

Accenture plc  
Form 10-K  
October 24, 2018  
Table of Contents

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended August 31, 2018

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: 001-34448

Accenture plc

(Exact name of registrant as specified in its charter)

Ireland 98-0627530

(State or other jurisdiction of  
incorporation or organization) (I.R.S. Employer Identification No.)

1 Grand Canal Square,  
Grand Canal Harbour,  
Dublin 2, Ireland

(Address of principal executive offices)

(353) (1) 646-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A ordinary shares, par value \$0.0000225 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes  No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Edgar Filing: Accenture plc - Form 10-K

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the common equity of the registrant held by non-affiliates of the registrant on February 28, 2018 was approximately \$99,465,708,231 based on the closing price of the registrant's Class A ordinary shares, par value \$0.0000225 per share, reported on the New York Stock Exchange on such date of \$161.01 per share and on the par value of the registrant's Class X ordinary shares, par value \$0.0000225 per share.

The number of shares of the registrant's Class A ordinary shares, par value \$0.0000225 per share, outstanding as of October 10, 2018 was 663,601,568 (which number includes 25,261,551 issued shares held by the registrant). The number of shares of the registrant's Class X ordinary shares, par value \$0.0000225 per share, outstanding as of October 10, 2018 was 650,821.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the registrant's Annual General Meeting of Shareholders, to be held on February 1, 2019, will be incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III. The definitive proxy statement will be filed with the SEC not later than 120 days after the registrant's fiscal year ended August 31, 2018.

---

Table of Contents

## TABLE OF CONTENTS

	Page
Part I	
Item 1. <u>Business</u>	<u>1</u>
Item 1A. <u>Risk Factors</u>	<u>9</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>22</u>
Item 2. <u>Properties</u>	<u>22</u>
Item 3. <u>Legal Proceedings</u>	<u>23</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>23</u>
Part II	
Item 5. <u>Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	<u>25</u>
Item 6. <u>Selected Financial Data</u>	<u>27</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>44</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>44</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>45</u>
Item 9A. <u>Controls and Procedures</u>	<u>45</u>
Item 9B. <u>Other Information</u>	<u>45</u>
Part III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>46</u>
Item 11. <u>Executive Compensation</u>	<u>46</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	<u>46</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>47</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>47</u>
Part IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>48</u>
Item 16. <u>Form 10-K Summary</u>	<u>50</u>
<u>Signatures</u>	<u>51</u>

---

Table of Contents

**PART I**

**Disclosure Regarding Forward-Looking Statements**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”) relating to our operations, results of operations and other matters that are based on our current expectations, estimates, assumptions and projections. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” “positioned,” “outlook” and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to, the factors discussed below under the section entitled “Risk Factors.” Our forward-looking statements speak only as of the date of this report or as of the date they are made, and we undertake no obligation to update them.

**Available Information**

Our website address is [www.accenture.com](http://www.accenture.com). We use our website as a channel of distribution for company information. We make available free of charge on the Investor Relations section of our website (<http://investor.accenture.com>) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or 15(d) of the Exchange Act. We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of the Exchange Act, as well as our Code of Business Ethics. Financial and other material information regarding us is routinely posted on and accessible at <http://investor.accenture.com>. We do not intend for information contained in our website to be part of this Annual Report on Form 10-K.

Any materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC, 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

In this Annual Report on Form 10-K, we use the terms “Accenture,” “we,” the “Company,” “our” and “us” to refer to Accenture plc and its subsidiaries. All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31.

**ITEM 1. BUSINESS**

**Overview**

Accenture is one of the world’s leading professional services companies with approximately 459,000 people serving clients in a broad range of industries and in three geographic regions: North America, Europe and Growth Markets (Asia Pacific, Latin America, Africa and the Middle East). Our five operating groups, organized by industry, bring together expertise from across the organization in strategy, consulting, digital, technology including application services, and operations to deliver end-to-end services and solutions to clients. Digital-, cloud- and security-related services, which we refer to as “the New,” are increasingly important components of the services we provide. For fiscal 2018, our revenues before reimbursements (“net revenues”) were \$39.6 billion.

We operate globally with one common brand and business model, providing clients around the world with the same high level of service. Drawing on a combination of industry and functional expertise, technology and innovation capabilities, alliance relationships, and our global delivery resources, we seek to provide differentiated, innovative services that help our clients measurably improve their business performance and create sustainable value for their customers and stakeholders. Our global delivery capability enables us to assemble integrated teams to provide high-quality, cost-effective solutions to our clients.

In fiscal 2018, we continued to implement a strategy focused on industry and technology differentiation, increasingly taking an innovation-led approach to drive value for clients. We serve clients in locally relevant ways, leveraging our global organization as appropriate. As part of our growth strategy in fiscal 2018, we continued to make significant investments—in strategic acquisitions, in assets and offerings, in branding and thought leadership, and in attracting and developing talent—to further enhance our differentiation and competitiveness.

Table of Contents

## Operating Groups

Our five operating groups are Accenture’s reporting segments and primary market channel, organized around 13 industry groups that serve clients globally in more than 40 industries. Our industry focus gives us an understanding of industry evolution, business issues and applicable technologies, enabling us to deliver innovative solutions tailored to each client or, as appropriate, more standardized capabilities to multiple clients. The operating groups assemble integrated client engagement teams, which typically consist of industry experts, capability specialists and professionals with local market knowledge. The operating groups have primary responsibility for building and sustaining long-term client relationships; providing management and technology consulting services; orchestrating our expertise and working synergistically with the other parts of our business to sell and deliver the full range of our services and capabilities; ensuring client satisfaction; and achieving revenue and profitability objectives.

The following table shows the current organization of our five operating groups. We do not allocate total assets by operating group, although our operating groups do manage and control certain assets. For certain historical financial information regarding our operating groups (including certain asset information), as well as financial information by geography (including long-lived asset information), see Note 16 (Segment Reporting) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

## Operating Groups and Industry Groups

Communications, Media & Technology	Financial Services	Health & Public Service	Products	Resources
<ul style="list-style-type: none"> <li>• Communications &amp; Media</li> <li>• High Tech</li> <li>• Software &amp; Platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Banking &amp; Capital Markets</li> <li>• Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Health</li> <li>• Public Service</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer Goods, Retail &amp; Travel Services</li> <li>• Industrial</li> <li>• Life Sciences</li> </ul>	<ul style="list-style-type: none"> <li>• Chemicals &amp; Natural Resources</li> <li>• Energy</li> <li>• Utilities</li> </ul>

## Communications, Media &amp; Technology

Our Communications, Media & Technology operating group serves communications, media, high tech, software and platform companies. Professionals in this operating group help clients accelerate and deliver digital transformation, developing comprehensive, industry-specific solutions to seize new opportunities and enhance efficiencies and business results. Examples of our services include helping clients capture new growth by shifting to data-driven and platform-based models, optimizing their cost structures, increasing product and business model innovation, and differentiating and scaling digital experiences for their customers. Our Communications, Media & Technology operating group comprises the following industry groups:

Our Communications & Media industry group serves most of the world’s leading wireline, wireless, broadcast, entertainment, print, publishing, cable and satellite communications service providers. This group represented approximately 51% of our Communications, Media & Technology operating group’s net revenues in fiscal 2018.

Our High Tech industry group serves the enterprise technology, network equipment, semiconductor, consumer technology, aerospace & defense, and medical equipment industries. This group represented approximately 25% of our Communications, Media & Technology operating group’s net revenues in fiscal 2018.

Our Software & Platforms industry group serves computer software and digital platform companies. This group represented approximately 24% of our Communications, Media & Technology operating group’s net revenues in fiscal 2018.

## Financial Services

Our Financial Services operating group serves the banking, capital markets and insurance industries. Professionals in this operating group work with clients to address growth, cost and profitability pressures, industry consolidation, regulatory changes and the need to continually adapt to new digital technologies. We offer services designed to help our clients increase cost efficiency, grow their customer base, manage risk and transform their operations. Our Financial Services operating group comprises the following industry groups:

Our Banking & Capital Markets industry group serves retail and commercial banks, mortgage lenders, payment providers, investment banks, wealth and asset management firms, broker/dealers, depositories, exchanges, clearing and settlement organizations, and other diversified financial enterprises. This group represented

approximately 72% of our Financial Services operating group's net revenues in fiscal 2018.

Our Insurance industry group serves property and casualty insurers, life insurers, reinsurance firms and insurance brokers. This group represented approximately 28% of our Financial Services operating group's net revenues in fiscal 2018.

## Table of Contents

### Health & Public Service

Our Health & Public Service operating group serves healthcare payers and providers, as well as government departments and agencies, public service organizations, educational institutions and non-profit organizations around the world. The group's research-based insights and offerings, including consulting services and digital solutions, are designed to help clients deliver better social, economic and health outcomes to the people they serve. Our Health & Public Service operating group comprises the following industry groups:

Our Health industry group works with healthcare providers, such as hospitals, public health systems, policy-making authorities, health insurers (payers), and industry organizations and associations around the world to improve the quality, accessibility and productivity of healthcare. This group represented approximately 38% of our Health & Public Service operating group's net revenues in fiscal 2018.

Our Public Service industry group helps governments transform the way they deliver public services and engage with citizens. We work primarily with defense departments and military forces; public safety authorities, such as police forces and border management agencies; justice departments; human services agencies; educational institutions, such as universities; non-profit organizations; and postal, customs, revenue and tax agencies. Our Public Service industry group represented approximately 62% of our Health & Public Service operating group's net revenues in fiscal 2018. Our work with clients in the U.S. federal government is delivered through Accenture Federal Services, a U.S. company and a wholly owned subsidiary of Accenture LLP, and represented approximately 34% of our Health & Public Service operating group's net revenues in fiscal 2018.

### Products

Our Products operating group serves a set of increasingly interconnected consumer-relevant industries. Our offerings are designed to help clients transform their organizations and increase their relevance in the digital world. We help clients enhance their performance in distribution and sales and marketing; in research and development and manufacturing; and in business functions such as finance, human resources, procurement and supply chain while leveraging technology. Our Products operating group comprises the following industry groups:

Our Consumer Goods, Retail & Travel Services industry group serves food and beverage, household goods, personal care, tobacco, fashion/apparel, agribusiness and consumer health companies; supermarkets, hardline retailers, mass-merchandise discounters, department stores and specialty retailers; as well as airlines and hospitality and travel services companies. This group represented approximately 55% of our Products operating group's net revenues in fiscal 2018.

Our Industrial industry group works with automotive manufacturers and suppliers; freight and logistics companies; industrial and electrical equipment, consumer durable and heavy equipment companies; and construction and infrastructure management companies. This group represented approximately 26% of our Products operating group's net revenues in fiscal 2018.

Our Life Sciences industry group serves pharmaceutical, medical technology and biotechnology companies. This group represented approximately 19% of our Products operating group's net revenues in fiscal 2018.

### Resources

Our Resources operating group serves the chemicals, energy, forest products, metals and mining, utilities and related industries. We work with clients to develop and execute innovative strategies, improve operations, manage complex change initiatives and integrate digital technologies designed to help them differentiate themselves in the marketplace, gain competitive advantage and manage their large-scale capital investments. Our Resources operating group comprises the following industry groups:

Our Chemicals & Natural Resources industry group works with a wide range of industry segments, including petrochemicals, specialty chemicals, polymers and plastics, gases and agricultural chemicals, among others, as well as the metals, mining, forest products and building materials industries. This group represented approximately 30% of our Resources operating group's net revenues in fiscal 2018.

Our Energy industry group serves a wide range of companies in the oil and gas industry, including upstream, downstream, oilfield services and new energy companies. This group represented approximately 27% of our Resources operating group's net revenues in fiscal 2018.



- Our Utilities industry group works with electric, gas and water utilities around the world. This group represented approximately 43% of our Resources operating group's net revenues in fiscal 2018.

