and relevant market and shareholder data, we believe that we should not be treated as a passive foreign investment company for US federal income tax purposes, or PFIC, with respect to our most recently closed taxable year. Based on the current and anticipated valuation of our assets, including goodwill, and composition of our income and assets, we do not expect to be a PFIC for our current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that we will not be a PFIC for any taxable year. A non-US corporation will be a PFIC for any taxable year if either (i) at least 75% of its gross income for such

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year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs and ordinary shares, fluctuations in the market price of the ADSs and ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. If we are a PFIC for any taxable year during which a US holder holds an ADS or ordinary share, certain adverse US federal income tax consequences could apply to such US holders. See "Taxation US Federal Income Taxation Passive Foreign Investment Company" in our most recent annual report on Form 20-F.

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SIGNATURE

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

Date: January 20, 2012

WNS (HOLDINGS) LIMITED

By: /s/ Alok Misra
Name: Alok Misra
Title: Group Chief Financial Officer

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EXHIBIT INDEX

Exhibit no.	Description
99.1	Form of the Second Amended and Restated WNS (Holdings) Limited 2006 incentive plan incorporated by reference to Appendix A to WNS (Holdings) Limited's Proxy Statement which was furnished as Exhibit 99.3 of its report on Form 6-K (File No. 001-32945), as furnished to the SEC on August 12, 2011.