3

---

Table of Contents

Services and Solutions

Our operating groups bring together expertise from Accenture Strategy, Accenture Consulting, Accenture Digital, Accenture Technology and Accenture Operations to develop and deliver integrated services and solutions for our clients.

Accenture Strategy

Accenture Strategy helps clients achieve specific business outcomes and enhance shareholder value by defining and executing industry-specific strategies enabled by technology. We bring together our design-led, data-driven strategy capabilities at the intersection of business and technology to help senior management teams shape and execute their enterprise-wide transformation objectives, focusing on issues related to digital disruption, competitive agility, new business models and the future workforce. We provide a range of strategy services focused on areas such as digital technologies; enterprise architecture and applications; CFO and enterprise value; IT; security; mergers and acquisitions; operations; advanced customer services; sustainability; and talent and organization.

Accenture Consulting

Accenture Consulting provides industry experts with the insights and management and technology consulting capabilities to transform the world's leading companies. Our consulting capabilities enable our clients to design and implement transformational change programs, either for one or more functions or business units, or across their entire organization. We provide industry-specific consulting services, as well as functional and technology consulting services. Our functional and technology consulting services include finance and enterprise performance; supply chain and operations; talent and organization; customers and channels; applications and architecture advisory; and technology advisory. We help our clients with the digital transformation of industries, enhancing our consulting services with digital, cloud, cybersecurity, artificial intelligence, blockchain and other capabilities.

Accenture Digital

Accenture Digital brings together our global digital capabilities to help clients unlock value and transform their businesses. We provide digital services across three broad areas:

Accenture Interactive. Our end-to-end marketing solutions help clients deliver seamless multi-channel customer experiences and enhance their marketing performance. Our services span customer experience design, digital marketing, personalization and commerce, as well as digital content production and operations.

Accenture Applied Intelligence. We embed analytics, automation and artificial intelligence into functions and processes at the core of our clients' businesses to realize new cost efficiencies and create new value from process, product and business transformation.

Accenture Industry X.0. We help clients digitally reinvent manufacturing and production to create smart, connected products and services using advanced technologies—including the Internet of Things, connected devices and digital platforms—to unlock new revenue streams and create new efficiencies.

Accenture Technology

Accenture Technology comprises two primary areas: technology services and technology innovation & ecosystem.

Technology Services. Technology Services includes our application services spanning systems integration and application outsourcing and covering the full application lifecycle, from custom systems to all emerging technologies, across every leading technology platform (both traditional and cloud/software-as-a-service-based). It also encompasses our portfolio of products and intelligent platforms and services, as well as our Advanced Technology Centers. We continuously innovate new services, capabilities and platforms through early adoption of technologies such as artificial intelligence, machine learning and intelligent automation to enhance productivity and create new growth opportunities.

Technology Innovation & Ecosystem. We harness innovation through the research and development activities in the Accenture Labs and through emerging technologies. We also develop and manage our alliance relationships across a broad range of technology providers, including Amazon Web Services, Apple, Google, Microsoft, Oracle, Pegasystems, Salesforce, SAP, Workday and many others, to enhance the value that we and our clients realize from the technology ecosystem.

Accenture Operations

Accenture Operations provides business process services, infrastructure services, security services and cloud services. We operate infrastructure and business processes on behalf of clients, increasingly powered by data, artificial

4

---

## Table of Contents

intelligence, analytics and digital technologies, on an as-a-service basis, to help improve their productivity, experience and performance.

**Business Process Services.** We offer services for specific business functions, such as finance and accounting, procurement and supply chain, marketing and sales, and human resources, as well as industry-specific services, such as credit and health services. We provide these services on a global basis and across industry sectors through our global delivery capability.

**Infrastructure and Cloud Services.** We provide design, implementation, migration and managed services for security and infrastructure to help organizations take advantage of innovative technologies and improve the efficiency and effectiveness of their existing technology. Our solutions help clients transform and optimize their IT infrastructures—whether on-premise, in the cloud, or a hybrid of the two.

### Global Delivery Capability

A key differentiator is our global delivery capability, which allows us to draw on the benefits of using people and other resources from around the world—including scalable innovation; standardized processes, methods and tools; automation and artificial intelligence; industry expertise and specialized capabilities; cost advantages; foreign language fluency; proximity to clients; and time zone advantages—to deliver high-quality solutions. Emphasizing quality, productivity, reduced risk, speed to market and predictability, our global delivery model supports all parts of our business to provide clients with price-competitive services and solutions.

### Alliances

We have sales and delivery alliances with companies whose capabilities complement our own by, among other things, enhancing a service offering, delivering a new technology or helping us extend our services to new geographies. By combining our alliance partners' products and services with our own capabilities and expertise, we create innovative, high-value business solutions for our clients. Most of our alliances are non-exclusive. These alliances can generate significant revenues from services we provide to implement our alliance partners' products as well as revenue from the resale of their products.

### Research and Innovation

We are committed to developing leading-edge ideas. Research and innovation, which are components of our overall investment in our business, have been major factors in our success, and we believe they will help us continue to grow in the future. We use our investment in research and development—on which we spent \$791 million, \$704 million and \$643 million in fiscal 2018, 2017 and 2016, respectively—to help create, commercialize and disseminate innovative business strategies and technology solutions. We spend a significant portion of our research and development investment to develop market-ready solutions for our clients.

We view innovation as a source of competitive advantage. We seek to generate early insights into how knowledge can be harnessed to create innovative business solutions for our clients and to develop business strategies with significant value. Our innovation architecture brings together our innovation capabilities across the Company—from research, ventures and labs to our studios, innovation centers and delivery centers. This includes research and thought leadership to identify market, technology and industry trends. Through Accenture Ventures, we partner with and invest in growth-stage companies that create innovative enterprise technologies. Accenture Labs incubate and prototype new concepts through applied research and development projects. In addition, our studios, innovation centers and delivery centers build and scale the delivery of our innovations.

### People

As a talent- and innovation-led organization, one of our key goals is to have the best people, with highly specialized skills, across our entire business to drive our differentiation and competitiveness. We are deeply committed to the development of our people, and provide continuous learning opportunities that are customized for the individual in an on-demand, digital environment. We provide our people ongoing feedback, and they are rewarded based on individual and Company performance. Our culture is underpinned by our core values, Code of Business Ethics and strong commitment to inclusion and diversity.

As of August 31, 2018, we employed approximately 459,000 people and had offices and operations in more than 200 cities in 52 countries.



Table of Contents

Competition

We operate in a highly competitive and rapidly changing global marketplace and compete with a variety of organizations that offer services and solutions competitive with those we offer. Our competitors include:

- large multinational providers, including the services arms of large global technology providers (hardware, equipment and software), that offer some or all of the services and solutions that we do;
- off-shore service providers in lower-cost locations, particularly in India, that offer services globally that are similar to the services and solutions we offer;
- accounting firms that provide consulting and other services and solutions in areas that compete with us;
- solution or service providers that compete with us in a specific geographic market, industry segment or service area, including digital and advertising agencies and emerging start-ups and other companies that can scale rapidly to focus on or disrupt certain markets and provide new or alternative products, services or delivery models; and
- in-house departments of large corporations that use their own resources, rather than engage an outside firm for the types of services and solutions we provide.

Our revenues are derived primarily from Fortune Global 500 and Fortune 1000 companies, medium-sized companies, governments, government agencies and other enterprises. We believe that the principal competitive factors in the industries in which we compete include:

- skills and capabilities of people;
- technical and industry expertise;
- innovative service and product offerings;
- ability to add business value and improve performance;
- reputation and client references;
- contractual terms, including competitive pricing;
- ability to deliver results reliably and on a timely basis;
- scope of services;
- service delivery approach;
- quality of services and solutions;
- availability of appropriate resources; and
- global reach and scale, including level of presence in key emerging markets.

Our clients typically retain us on a non-exclusive basis.

Intellectual Property

We provide value to our clients based in part on a differentiated range of proprietary inventions, methodologies, software, reusable knowledge capital and other intellectual property. We recognize the increasing value of intellectual property in the marketplace and create, harvest, and protect this intellectual property. We leverage patent, trade secret and copyright laws as well as contractual arrangements to protect our intellectual property. We have also established policies to respect the intellectual property rights of third parties, such as our clients, partners and others.

As of August 31, 2018, we had a portfolio of over 4,200 patents and over 2,500 patent applications pending worldwide.

To protect the Accenture brand, one of our most valuable assets, we rely on intellectual property laws and trademark registrations held around the world.

Trademarks appearing in this report are the trademarks or registered trademarks of Accenture Global Services Ltd., Accenture Global Solutions Ltd., or third parties, as applicable.

Table of Contents

Organizational Structure and History

Accenture plc is an Irish public limited company. We operate our business through subsidiaries of Accenture plc. Prior to our transition to a corporate structure in fiscal 2001, we operated as a series of related partnerships and corporations under the control of our partners. In connection with our transition to a corporate structure, our partners generally exchanged all of their interests in these partnerships and corporations for Accenture Ltd Class A common shares or, in the case of partners in certain countries, Class I common shares of Accenture SCA, a Luxembourg partnership limited by shares and direct subsidiary of Accenture Ltd (“Accenture SCA”), or exchangeable shares issued by Accenture Canada Holdings Inc., an indirect subsidiary of Accenture SCA. Generally, partners who received Accenture SCA Class I common shares or Accenture Canada Holdings Inc. exchangeable shares also received a corresponding number of Accenture Ltd Class X common shares, which entitled their holders to vote at Accenture Ltd shareholder meetings but did not carry any economic rights. The combination of the Accenture Ltd Class X common shares and the Accenture SCA Class I common shares or Accenture Canada Holdings Inc. exchangeable shares gave these partners substantially similar economic and governance rights as holders of Accenture Ltd Class A common shares.

On June 10, 2009, Accenture plc was incorporated in Ireland, as a public limited company, in order to effect moving the place of incorporation of our parent holding company from Bermuda to Ireland. This transaction was completed on September 1, 2009, at which time Accenture Ltd, our predecessor holding company, became a wholly owned subsidiary of Accenture plc and Accenture plc became our parent holding company. Accenture Ltd was dissolved on December 29, 2009.

On April 10, 2015, Accenture Holdings plc, then Accenture plc’s subsidiary, was incorporated in Ireland, as a public limited company, in order to further consolidate Accenture’s presence in Ireland. On August 26, 2015, Accenture SCA merged with and into Accenture Holdings plc, with Accenture Holdings plc as the surviving entity. This merger was a transaction between entities under common control and had no effect on our Consolidated Financial Statements. On March 13, 2018, Accenture Holdings plc merged with and into Accenture plc, with Accenture plc as the surviving entity. As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. In connection with this internal merger, shareholders of Accenture Holdings plc (other than Accenture entities that held shares of Accenture Holdings plc), who primarily consisted of current and former members of Accenture Leadership and their permitted transferees, received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc owned by such shareholders.

All references to Accenture Holdings plc included in this report with respect to periods prior to August 26, 2015 reflect the activity and/or balances of Accenture SCA (the predecessor of Accenture Holdings plc). The Consolidated Financial Statements reflect the ownership interests in Accenture Holdings plc (for applicable periods) and Accenture Canada Holdings Inc. held by certain current and former members of Accenture Leadership as noncontrolling interests. “Accenture Leadership” is comprised of members of our global management committee (our primary management and leadership team, which consists of approximately 20 of our most senior leaders), senior managing directors and managing directors. The noncontrolling ownership interests percentage was less than 1% as of August 31, 2018.

Accenture plc Class A and Class X Ordinary Shares

Each Class A ordinary share and each Class X ordinary share of Accenture plc entitles its holder to one vote on all matters submitted to a vote of shareholders of Accenture plc. A Class X ordinary share does not, however, entitle its holder to receive dividends or to receive payments upon a liquidation of Accenture plc. As described above under “—Organizational Structure and History,” Class X ordinary shares generally provide the holders of Accenture Canada Holdings Inc. exchangeable shares with a vote at Accenture plc shareholder meetings that is equivalent to the voting rights held by Accenture plc Class A ordinary shareholders, while their economic rights consist of interests in Accenture Canada Holdings Inc. exchangeable shares.

Under its memorandum and articles of association, Accenture plc may redeem, at its option, any Class X ordinary share for a redemption price equal to the nominal value of the Class X ordinary share, or \$0.0000225 per share.

Edgar Filing: Accenture plc - Form 10-K

Accenture plc, as successor to Accenture Ltd, has separately agreed with the original holders of Accenture Canada Holdings Inc. exchangeable shares not to redeem any Class X ordinary share of such holder if the redemption would reduce the number of Class X ordinary shares held by that holder to a number that is less than the number of Accenture Canada Holdings Inc. exchangeable shares owned by that holder. Accenture plc will redeem Class X ordinary shares upon the redemption or exchange of Accenture Canada Holdings Inc. exchangeable shares so that the aggregate number of Class X ordinary shares outstanding at any time does not exceed the aggregate number of Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

7

---



Table of Contents

A transfer of Accenture plc Class A ordinary shares effected by transfer of a book-entry interest in The Depository Trust Company will not be subject to Irish stamp duty. Other transfers of Accenture plc Class A ordinary shares may be subject to Irish stamp duty (currently at the rate of 1% of the price paid or the market value of the Class A ordinary shares acquired, if higher) payable by the buyer.

Accenture Canada Holdings Inc. Exchangeable Shares

Holders of Accenture Canada Holdings Inc. exchangeable shares may exchange their shares for Accenture plc Class A ordinary shares at any time on a one-for-one basis. Accenture may, at its option, satisfy this exchange with cash at a price per share generally equal to the market price of an Accenture plc Class A ordinary share at the time of the exchange. Each exchangeable share of Accenture Canada Holdings Inc. entitles its holder to receive distributions equal to any distributions to which an Accenture plc Class A ordinary share entitles its holder. The exchange of all of the outstanding Accenture Canada Holdings Inc. exchangeable shares for Accenture plc Class A ordinary shares would not have a material impact on the equity ownership position of Accenture.

Table of Contents

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially adversely affect our business, financial condition, results of operations (including revenues and profitability) and/or stock price. Our business is also subject to general risks and uncertainties that may broadly affect companies, including us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could materially adversely affect our business, financial condition, results of operations and/or stock price.

Our results of operations could be adversely affected by volatile, negative or uncertain economic and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

Global macroeconomic and geopolitical conditions affect our clients' businesses and the markets they serve. Volatile, negative or uncertain economic and political conditions in our significant markets have undermined and could in the future undermine business confidence in our significant markets or in other markets, which are increasingly interdependent, and cause our clients to reduce or defer their spending on new initiatives and technologies, or may result in clients reducing, delaying or eliminating spending under existing contracts with us, which would negatively affect our business. Growth in the markets we serve could be at a slow rate, or could stagnate or contract, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate and the industries we serve have affected and may in the future affect demand for our services and solutions. Because we operate globally and have significant businesses in many markets, an economic slowdown in any of those markets could adversely affect our results of operations.

Ongoing economic and political volatility and uncertainty and changing demand patterns affect our business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build our revenue and resource plans, particularly in consulting. Economic and political volatility and uncertainty is particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in our business and results of operations. Changing demand patterns from economic and political volatility and uncertainty, including as a result of the United Kingdom referendum in favor of exiting the European Union, the potential for changes in global trade policies and trends such as populism and economic nationalism, could have a significant negative impact on our results of operations.

Our business depends on generating and maintaining ongoing, profitable client demand for our services and solutions, including through the adaptation and expansion of our services and solutions in response to ongoing changes in technology and offerings, and a significant reduction in such demand or an inability to respond to the evolving technological environment could materially affect our results of operations.

Our revenue and profitability depend on the demand for our services and solutions with favorable margins, which could be negatively affected by numerous factors, many of which are beyond our control and unrelated to our work product. As described above, volatile, negative or uncertain global economic and political conditions and lower growth in the markets we serve have adversely affected and could in the future adversely affect client demand for our services and solutions. Our success depends, in part, on our ability to continue to develop and implement services and solutions that anticipate and respond to rapid and continuing changes in technology and offerings to serve the evolving needs of our clients. Examples of areas of significant change include digital-, cloud- and security-related offerings, which are continually evolving, as well as developments in areas such as artificial intelligence, augmented reality, automation, blockchain, Internet of Things, quantum computing and as-a-service solutions. Technological developments may materially affect the cost and use of technology by our clients and, in the case of as-a-service solutions, could affect the nature of how we generate revenue. Some of these technologies have reduced and replaced some of our historical services and solutions and may continue to do so in the future. This has caused, and may in the future cause, clients to delay spending under existing contracts and engagements and to delay entering into new contracts while they evaluate new technologies. Such delays can negatively impact our results of operations if the pace and level of spending on new technologies is not sufficient to make up any shortfall.

Developments in the industries we serve, which may be rapid, also could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries we serve, our clients demand new services and

solutions, we may be less competitive in these new areas or need to make significant investment to meet that demand. Our growth strategy focuses on responding to these types of developments by driving innovation that will enable us to expand our business into new growth areas. If we do not sufficiently invest in new technology and adapt to industry developments, or evolve and expand our business at sufficient speed and scale, or if we do not make the right strategic investments to respond to these developments and successfully drive innovation, our services and

Table of Contents

solutions, our results of operations, and our ability to develop and maintain a competitive advantage and to execute on our growth strategy could be negatively affected.

We operate in a rapidly evolving environment in which there currently are, and we expect will continue to be, new technology entrants. New services or technologies offered by competitors or new entrants may make our offerings less differentiated or less competitive when compared to other alternatives, which may adversely affect our results of operations. In addition, companies in the industries we serve sometimes seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If one of our current clients merges or consolidates with a company that relies on another provider for the services and solutions we offer, we may lose work from that client or lose the opportunity to gain additional work if we are not successful in generating new opportunities from the merger or consolidation. At any given time in a particular operating group, business, industry or geography, one or a small number of clients could contribute a significant portion of our consolidated revenues, and any decision by such a client to delay, reduce, or eliminate spending on our services and solutions could have a disproportionate impact on the results of operations in the relevant operating group, business, industry and/or geography.

Many of our consulting contracts are less than 12 months in duration, and these contracts typically permit a client to terminate the agreement with as little as 30 days' notice. Longer-term, larger and more complex contracts, such as the majority of our outsourcing contracts, generally require a longer notice period for termination and often include an early termination charge to be paid to us, but this charge might not be sufficient to cover our costs or make up for anticipated ongoing revenues and profits lost upon termination of the contract. Many of our contracts allow clients to terminate, delay, reduce or eliminate spending on the services and solutions we provide. Additionally, a client could choose not to retain us for additional stages of a project, try to renegotiate the terms of its contract or cancel or delay additional planned work. When contracts are terminated or not renewed, we lose the anticipated revenues, and it may take significant time to replace the level of revenues lost. Consequently, our results of operations in subsequent periods could be materially lower than expected. The specific business or financial condition of a client, changes in management and changes in a client's strategy are also all factors that can result in terminations, cancellations or delays.

If we are unable to keep our supply of skills and resources in balance with client demand around the world and attract and retain professionals with strong leadership skills, our business, the utilization rate of our professionals and our results of operations may be materially adversely affected.

Our success is dependent, in large part, on our ability to keep our supply of market-leading skills and capabilities in balance with client demand around the world and our ability to attract and retain personnel with the knowledge and skills to lead our business globally. We must hire or reskill, retain and motivate appropriate numbers of talented people with diverse skills in order to serve clients across the globe, respond quickly to rapid and ongoing changes in technology, industry and the macroeconomic environment, and constantly innovate to grow our business. For example, if we are unable to hire or retrain our employees to keep pace with the rapid and continuous changes in technology and the industries we serve or changes in the types of services and solutions clients are demanding, we may not be able to innovate and deliver new services and solutions to fulfill client demand. There is intense competition for scarce talent with market-leading skills and capabilities in new technologies, and our competitors have directly targeted our employees with these highly sought-after skills and may continue to do so. As a result, we may be unable to cost-effectively hire and retain employees with these market-leading skills, which may cause us to incur increased costs. As technology evolves and we expand our services and solutions, we must also hire and retain an increasing number of professionals with unique and highly specialized skills.

We are particularly dependent on retaining members of Accenture Leadership with critical capabilities. If we are unable to do so, our ability to innovate, generate new business opportunities and effectively lead large and complex transformations and client relationships could be jeopardized. We depend on identifying, developing and retaining top talent to innovate and lead our businesses. This includes developing talent and leadership capabilities in emerging markets, where the depth of skilled employees may be limited, and competition for these resources is intense. Our ability to expand geographically depends, in large part, on our ability to attract, develop, retain and integrate both leaders for the local business and people with critical capabilities.

Similarly, our profitability depends on our ability to effectively source and staff people with the right mix of skills and experience to perform services for our clients, including our ability to transition employees to new assignments on a timely basis. If we are unable to effectively deploy our employees globally on a timely basis to fulfill the needs of our clients, our profitability could suffer. If the utilization rate of our professionals is too high, it could have an adverse effect on employee engagement and attrition, the quality of the work performed as well as our ability to staff projects. If our utilization rate is too low, our profitability and the engagement of our employees could suffer. The costs associated with recruiting and training employees are significant. An important element of our global business model is the deployment of our employees around the world, which allows us to move talent as needed. Therefore, if we are not

Table of Contents

able to deploy the talent we need because of increased regulation of immigration or work visas, including limitations placed on the number of visas granted, limitations on the type of work performed or location in which the work can be performed, and new or higher minimum salary requirements, it could be more difficult to staff our employees on client engagements and could increase our costs.

Our equity-based incentive compensation plans are designed to reward high-performing individuals for their contributions and provide incentives for them to remain with us. If the anticipated value of such incentives does not materialize because of volatility or lack of positive performance in our stock price, or if our total compensation package is not viewed as being competitive, our ability to attract and retain the personnel we need could be adversely affected. In addition, if we do not obtain the shareholder approval needed to continue granting equity awards under our share plans in the amounts we believe are necessary, our ability to attract and retain personnel could be negatively affected.

There is a risk that at certain points in time, and in certain geographical regions, we will find it difficult to hire and retain a sufficient number of employees with the skills or backgrounds to meet current and/or future demand. In these cases, we might need to redeploy existing personnel or increase our reliance on subcontractors to fill certain labor needs, and if not done effectively, our profitability could be negatively impacted. Additionally, if demand for our services and solutions were to escalate at a high rate, we may need to adjust our compensation practices, which could put upward pressure on our costs and adversely affect our profitability if we are unable to recover these increased costs. At certain times, however, we may also have more personnel than we need in certain skill sets or geographies or at compensation levels that are not aligned with skill sets. In these situations, we have engaged, and may in the future engage, in actions to rebalance our resources, including reducing the rate of new hires and increasing involuntary terminations as a means to keep our supply of skills and resources in balance with client demand. If we are not successful in these initiatives, our results of operations could be adversely affected.

We could face legal, reputational and financial risks if we fail to protect client and/or Accenture data from security breaches or cyberattacks.

We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations around the world and with our people, clients, alliance partners and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the use of mobile technologies, social media and cloud-based services, the risk of security breaches and cyberattacks increases. Such breaches could lead to shutdowns or disruptions of or damage to our systems and those of our clients, alliance partners and vendors, and unauthorized disclosure of sensitive or confidential information, including personal data. In the past, we have experienced data security breaches resulting from unauthorized access to our and our service providers' systems, which to date have not had a material impact on our operations; however, there is no assurance that such impacts will not be material in the future.

In providing services and solutions to clients, we often manage, utilize and store sensitive or confidential client or Accenture data, including personal data, and we expect these activities to increase, including through the use of artificial intelligence, the internet of things and analytics. Unauthorized disclosure of sensitive or confidential client or Accenture data, whether through systems failure, employee negligence, fraud, misappropriation, or other intentional or unintentional acts, could damage our reputation, cause us to lose clients and could result in significant financial exposure. Similarly, unauthorized access to or through our or our service providers' information systems or those we develop for our clients, whether by our employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and/or state-sponsored organizations, who continuously develop and deploy viruses, ransomware or other malicious software programs or social engineering attacks, could result in negative publicity, significant remediation costs, legal liability, damage to our reputation and government sanctions and could have a material adverse effect on our results of operations. Cybersecurity threats are constantly expanding and evolving, thereby increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols.

We are subject to numerous laws and regulations designed to protect this information, such as the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, various U.S. federal and state

laws governing the protection of health or other personally identifiable information and data privacy and cybersecurity laws in other regions. These laws and regulations are increasing in complexity and number, change frequently and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and cost for us. The GDPR imposes new compliance obligations regarding the handling of personal data and has significantly increased financial penalties for noncompliance. For example, failure to comply with the GDPR may lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, orders to discontinue certain data processing operations, private lawsuits, or reputational damage. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or Accenture data, or otherwise mismanages or misappropriates that data, we could be subject to

Table of Contents

significant litigation, monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. These monetary damages might not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages and could be significant. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

The markets in which we operate are highly competitive, and we might not be able to compete effectively.

The markets in which we offer our services and solutions are highly competitive. Our competitors include:

- large multinational providers, including the services arms of large global technology providers (hardware, equipment and software), that offer some or all of the services and solutions that we do;
- off-shore service providers in lower-cost locations, particularly in India, that offer services globally that are similar to the services and solutions we offer;
- accounting firms that provide consulting and other services and solutions in areas that compete with us;
- solution or service providers that compete with us in a specific geographic market, industry segment or service area, including digital and advertising agencies and emerging start-ups and other companies that can scale rapidly to focus on or disrupt certain markets and provide new or alternative products, services or delivery models; and
- in-house departments of large corporations that use their own resources, rather than engage an outside firm for the types of services and solutions we provide.

Some competitors may have greater financial, marketing or other resources than we do and, therefore, may be better able to compete for new work and skilled professionals, may be able to innovate and provide new services and solutions faster than we can or may be able to anticipate the need for services and solutions before we do.

Even if we have potential offerings that address marketplace or client needs, competitors may be more successful at selling similar services they offer, including to companies that are our clients. Some competitors are more established in certain markets, and that may make executing our geographic expansion strategy in these markets more challenging. Additionally, competitors may also offer more aggressive contractual terms, which may affect our ability to win work. Our future performance is largely dependent on our ability to compete successfully in the markets we currently serve, while expanding into additional markets. If we are unable to compete successfully, we could lose market share and clients to competitors, which could materially adversely affect our results of operations.

In addition, we may face greater competition due to consolidation of companies in the technology sector through strategic mergers or acquisitions. Consolidation activity may result in new competitors with greater scale, a broader footprint or offerings that are more attractive than ours. Over time, our access to certain technology products and services may be reduced as a result of this consolidation. Additionally, vertically integrated companies are able to offer as a single provider more integrated services (software and hardware) to clients than we can in some cases and therefore may represent a more attractive alternative to clients. If buyers of services favor using a single provider for an integrated technology stack, such buyers may direct more business to such competitors, and this could materially adversely affect our competitive position and our results of operations.

Changes in our level of taxes, as well as audits, investigations and tax proceedings, or changes in tax laws or in their interpretation or enforcement, could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

We are subject to taxes in numerous jurisdictions. We calculate and provide for taxes in each tax jurisdiction in which we operate. Tax accounting often involves complex matters and requires our judgment to determine our worldwide provision for income taxes and other tax liabilities. We are subject to ongoing audits, investigations and tax proceedings in various jurisdictions. Tax authorities have disagreed, and may in the future disagree, with our judgments, and are taking increasingly aggressive positions opposing the judgments we make, including with respect to our intercompany transactions. We regularly assess the likely outcomes of our audits, investigations and tax proceedings to determine the appropriateness of our tax liabilities. However, our judgments might not be sustained as a result of these audits, investigations and tax proceedings, and the amounts ultimately paid could be materially different from the amounts previously recorded.



In addition, our effective tax rate in the future could be adversely affected by challenges to our intercompany transactions, changes in the valuation of deferred tax assets and liabilities and changes in tax laws or in their interpretation or enforcement, changes in the mix of earnings in countries with differing statutory tax rates, the expiration of current tax benefits and changes in accounting principles, including the U.S. generally accepted accounting principles. Tax rates in the jurisdictions in which we operate may change materially as a result of shifting economic conditions

Table of Contents

and tax policies. In addition, changes in tax laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position. A number of countries where we do business, including the United States and many countries in the European Union, have implemented, and are considering implementing, changes in relevant tax, accounting and other laws, regulations and interpretations. For example, in December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Tax Act”), which significantly changed U.S. tax law. The Tax Act’s “base erosion and anti-abuse tax” provisions, or regulations issued thereunder, could adversely impact our ongoing effective tax rate by imposing taxes on our intercompany transactions and limiting our ability to deduct certain expenses.

The overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty about taxation in many jurisdictions. For example, the European Commission has been conducting investigations, focusing on whether local country tax rulings or tax legislation provide preferential tax treatment that violates European Union state aid rules. Furthermore, the Organization for Economic Co-operation and Development (“OECD”), which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting project, which is focused on a number of issues, including the shifting of profits among affiliated entities located in different tax jurisdictions. The changes recommended by the OECD have been or are being adopted by many of the countries in which we do business. In addition, the European Commission has expanded upon the OECD guidelines with anti-tax avoidance directives to be applied by its member states. Among other things, the directives require companies to provide increased country-by-country disclosure of their financial information to tax authorities, which in turn could lead to disagreements by jurisdictions over the proper allocation of profits between them. The increasingly complex global tax environment could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

Although we expect to be able to rely on the tax treaty between the United States and Ireland, legislative or diplomatic action could be taken, or the treaty may be amended in such a way, that would prevent us from being able to rely on such treaty. Our inability to rely on the treaty would subject us to increased taxation or significant additional expense. In addition, congressional proposals could change the definition of a U.S. person for U.S. federal income tax purposes, which could also subject us to increased taxation. In addition, we could be materially adversely affected by future changes in tax law or policy (or in their interpretation or enforcement) in Ireland or other jurisdictions where we operate, including their treaties with Ireland or the United States. These changes could be exacerbated by economic, budget or other challenges facing Ireland or these other jurisdictions.

Our profitability could materially suffer if we are unable to obtain favorable pricing for our services and solutions, if we are unable to remain competitive, if our cost-management strategies are unsuccessful or if we experience delivery inefficiencies.

Our profitability is highly dependent on a variety of factors and could be materially impacted by any of the following: Our results of operations could materially suffer if we are not able to obtain sufficient pricing to meet our profitability expectations. If we are not able to obtain favorable pricing for our services and solutions, our revenues and profitability could materially suffer. The rates we are able to charge for our services and solutions are affected by a number of factors, including:

- general economic and political conditions;
- our clients’ desire to reduce their costs;
- the competitive environment in our industry;

our ability to accurately estimate our service delivery costs, upon which our pricing is sometimes determined, includes our ability to estimate the impact of inflation and foreign exchange on our service delivery costs over long-term contracts; and

the procurement practices of clients and their use of third-party advisors.

Our profitability could suffer if we are not able to remain competitive. The competitive environment in our industry affects our ability to secure new contracts at our target economics in a number of ways, any of which could have a material negative impact on our results of operations. The less we are able to differentiate our services and solutions

and/or clearly convey the value of our services and solutions, the more risk we have in winning new work in sufficient volumes and at our target pricing and overall economics. In addition, the introduction of new services or products by competitors could reduce our ability to obtain favorable pricing and impact our overall economics for the services or solutions we offer. Competitors may be willing, at times, to price contracts lower than us in an effort to enter the market or increase market share.

Table of Contents

Our profitability could suffer if our cost-management strategies are unsuccessful, and we may not be able to improve our profitability. Our ability to improve or maintain our profitability is dependent on our being able to successfully manage our costs, including taking actions to reduce certain costs. Our cost management strategies include maintaining appropriate alignment between the demand for our services and solutions and the workforce needed to deliver them. If we are not effective in managing our operating costs in response to changes in demand or pricing, or if we are unable to cost-effectively hire and retain personnel with the knowledge and skills necessary to deliver our services and solutions, particularly in areas of new technologies and offerings and in the right geographic locations, we may incur increased costs, which could reduce our ability to continue to invest in our business in an amount necessary to achieve our planned rates of growth and our desired levels of profitability.

If we do not accurately anticipate the cost, risk and complexity of performing our work or if third parties upon whom we rely do not meet their commitments, then our contracts could have delivery inefficiencies and be less profitable than expected or unprofitable. Our contract profitability is highly dependent on our forecasts regarding the effort and cost necessary to deliver our services and solutions, which are based on available data and could turn out to be materially inaccurate. If we do not accurately estimate the effort, costs or timing for meeting our contractual commitments and/or completing engagements to a client's satisfaction, our contracts could yield lower profit margins than planned or be unprofitable. Similarly, if we experience unanticipated delivery difficulties due to our management, the failure of third parties to meet their commitments or for any other reason, our contracts could yield lower profit margins than planned or be unprofitable. In particular, large and complex arrangements often require that we utilize subcontractors or that our services and solutions incorporate or coordinate with the software, systems or infrastructure requirements of other vendors and service providers, including companies with which we have alliances. Our profitability depends on the ability of these subcontractors, vendors and service providers to deliver their products and services in a timely manner and in accordance with the project requirements, as well as on our effective oversight of their performance. In some cases, these subcontractors are small firms, and they might not have the resources or experience to successfully integrate their services or products with large-scale engagements or enterprises. Some of this work involves new technologies, which may not work as intended or may take more effort to implement than initially predicted. In addition, certain client work requires the use of unique and complex structures and alliances, some of which require us to assume responsibility for the performance of third parties whom we do not control. Any of these factors could adversely affect our ability to perform and subject us to additional liabilities, which could have a material adverse effect on our relationships with clients and on our results of operations.

Our results of operations could be materially adversely affected by fluctuations in foreign currency exchange rates. Although we report our results of operations in U.S. dollars, a majority of our net revenues is denominated in currencies other than the U.S. dollar. Unfavorable fluctuations in foreign currency exchange rates have had an adverse effect, and could in the future have a material adverse effect, on our results of operations.

Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, expenses and income, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, changes in the value of the U.S. dollar against other currencies will affect our net revenues, operating income and the value of balance-sheet items, including intercompany payables and receivables, originally denominated in other currencies. These changes cause our growth in consolidated earnings stated in U.S. dollars to be higher or lower than our growth in local currency when compared against other periods. Our currency hedging programs, which are designed to partially offset the impact on consolidated earnings related to the changes in value of certain balance sheet items, might not be successful. Additionally, some transactions and balances may be denominated in currencies for which there is no available market to hedge.

As we continue to leverage our global delivery model, more of our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies, such as the Indian rupee or Philippine peso, against the currencies in which our revenue is recorded could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in local currency. Our contractual provisions or cost management efforts might not be able to offset their impact, and our currency hedging activities, which are designed to partially offset this impact, might not be successful. This could result in a decrease in the

profitability of our contracts that are utilizing delivery center resources. Conversely, a decrease in the value of certain currencies, such as the Indian rupee or Philippine peso, against the currencies in which our revenue is recorded could place us at a competitive disadvantage compared to service providers that benefit to a greater degree from such a decrease and can, as a result, deliver services at a lower cost. In addition, our currency hedging activities are themselves subject to risk. These include risks related to counterparty performance under hedging contracts, risks related to ineffective hedges and risks related to currency fluctuations. We also face risks that extreme economic conditions, political instability, or hostilities or disasters of the type described below could impact or perhaps eliminate the underlying

Table of Contents

exposures that we are hedging. Such an event could lead to losses being recognized on the currency hedges then in place that are not offset by anticipated changes in the underlying hedge exposure.

As a result of our geographically diverse operations and our growth strategy to continue geographic expansion, we are more susceptible to certain risks.

We have offices and operations in more than 200 cities in 52 countries around the world. One aspect of our growth strategy is to continue to expand in key markets around the world. Our growth strategy might not be successful. If we are unable to manage the risks of our global operations and geographic expansion strategy, including the concentration of our global delivery capability in India and the Philippines, international hostilities, terrorist activities, natural disasters and security breaches, failure to maintain compliance with our clients' control requirements and multiple legal and regulatory systems, our results of operations and ability to grow could be materially adversely affected. In addition, emerging markets generally involve greater financial and operational risks, such as those described below, than our more mature markets. Negative or uncertain political climates in countries or geographies where we operate could also adversely affect us.

Our global delivery capability is concentrated in India and the Philippines, which may expose us to operational risks. Our business model is dependent on our global delivery capability, which includes Accenture personnel based at more than 50 delivery centers around the world. While these delivery centers are located throughout the world, we have based large portions of our delivery capability in India, where we have the largest number of people located in our delivery centers, and the Philippines, where we have the second largest number of people located. Concentrating our global delivery capability in these locations presents a number of operational risks, including those listed in the following paragraph, many of which are beyond our control. Our business continuity and disaster recovery plans may not be effective, particularly if catastrophic events occur. If any of these circumstances occurs, we have a greater risk that interruptions in communications with our clients and other Accenture locations and personnel, and any down-time in important processes we operate for clients, could result in a material adverse effect on our results of operations and our reputation in the marketplace.

International hostilities, terrorist activities, natural disasters, pandemics and infrastructure disruptions could prevent us from effectively serving our clients and thus adversely affect our results of operations. Acts of terrorist violence; political unrest; regional and international hostilities and international responses to these hostilities; natural disasters, volcanic eruptions, sea level rise, floods, droughts and the increasing frequency and severity of adverse weather conditions; health emergencies or pandemics or the threat of or perceived potential for these events; and other acts of god could have a negative impact on us. These events could adversely affect our clients' levels of business activity and precipitate sudden and significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our alliance partners, suppliers or clients. By disrupting communications and travel and increasing the difficulty of obtaining and retaining highly skilled and qualified personnel, these events could make it difficult or impossible for us to deliver our services and solutions to our clients. Extended disruptions of electricity, other public utilities or network services at our facilities, as well as physical infrastructure damage to, system failures at, cyberattacks on, or security breaches in, our facilities or systems, could also adversely affect our ability to conduct our business and serve our clients. We might be unable to protect our people, facilities and systems against all such occurrences. We generally do not have insurance for losses and interruptions caused by terrorist attacks, conflicts and wars. If these disruptions prevent us from effectively serving our clients, our results of operations could be adversely affected.

We could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies. In some countries, we could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies, which would limit our ability to use this cash across our global operations and expose us to more extreme currency fluctuations. This risk could increase as we continue our geographic expansion in key markets around the world, which include emerging markets that are more likely to impose these restrictions than more established markets. Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business. We are subject to numerous, and sometimes conflicting, legal

regimes on matters as diverse as anticorruption, import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-competition, anti-money-laundering, data privacy and protection, government compliance, wage-and-hour standards, and employment and labor relations. The global nature of our operations, including emerging markets where legal systems may be less developed or understood by us, and the diverse nature of our operations across a number of regulated industries, further increase the difficulty of compliance. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, enforcement actions or criminal sanctions against us and/or our employees,

Table of Contents

prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our clients also could result in liability for significant monetary damages, fines, enforcement actions and/or criminal prosecution or sanctions, unfavorable publicity and other reputational damage and restrictions on our ability to effectively carry out our contractual obligations and thereby expose us to potential claims from our clients. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights.

In particular, in many parts of the world, including countries in which we operate and/or seek to expand, practices in the local business community might not conform to international business standards and could violate anticorruption laws, or regulations, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010. Our employees, subcontractors, vendors, agents, alliance or joint venture partners, the companies we acquire and their employees, subcontractors, vendors and agents, and other third parties with which we associate, could take actions that violate policies or procedures designed to promote legal and regulatory compliance or applicable anticorruption laws or regulations. Violations of these laws or regulations by us, our employees or any of these third parties could subject us to criminal or civil enforcement actions (whether or not we participated or knew about the actions leading to the violations), including fines or penalties, disgorgement of profits and suspension or disqualification from work, including U.S. federal contracting, any of which could materially adversely affect our business, including our results of operations and our reputation.

Changes in laws and regulations could also mandate significant and costly changes to the way we implement our services and solutions or could impose additional taxes on our services and solutions. For example, changes in laws and regulations to limit using off-shore resources in connection with our work or to penalize companies that use off-shore resources, which have been proposed from time to time in various jurisdictions, could adversely affect our results of operations. Such changes may result in contracts being terminated or work being transferred on-shore, resulting in greater costs to us. In addition, these changes could have a negative impact on our ability to obtain future work from government clients.

Our business could be materially adversely affected if we incur legal liability.

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. Our business is subject to the risk of litigation involving current and former employees, clients, alliance partners, subcontractors, suppliers, competitors, shareholders, government agencies or others through private actions, class actions, whistleblower claims, administrative proceedings, regulatory actions or other litigation. Regardless of the merits of the claims, the cost to defend current and future litigation may be significant, and such matters can be time-consuming and divert management's attention and resources. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages, fines, penalties or injunctive relief against us. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

For example, we could be subject to significant legal liability and litigation expense if we fail to meet our contractual obligations, contribute to internal control deficiencies of a client or otherwise breach obligations to third parties, including clients, alliance partners, employees and former employees, and other parties with whom we conduct business, or if our subcontractors breach or dispute the terms of our agreements with them and impede our ability to meet our obligations to our clients. We may enter into agreements with non-standard terms because we perceive an important economic opportunity or because our personnel did not adequately follow our contracting guidelines. In addition, the contracting practices of competitors, along with the demands of increasingly sophisticated clients, may cause contract terms and conditions that are unfavorable to us to become new standards in the marketplace. We may find ourselves committed to providing services or solutions that we are unable to deliver or whose delivery will reduce our profitability or cause us financial loss. If we cannot or do not meet our contractual obligations and if our potential liability is not adequately limited through the terms of our agreements, liability limitations are not enforced or a third party alleges fraud or other wrongdoing to prevent us from relying upon those contractual protections, we might face



significant legal liability and litigation expense and our results of operations could be materially adversely affected. In addition, as we expand our services and solutions into new areas, such as taking over the operation of certain portions of our clients' businesses, which increasingly include the operation of functions and systems that are critical to the core businesses of our clients, we may be exposed to additional operational, regulatory or other risks specific to these new areas, including risks related to data security. A failure of a client's system based on our services or solutions could also subject us to a claim for significant damages that could materially adversely affect our results of operations. While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe

Table of Contents

a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if they prevail, the amount of our recovery.

Our work with government clients exposes us to additional risks inherent in the government contracting environment. Our clients include national, provincial, state and local governmental entities. Our government work carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following: Government entities, particularly in the United States, often reserve the right to audit our contract costs and conduct inquiries and investigations of our business practices and compliance with government contract requirements. U.S. government agencies, including the Defense Contract Audit Agency, routinely audit our contract costs, including allocated indirect costs, for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts. Negative findings from existing and future audits, investigations or inquiries could affect our future sales and profitability by preventing us, by operation of law or in practice, from receiving new government contracts for some period of time. In addition, if the U.S. government concludes that certain costs are not reimbursable, have not been properly determined or are based on outdated estimates of our work, then we will not be allowed to bill for such costs, may have to refund money that has already been paid to us or could be required to retroactively and prospectively adjust previously agreed to billing or pricing rates for our work. Negative findings from existing and future audits of our business systems, including our accounting system, may result in the U.S. government preventing us from billing, at least temporarily, a percentage of our costs. As a result of prior negative findings in connection with audits, investigations and inquiries, we have from time to time experienced some of the adverse consequences described above and may in the future experience further adverse consequences, which could materially adversely affect our future results of operations.

If a government client discovers improper or illegal activities in the course of audits or investigations, we may become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act, and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities.

U.S. government contracting regulations impose strict compliance and disclosure obligations. Disclosure is required if certain company personnel have knowledge of “credible evidence” of a violation of federal criminal laws involving fraud, conflict of interest, bribery or improper gratuity, a violation of the civil U.S. False Claims Act or receipt of a significant overpayment from the government. Failure to make required disclosures could be a basis for suspension and/or debarment from federal government contracting in addition to breach of the specific contract and could also impact contracting beyond the U.S. federal level. Reported matters also could lead to audits or investigations and other civil, criminal or administrative sanctions.

- Government contracts are subject to heightened reputational and contractual risks compared to contracts with commercial clients. For example, government contracts and the proceedings surrounding them are often subject to more extensive scrutiny and publicity. Negative publicity, including an allegation of improper or illegal activity, regardless of its accuracy, may adversely affect our reputation.

Terms and conditions of government contracts also tend to be more onerous and are often more difficult to negotiate. For example, these contracts often contain high or unlimited liability for breaches and feature less favorable payment terms and sometimes require us to take on liability for the performance of third parties.

Government entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions or other debt constraints could result in our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. Furthermore, if insufficient funding is appropriated to the government entity to cover termination costs, we may not be able to fully

recover our investments.

Political and economic factors such as pending elections, the outcome of recent elections, changes in leadership among key executive or legislative decision makers, revisions to governmental tax or other policies and reduced tax revenues can affect the number and terms of new government contracts signed or the speed at which new contracts are signed, decrease future levels of spending and authorizations for programs that

17

---

Table of Contents

we bid, shift spending priorities to programs in areas for which we do not provide services and/or lead to changes in enforcement or how compliance with relevant rules or laws is assessed.

Our ability to work for the U.S. government is impacted by the fact that we are an Irish company. We elected to enter into a proxy agreement with the U.S. Department of Defense that enhances the ability of our U.S. federal government contracting subsidiary to perform certain work for the U.S. government. The proxy agreement regulates the management and operation of, and limits the control we can exercise over, this subsidiary. In addition, legislative and executive proposals remain under consideration or could be proposed in the future, which, if enacted, could place additional limitations on or even prohibit our eligibility to be awarded state or federal government contracts in the United States or could include requirements that would otherwise affect our results of operations. Various U.S. federal and state legislative proposals have been introduced and/or enacted in recent years that deny government contracts to certain U.S. companies that reincorporate or have reincorporated outside the United States. While Accenture was not a U.S. company that reincorporated outside the United States, it is possible that these contract bans and other legislative proposals could be applied in a way that negatively affects Accenture.

The occurrences or conditions described above could affect not only our business with the particular government entities involved, but also our business with other entities of the same or other governmental bodies or with certain commercial clients, and could have a material adverse effect on our business or our results of operations.

If we are unable to manage the organizational challenges associated with our size, we might be unable to achieve our business objectives.

As of August 31, 2018, we had approximately 459,000 employees worldwide. Our size and scale present significant management and organizational challenges. It might become increasingly difficult to maintain effective standards across a large enterprise and effectively institutionalize our knowledge. It might also become more difficult to maintain our culture, effectively manage and monitor our personnel and operations and effectively communicate our core values, policies and procedures, strategies and goals, particularly given our world-wide operations. The size and scope of our operations increase the possibility that we will have employees who engage in unlawful or fraudulent activity, or otherwise expose us to unacceptable business risks, despite our efforts to train them and maintain internal controls to prevent such instances. For example, employee misconduct could involve the improper use of our clients' sensitive or confidential information or the failure to comply with legislation or regulations regarding the protection of sensitive or confidential information. Furthermore, the inappropriate use of social networking sites by our employees could result in breaches of confidentiality, unauthorized disclosure of non-public company information or damage to our reputation. If we do not continue to develop and implement the right processes and tools to manage our enterprise and instill our culture and core values into all of our employees, our ability to compete successfully and achieve our business objectives could be impaired. In addition, from time to time, we have made, and may continue to make, changes to our operating model, including how we are organized, as the needs and size of our business change, and if we do not successfully implement the changes, our business and results of operation may be negatively impacted.

If we do not successfully manage and develop our relationships with key alliance partners or if we fail to anticipate and establish new alliances in new technologies, our results of operations could be adversely affected.

We have alliances with companies whose capabilities complement our own. A very significant portion of our revenue and services and solutions are based on technology or software provided by a few major alliance partners. See "Business—Alliances."

The business that we conduct through these alliances could decrease or fail to grow for a variety of reasons. The priorities and objectives of our alliance partners may differ from ours, and our alliance partners are not prohibited from competing with us or forming closer or preferred arrangements with our competitors. In addition, some of our alliance partners are also large clients or suppliers of technology to Accenture. The decisions we make vis-à-vis an alliance partner may impact our ongoing alliance relationship. In addition, our alliance partners could experience reduced demand for their technology or software, including, for example, in response to changes in technology, which could lessen related demand for our services and solutions.

We must anticipate and respond to continuous changes in technology and develop alliance relationships with new providers of relevant technology. We must secure meaningful alliances with these providers early in their life cycle so that we can develop the right number of certified people with skills in new technologies. If we are unable to maintain our relationships with current partners and identify new and emerging providers of relevant technology to expand our network of alliance partners, we may not be able to differentiate our services or compete effectively in the market.

Table of Contents

If we do not obtain the expected benefits from our alliance relationships for any reason, we may be less competitive, our ability to offer attractive solutions to our clients may be negatively affected, and our results of operations could be adversely affected.

Our ability to attract and retain business and employees may depend on our reputation in the marketplace.

We believe the Accenture brand name and our reputation are important corporate assets that help distinguish our services and solutions from those of competitors and also contribute to our efforts to recruit and retain talented employees. However, our corporate reputation is potentially susceptible to material damage by events such as disputes with clients, cybersecurity breaches or service outages, internal control deficiencies, delivery failures, compliance violations, government investigations or legal proceedings. Similarly, our reputation could be damaged by actions or statements of current or former clients, directors, employees, competitors, vendors, alliance partners, joint venture partners, adversaries in legal proceedings, legislators or government regulators, as well as members of the investment community or the media, including social media influencers. There is a risk that negative or inaccurate information about Accenture, even if based on rumor or misunderstanding, could adversely affect our business. Damage to our reputation could be difficult, expensive and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the Accenture brand name and could reduce investor confidence in us, materially adversely affecting our share price.

We might not be successful at acquiring, investing in or integrating businesses, entering into joint ventures or divesting businesses.

We expect to continue pursuing strategic and targeted acquisitions, investments and joint ventures to enhance or add to our skills and capabilities or offerings of services and solutions, or to enable us to expand in certain geographic and other markets. Depending on the opportunities available, we may increase the amount of capital invested in such opportunities. We may not succeed in completing targeted transactions, including as a result of the market becoming increasingly competitive, or achieve desired results of operations.

Furthermore, we face risks in successfully integrating any businesses we might acquire or create through a joint venture. Ongoing business may be disrupted, and our management's attention may be diverted by acquisition, investment, transition or integration activities. In addition, we might need to dedicate additional management and other resources, and our organizational structure could make it difficult for us to efficiently integrate acquired businesses into our ongoing operations and assimilate and retain employees of those businesses into our culture and operations. The potential loss of key executives, employees, customers, suppliers, vendors and other business partners of businesses we acquire may adversely impact the value of the assets, operations or businesses. Furthermore, acquisitions or joint ventures may result in significant costs and expenses, including those related to retention payments, equity compensation, severance pay, early retirement costs, intangible asset amortization and asset impairment charges, assumed litigation and other liabilities, and legal, accounting and financial advisory fees, which could negatively affect our profitability. We may have difficulties as a result of entering into new markets where we have limited or no direct prior experience or where competitors may have stronger market positions.

We might fail to realize the expected benefits or strategic objectives of any acquisition, investment or joint venture we undertake. We might not achieve our expected return on investment or may lose money. We may be adversely impacted by liabilities that we assume from a company we acquire or in which we invest, including from that company's known and unknown obligations, intellectual property or other assets, terminated employees, current or former clients or other third parties. In addition, we may fail to identify or adequately assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring, investing in or partnering with a company, including potential exposure to regulatory sanctions or liabilities resulting from an acquisition target's previous activities, internal controls and security environment. If any of these circumstances occurs, they could result in unexpected legal or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes or other adverse effects on our business. In addition, we have a lesser degree of control over the business operations of the joint ventures and businesses in which we have made minority investments or in which we have acquired less than 100%. This lesser degree of control may expose us to additional reputational, financial, legal, compliance or

operational risks. Litigation, indemnification claims and other unforeseen claims and liabilities may arise from the acquisition or operation of acquired businesses. For example, we may face litigation or other claims as a result of certain terms and conditions of the acquisition agreement, such as earnout payments or closing net asset adjustments. Alternatively, shareholder litigation may arise as a result of proposed acquisitions. If we are unable to complete the number and kind of investments for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability or competitive position in specific markets or services.

Table of Contents

We periodically evaluate, and have engaged in, the disposition of assets and businesses. Divestitures could involve difficulties in the separation of operations, services, products and personnel, the diversion of management's attention, the disruption of our business and the potential loss of key employees. After reaching an agreement with a buyer for the disposition of a business, the transaction may be subject to the satisfaction of pre-closing conditions, including obtaining necessary regulatory and government approvals, which, if not satisfied or obtained, may prevent us from completing the transaction. Divestitures may also involve continued financial involvement in or liability with respect to the divested assets and businesses, such as indemnities or other financial obligations, in which the performance of the divested assets or businesses could impact our results of operations. Any divestiture we undertake could adversely affect our results of operations.

If we are unable to protect or enforce our intellectual property rights, or if our services or solutions infringe upon the intellectual property rights of others or we lose our ability to utilize the intellectual property of others, our business could be adversely affected.

Our success depends, in part, upon our ability to obtain intellectual property protection for our proprietary methodologies, processes, software and other solutions. Existing laws of the various countries in which we provide services or solutions may offer only limited intellectual property protection of our services or solutions, and the protection in some countries may be very limited. We rely upon a combination of confidentiality policies, nondisclosure and other contractual arrangements, and patent, trade secret, copyright and trademark laws to protect our intellectual property rights. These laws are subject to change at any time and could further limit our ability to obtain or maintain intellectual property protection. There is uncertainty concerning the scope of patent and other intellectual property protection for software and business methods, which are fields in which we rely on intellectual property laws to protect our rights. Even where we obtain intellectual property protection, our intellectual property rights may not prevent or deter competitors, former employees, or other third parties from reverse engineering our solutions or proprietary methodologies and processes or independently developing services or solutions similar to or duplicative of ours. Further, the steps we take in this regard might not be adequate to prevent or deter infringement or other misappropriation of our intellectual property by competitors, former employees or other third parties, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights. Enforcing our rights might also require considerable time, money and oversight, and we may not be successful in enforcing our rights.

In addition, we cannot be sure that our services and solutions, including, for example, our software solutions, or the solutions of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and these third parties could claim that we or our clients are infringing upon their intellectual property rights. Additionally, individuals and firms have purchased intellectual property assets in order to assert claims of infringement against technology providers and customers that use such technology. These claims could harm our reputation, cause us to incur substantial costs or prevent us from offering some services or solutions in the future. Any related proceedings could require us to expend significant resources over an extended period of time. In most of our contracts, we agree to indemnify our clients for expenses and liabilities resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities could be greater than the revenues we receive from the client. Any claims or litigation in this area could be time-consuming and costly, damage our reputation and/or require us to incur additional costs to obtain the right to continue to offer a service or solution to our clients. If we cannot secure this right at all or on reasonable terms, or we are unable to implement in a cost-effective manner alternative technology, our results of operations could be materially adversely affected. The risk of infringement claims against us may increase as we expand our industry software solutions and continue to develop and license our software to multiple clients. Any infringement action brought against us or our clients could be costly to defend or lead to an expensive settlement or judgment against us.

Further, we rely on third-party software in providing some of our services and solutions. If we lose our ability to continue using any such software for any reason, including because it is found to infringe the rights of others, we will need to obtain substitute software or seek alternative means of obtaining the technology necessary to continue to provide such services and solutions. Our inability to replace such software, or to replace such software in a timely or



cost-effective manner, could materially adversely affect our results of operations.

Changes to accounting standards or in the estimates and assumptions we make in connection with the preparation of our consolidated financial statements could adversely affect our financial results.

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. It is possible that changes in accounting standards could have a material adverse effect on our results of operations and financial position. The application of generally accepted accounting principles requires us to make estimates and assumptions about certain items and future events that affect our reported financial condition, and our accompanying disclosure with respect to, among other things, revenue recognition and income taxes. We base our estimates on

## Table of Contents

historical experience, contractual commitments and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. These estimates and assumptions involve the use of judgment and are subject to significant uncertainties, some of which are beyond our control. If our estimates, or the assumptions underlying such estimates, are not correct, actual results may differ materially from our estimates, and we may need to, among other things, adjust revenues or accrue additional charges that could adversely affect our results of operations.

Many of our contracts include payments that link some of our fees to the attainment of performance or business targets and/or require us to meet specific service levels. This could increase the variability of our revenues and impact our margins.

Many of our contracts include clauses that tie our compensation to the achievement of agreed-upon performance standards or milestones. If we fail to satisfy these measures, it could significantly reduce or eliminate our fees under the contracts, increase the cost to us of meeting performance standards or milestones, delay expected payments or subject us to potential damage claims under the contract terms. Clients also often have the right to terminate a contract and pursue damage claims under the contract for serious or repeated failure to meet these service commitments. We also have a number of contracts in which a portion of our compensation depends on performance measures such as cost-savings, revenue enhancement, benefits produced, business goals attained and adherence to schedule. These goals can be complex and may depend on our clients' actual levels of business activity or may be based on assumptions that are later determined not to be achievable or accurate. These provisions could increase the variability in revenues and margins earned on those contracts.

Our results of operations and share price could be adversely affected if we are unable to maintain effective internal controls.

The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our shareholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, incur incremental compliance costs, fail to meet our public reporting requirements on a timely basis, be unable to properly report on our business and our results of operations, or be required to restate our financial statements, and our results of operations, our share price and our ability to obtain new business could be materially adversely affected. We might be unable to access additional capital on favorable terms or at all. If we raise equity capital, it may dilute our shareholders' ownership interest in us.

We might choose to raise additional funds through public or private debt or equity financings in order to:

- take advantage of opportunities, including more rapid expansion;
- acquire other businesses or assets;
- repurchase shares from our shareholders;
- develop new services and solutions; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity could dilute shareholders' ownership percentage in us. Furthermore, any additional financing we need might not be available on terms favorable to us, or at all.

We are incorporated in Ireland and a significant portion of our assets is located outside the United States. As a result, it might not be possible for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States. We may also be subject to criticism and negative publicity related to our incorporation in Ireland.

We are organized under the laws of Ireland, and a significant portion of our assets is located outside the United States. A shareholder who obtains a court judgment based on the civil liability provisions of U.S. federal or state securities laws may be unable to enforce the judgment against us in Ireland or in countries other than the United States where we

have assets. In addition, there is some doubt as to whether the courts of Ireland and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities

## Table of Contents

provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws.

Although the United States and Ireland do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, the Irish Courts will recognize a U.S. judgment if the following important requirements are satisfied:

- the originating court is a court of competent jurisdiction;
- the judgment is final and conclusive; and
- the judgment was not obtained by fraud and its recognition is not contrary to Irish public policy.

Any judgment obtained in contravention of the rules of natural justice or that is irreconcilable with an earlier foreign judgment would not be enforced in Ireland. Similarly, judgments might not be enforceable in countries other than the United States where we have assets.

Some companies that conduct substantial business in the United States but which have a parent domiciled in certain other jurisdictions have been criticized as improperly avoiding U.S. taxes or creating an unfair competitive advantage over U.S. companies. Accenture never conducted business under a U.S. parent company and pays U.S. taxes on all of its U.S. operations. Nonetheless, we could be subject to criticism in connection with our incorporation in Ireland.

Irish law differs from the laws in effect in the United States and might afford less protection to shareholders.

Our shareholders could have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As an Irish company, we are governed by the Companies Act. The Companies Act differs in some significant, and possibly material, respects from laws applicable to U.S. corporations and shareholders under various state corporation laws, including the provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors.

Under Irish law, the duties of directors and officers of a company are generally owed to the company only.

Shareholders of Irish companies do not generally have rights to take action against directors or officers of the company under Irish law, and may only do so in limited circumstances. Directors of an Irish company must, in exercising their powers and performing their duties, act with due care and skill, honestly and in good faith with a view to the best interests of the company. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests might conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or officer of an Irish company is found to have breached his duties to that company, he could be held personally liable to the company in respect of that breach of duty.

Under Irish law, we must have authority from our shareholders to issue any shares, including shares that are part of the company's authorized but unissued share capital. In addition, unless otherwise authorized by its shareholders, when an Irish company issues shares for cash to new shareholders, it is required first to offer those shares on the same or more favorable terms to existing shareholders on a pro-rata basis. If we are unable to obtain these authorizations from our shareholders, or are otherwise limited by the terms of our authorizations, our ability to issue shares under our equity compensation plans and, if applicable, to facilitate funding acquisitions or otherwise raise capital could be adversely affected.

### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

### ITEM 2. PROPERTIES

We have major offices in the world's leading business centers, including Boston, Chicago, New York, San Francisco, Dublin, Frankfurt, London, Madrid, Milan, Paris, Rome, Bangalore, Beijing, Manila, Mumbai, Sao Paulo, Shanghai, Singapore, Sydney and Tokyo, among others. In total, we have offices and operations in more than 200 cities in 52 countries around the world. We do not own any material real property. Substantially all of our office space is leased under long-term leases with varying expiration dates. We believe that our facilities are adequate to meet our needs in the near future.



Table of Contents

ITEM 3. LEGAL PROCEEDINGS

The information set forth under “Legal Contingencies” in Note 15 (Commitments and Contingencies) to our Consolidated Financial Statements under Part II, Item 8, “Financial Statements and Supplementary Data,” is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers and persons chosen to become executive officers as of the date hereof are as follows:

Omar Abbosh, 52, became our group chief executive—Communications, Media & Technology operating group in September 2018. From March 2015 to September 2018, he served as our chief strategy officer. Prior to assuming that role, Mr. Abbosh served in several management positions, including senior managing director—Growth & Strategy for the Resources operating group and managing director of the Resources business in the United Kingdom and Ireland. Mr. Abbosh has been with Accenture for 29 years.

Gianfranco Casati, 59, became our group chief executive—Growth Markets in January 2014. From September 2006 to January 2014, he served as our group chief executive—Products operating group. From April 2002 to September 2006, Mr. Casati was managing director of the Products operating group’s Europe operating unit. He also served as Accenture’s country managing director for Italy and as chairman of our geographic council in its IGEN (Italy, Greece, emerging markets) region, supervising Accenture offices in Italy, Greece and several Eastern European countries. Mr. Casati has been with Accenture for 34 years.

Richard P. Clark, 57, became our chief accounting officer in September 2013 and has served as our corporate controller since September 2010. Prior to that, Mr. Clark served as our senior managing director of investor relations from September 2006 to September 2010. Previously he served as our finance director—Communications, Media & Technology operating group from July 2001 to September 2006 and as our finance director—Resources operating group from 1998 to July 2001. Mr. Clark has been with Accenture for 35 years.

Johan (Jo) G. Deblaere, 56, became our chief operating officer in September 2009 and has also served as our chief executive—Europe since January 2014. From September 2006 to September 2009, Mr. Deblaere served as our chief operating officer—Outsourcing. Prior to that, from September 2005 to September 2006, he led our global network of business process outsourcing delivery centers. From September 2000 to September 2005, he had overall responsibility for work with public-sector clients in Western Europe. Mr. Deblaere has been with Accenture for 33 years.

Chad T. Jerdee, 51, became our general counsel and chief compliance officer in June 2015. From August 2010 to June 2015, Mr. Jerdee served as deputy general counsel—Sales & Delivery. Previously, he served as legal lead for the outsourcing sales legal team as well as for Accenture’s growth platforms. Mr. Jerdee has been with Accenture for 21 years.

Daniel T. London, 54, became our group chief executive—Health & Public Service operating group in June 2014. From 2009 to June 2014, Mr. London was senior managing director for Health & Public Service in North America. Previously, he served as managing director of Accenture’s Finance & Performance Management global service line. Mr. London has been with Accenture for 32 years.

Richard A. Lumb, 57, became our group chief executive—Financial Services operating group in December 2010. From June 2006 to December 2010, Mr. Lumb led our Financial Services operating group in Europe, Africa, the Middle East and Latin America. He also served as our managing director of business and market development—Financial Services operating group from September 2005 to June 2006. Mr. Lumb has been with Accenture for 33 years.

Pierre Nanterme, 59, became chairman of the Board of Directors in February 2013 and has served as our chief executive officer since January 2011. Mr. Nanterme was our group chief executive—Financial Services operating group from September 2007 to December 2010. Prior to assuming this role, Mr. Nanterme held various leadership roles throughout the Company, including serving as our chief leadership officer from May 2006 through September 2007 and our country managing director for France from November 2005 to September 2007. Mr. Nanterme has been a director since October 2010 and has been with Accenture for 35 years. Prior to its merger with and into Accenture plc in March 2018, Mr. Nanterme also served on the board of Accenture Holdings plc.

Jean-Marc Ollagnier, 56, became our group chief executive—Resources operating group in March 2011. From September 2006 to March 2011, Mr. Ollagnier led our Resources operating group in Europe, Latin America, the Middle

23

---

Table of Contents

East and Africa. Previously, he served as our global managing director—Financial Services Solutions group and as our geographic unit managing director—Gallia. Mr. Ollagnier has been with Accenture for 32 years.

David P. Rowland, 57, became our chief financial officer in July 2013. From October 2006 to July 2013, he was our senior vice president—Finance. Previously, Mr. Rowland was our managing director—Finance Operations from July 2001 to October 2006. Prior to assuming that role, he served as our finance director—Communications, Media & Technology operating group and as our finance director—Products operating group. Mr. Rowland has been with Accenture for 35 years.

Ellyn J. Shook, 55, became our chief leadership officer in December 2015 and has also served as our chief human resources officer since March 2014. From 2012 to March 2014, Ms. Shook was our senior managing director—Human Resources and head of Accenture’s Human Resources Centers of Expertise. From 2004 to 2011, she served as the global human resources lead for career management, performance management, total rewards, employee engagement and mergers and acquisitions. Ms. Shook has been with Accenture for 30 years.

Julie Spellman Sweet, 51, became our chief executive officer—North America in June 2015. From March 2010 to June 2015, she served as our general counsel, secretary and chief compliance officer. Prior to joining Accenture, Ms. Sweet was, for 10 years, a partner in the Corporate department of the law firm of Cravath, Swaine & Moore LLP, which she joined as an associate in 1992. Ms. Sweet has been with Accenture for 8 years.

Alexander M. van ’t Noordende, 55, became our group chief executive—Products operating group in January 2014. From March 2011 to January 2014, he served as our group chief executive—Management Consulting. Mr. van ’t Noordende was our group chief executive—Resources operating group from September 2006 to March 2011. Prior to assuming that role, he led our Resources operating group in Southern Europe, Africa, the Middle East and Latin America, and served as managing partner of the Resources operating group in France, Belgium and the Netherlands. From 2001 until September 2006, he served as our country managing director for the Netherlands. Mr. van ’t Noordende has been with Accenture for 31 years.



Table of Contents

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Price Range of Accenture plc Class A Ordinary Shares

Accenture plc Class A ordinary shares are traded on the New York Stock Exchange under the symbol "ACN." The New York Stock Exchange is the principal United States market for these shares.

The following table sets forth, on a per share basis for the periods indicated, the high and low sale prices for Accenture plc Class A ordinary shares as reported by the New York Stock Exchange.

	Price Range	
	High	Low
Fiscal 2017		
First Quarter	\$124.96	\$108.83
Second Quarter	\$125.72	\$112.31
Third Quarter	\$126.53	\$114.82
Fourth Quarter	\$130.92	\$119.10
Fiscal 2018		
First Quarter	\$148.60	\$129.10
Second Quarter	\$165.58	\$145.75
Third Quarter	\$164.30	\$146.05
Fourth Quarter	\$169.92	\$155.30
Fiscal 2019		
First Quarter (through October 10, 2018)	\$175.64	\$161.58

The closing sale price of an Accenture plc Class A ordinary share as reported by the New York Stock Exchange consolidated tape as of October 10, 2018 was \$161.74. As of October 10, 2018, there were 326 holders of record of Accenture plc Class A ordinary shares.

There is no trading market for Accenture plc Class X ordinary shares. As of October 10, 2018, there were 16 holders of record of Accenture plc Class X ordinary shares.

To ensure that members of Accenture Leadership continue to maintain equity ownership levels that we consider meaningful, we require current members of Accenture Leadership to comply with the Accenture Equity Ownership Requirement Policy. This policy requires members of Accenture Leadership to own Accenture equity valued at a multiple (ranging from 1/2 to 6) of their base compensation determined by their position level.

## Dividend Policy

On November 15, 2016, May 15, 2017, November 15, 2017 and May 15, 2018, Accenture plc paid a semi-annual cash dividend of \$1.21, \$1.21, \$1.33 and \$1.33 per share, respectively, on our Class A ordinary shares. On November 15, 2016, May 15, 2017, and November 15, 2017, Accenture Holdings plc paid a semi-annual cash dividend of \$1.21, \$1.21 and \$1.33 per share, respectively, on its ordinary shares. Accenture Holdings plc merged with and into Accenture plc on March 13, 2018, and thereafter Accenture Holdings plc ceased to exist.

Future dividends on Accenture plc Class A ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of Accenture plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of Accenture plc may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act.

In certain circumstances, as an Irish tax resident company, we may be required to deduct Irish dividend withholding tax ("DWT") (currently at the rate of 20%) from dividends paid to our shareholders. Shareholders resident in "relevant territories" (including countries that are European Union member states (other than Ireland), the United States and other countries with which Ireland has a tax treaty) may be exempted from Irish DWT. However, shareholders

residing in other countries will generally be subject to Irish DWT.

Recent Sales of Unregistered Securities

None.

25

---

Table of Contents

## Purchases of Accenture plc Class A Ordinary Shares

The following table provides information relating to our purchases of Accenture plc Class A ordinary shares during the fourth quarter of fiscal 2018. For year-to-date information on all of our share purchases, redemptions and exchanges and further discussion of our share purchase activity, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Share Purchases and Redemptions.”

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3) (in millions of U.S. dollars)
June 1, 2018 — June 30, 2018				
Class A ordinary shares	1,005,320	\$ 160.73	991,649	\$ 1,290
July 1, 2018 — July 31, 2018				
Class A ordinary shares	1,147,274	\$ 165.41	925,154	\$ 1,135
August 1, 2018 — August 31, 2018				
Class A ordinary shares	1,216,504	\$ 163.26	1,130,614	\$ 950
Total				
Class A ordinary shares (4)	3,369,098	\$ 163.24	3,047,417	

(1) Average price paid per share reflects the total cash outlay for the period, divided by the number of shares acquired, including those acquired by purchase or redemption for cash and any acquired by means of employee forfeiture.

(2) Since August 2001, the Board of Directors of Accenture plc has authorized and periodically confirmed a publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares. During the fourth quarter of fiscal 2018, we purchased 3,047,417 Accenture plc Class A ordinary shares under this program for an aggregate price of \$497 million. The open-market purchase program does not have an expiration date.

(3) As of August 31, 2018, our aggregate available authorization for share purchases and redemptions was \$950 million, which management has the discretion to use for either our publicly announced open-market share purchase program or our other share purchase programs. Since August 2001 and as of August 31, 2018, the Board of Directors of Accenture plc has authorized an aggregate of \$30,100 million for purchases and redemptions of Accenture plc Class A ordinary shares, Accenture Holdings plc ordinary shares (prior to March 13, 2018) or Accenture Canada Holdings Inc. exchangeable shares.

(4) During the fourth quarter of fiscal 2018, Accenture purchased 321,681 Accenture plc Class A ordinary shares in transactions unrelated to publicly announced share plans or programs. These transactions consisted of acquisitions of Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former employees in connection with the delivery of Accenture plc Class A ordinary shares under our various employee equity share plans. These purchases of shares in connection with employee share plans do not affect our aggregate available authorization for our publicly announced open-market share purchase and our other share purchase programs.

Table of Contents

## ITEM 6. SELECTED FINANCIAL DATA

The data for fiscal 2018, 2017 and 2016 and as of August 31, 2018 and 2017 are derived from the audited Consolidated Financial Statements and related Notes that are included elsewhere in this report. The data for fiscal 2015 and 2014 and as of August 31, 2016, 2015 and 2014 are derived from the audited Consolidated Financial Statements and related Notes that are not included in this report. The selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and related Notes included elsewhere in this report.

	Fiscal				
	2018 (1)	2017 (2)	2016 (3)	2015 (4)	2014
	(in millions of U.S. dollars)				
<b>Income Statement Data</b>					
Revenues before reimbursements (“Net revenues”)	\$39,573	\$34,850	\$32,883	\$31,048	\$30,002
Revenues	41,603	36,765	34,798	32,914	31,875
Operating income	5,841	4,633	4,810	4,436	4,301
Net income	4,215	3,635	4,350	3,274	3,176
Net income attributable to Accenture plc	4,060	3,445	4,112	3,054	2,941

Includes the impact of a \$258 million charge associated with tax law changes recorded during fiscal 2018. See (1) “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for Fiscal 2018 Compared to Fiscal 2017—Provision for Income Taxes.”

Includes the impact of a \$510 million, pre-tax, Pension settlement charge recorded during fiscal 2017. See (2) “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for Fiscal 2018 Compared to Fiscal 2017—Pension Settlement Charge.”

Includes the impact of a \$849 million, pre-tax, Gain on sale of businesses recorded during fiscal 2016. See (3) “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for Fiscal 2017 Compared to Fiscal 2016—Gain (loss) on Sale of Businesses.”

(4) Includes the impact of a \$64 million, pre-tax, Pension settlement charge recorded during fiscal 2015.

	Fiscal				
	2018	2017	2016	2015	2014
<b>Earnings Per Class A Ordinary Share</b>					
Basic	\$6.46	\$5.56	\$6.58	\$4.87	\$4.64
Diluted	6.34	5.44	6.45	4.76	4.52
Dividends per ordinary share	2.66	2.42	2.20	2.04	1.86
<b>Balance Sheet Data</b>					
	August				
	31,	31,	31,	31,	31,
	2018	2017	2016	2015	2014
	(in millions of U.S. dollars)				
Cash and cash equivalents	\$5,061	\$4,127	\$4,906	\$4,361	\$4,921
Total assets	24,449	22,690	20,609	18,203	17,930
Long-term debt, net of current portion	20	22	24	26	26
Accenture plc shareholders’ equity	10,365	8,949	7,555	6,134	5,732

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis also contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in "Disclosure Regarding Forward-Looking Statements" and "Risk Factors" in this Annual Report on Form 10-K. We use the terms "Accenture," "we," the "Company," "our" and "us" in this report to refer to Accenture plc and its subsidiaries. All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31. For example, a reference to "fiscal 2018" means the 12-month period that ended on August 31, 2018. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year.

We use the term "in local currency" so that certain financial results may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of business performance. Financial results "in local currency" are calculated by restating current period activity into U.S. dollars using the comparable prior-year period's foreign currency exchange rates. This approach is used for all results where the functional currency is not the U.S. dollar.

Overview

Revenues are driven by the ability of our executives to secure new contracts and to deliver services and solutions that add value relevant to our clients' current needs and challenges. The level of revenues we achieve is based on our ability to deliver market-leading services and solutions and to deploy skilled teams of professionals quickly and on a global basis.

Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. There continues to be significant volatility and economic and geopolitical uncertainty in many markets around the world, which may impact our business. We continue to monitor the impact of this volatility and uncertainty and seek to manage our costs in order to respond to changing conditions. There also continues to be volatility in foreign currency exchange rates. The majority of our net revenues are denominated in currencies other than the U.S. dollar, including the Euro and the U.K. pound. Unfavorable fluctuations in foreign currency exchange rates have had and could have in the future a material effect on our financial results.

Revenues before reimbursements ("net revenues") for fiscal 2018 increased 13.5% in U.S. dollars and 10.5% in local currency compared to fiscal 2017. Demand for our services and solutions continued to be very strong, resulting in growth across all areas of our business. During fiscal 2018, revenue growth in local currency was very strong in Communication, Media & Technology, Resources and Products and strong in Financial Services and Health & Public Service. We experienced very strong growth in Growth Markets and strong growth in North America and Europe. Revenue growth in local currency was very strong in consulting and strong in outsourcing during fiscal 2018. While the business environment remained competitive, pricing was relatively stable. We use the term "pricing" to mean the contract profitability or margin on the work that we sell.

In our consulting business, net revenues for fiscal 2018 increased 15% in U.S. dollars and 12% in local currency compared to fiscal 2017. Consulting revenue growth in local currency in fiscal 2018 was led by very strong growth in Communications, Media & Technology, Resources, Financial Services and Products as well as strong growth in Health & Public Service. Our consulting revenue growth continues to be driven by strong demand for digital-, cloud- and security-related services and assisting clients with the adoption of new technologies. In addition, clients continue to be focused on initiatives designed to deliver cost savings and operational efficiency, as well as projects to integrate their global operations and grow and transform their businesses.

In our outsourcing business, net revenues for fiscal 2018 increased 12% in U.S. dollars and 9% in local currency compared to fiscal 2017. Outsourcing revenue growth in local currency in fiscal 2018 was led by very strong growth in Communications, Media & Technology, Resources and Products, as well as strong growth in Health & Public Service and modest growth in Financial Services. We continue to experience growing demand to assist clients with the operation and maintenance of digital-related services and cloud enablement. In addition, clients continue to be focused on transforming their operations to improve effectiveness and cost efficiency.

As we are a global company, our revenues are denominated in multiple currencies and may be significantly affected by currency exchange rate fluctuations. If the U.S. dollar weakens against other currencies, resulting in favorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be higher. If the U.S. dollar strengthens against other currencies, resulting in unfavorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be lower. The U.S. dollar weakened against various currencies during fiscal 2018, resulting in favorable currency translation and U.S. dollar revenue growth that was

Table of Contents

approximately 3% higher than our revenue growth in local currency for the year. Assuming that exchange rates stay within recent ranges, we estimate that our full fiscal 2019 revenue growth in U.S. dollars will be approximately 2.5% lower than our revenue growth in local currency.

The primary categories of operating expenses include Cost of services, Sales and marketing and General and administrative costs. Cost of services is primarily driven by the cost of client-service personnel, which consists mainly of compensation, subcontractor and other personnel costs, and non-payroll costs on outsourcing contracts. Cost of services includes a variety of activities such as: contract delivery; recruiting and training; software development; and integration of acquisitions. Sales and marketing costs are driven primarily by: compensation costs for business development activities; marketing- and advertising-related activities; and certain acquisition-related costs. General and administrative costs primarily include costs for non-client-facing personnel, information systems, office space and certain acquisition-related costs.

Utilization for fiscal 2018 was 91%, flat with fiscal 2017. We continue to hire to meet current and projected future demand. We proactively plan and manage the size and composition of our workforce and take actions as needed to address changes in the anticipated demand for our services and solutions, given that compensation costs are the most significant portion of our operating expenses. Based on current and projected future demand, we have increased our headcount, the majority of which serve our clients, to approximately 459,000 as of August 31, 2018, compared to approximately 425,000 as of August 31, 2017. The year-over-year increase in our headcount reflects an overall increase in demand for our services and solutions, as well as headcount added in connection with acquisitions.

Attrition, excluding involuntary terminations, for fiscal 2018 was 15%, up from 14% in fiscal 2017. We evaluate voluntary attrition, adjust levels of new hiring and use involuntary terminations as means to keep our supply of skills and resources in balance with changes in client demand. In addition, we adjust compensation in certain skill sets and geographies in order to attract and retain appropriate numbers of qualified employees. For the majority of our personnel, compensation increases become effective December 1st of each fiscal year. We strive to adjust pricing and/or the mix of resources to reduce the impact of compensation increases on our gross margin. Our ability to grow our revenues and maintain or increase our margin could be adversely affected if we are unable to: keep our supply of skills and resources in balance with changes in the types or amounts of services and solutions clients are demanding; recover increases in compensation; deploy our employees globally on a timely basis; manage attrition; and/or effectively assimilate and utilize new employees.

Gross margin (Net revenues less Cost of services before reimbursable expenses as a percentage of net revenues) for fiscal 2018 was 31.4%, compared with 31.7% for fiscal 2017. The decrease in gross margin for fiscal 2018 was principally due to higher labor costs compared to fiscal 2017, partially offset by other cost efficiencies in fiscal 2018. Sales and marketing and General and administrative costs as a percentage of net revenues were 16.7% for fiscal 2018, compared with 16.9% for fiscal 2017. We continuously monitor these costs and implement cost-management actions, as appropriate. For fiscal 2018 compared to fiscal 2017, Sales and marketing costs as a percentage of net revenues decreased 20 basis points and General and administrative costs as a percentage of net revenues were flat.

During fiscal 2017, we recorded a \$510 million pension settlement charge and related \$198 million reduction in taxes for the U.S. pension plan termination. For additional information, see Note 10 (Retirement and Profit Sharing Plans) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Operating margin (Operating income as a percentage of net revenues) for fiscal 2018 was 14.8%, compared with 13.3% for fiscal 2017. The pension settlement charge decreased operating margin by 150 basis points for fiscal 2017. Excluding the effect of the pension settlement charge, operating margin for fiscal 2017 would have been flat with fiscal 2018 at 14.8%.

The effective tax rate for fiscal 2018 was 27.4%, compared with 21.3% for fiscal 2017. During fiscal 2018, we recorded a provisional tax charge associated with the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Act") of \$178 million. Absent this charge and \$81 million of expense from a non-U.S. tax law change, our effective tax rate for fiscal 2018 would have been 23.0%. Absent the pension settlement charge and related taxes described above, our effective tax rate for fiscal 2017 would have also been 23.0%. For additional information, see Note 9 (Income Taxes) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Diluted earnings per share were \$6.34 for fiscal 2018, compared with \$5.44 for fiscal 2017. The impact of tax law changes decreased diluted earnings per share by \$0.40 in fiscal 2018. The impact of the pension settlement charge, net of taxes, decreased diluted earnings per share by \$0.47 in fiscal 2017. Excluding these impacts, diluted earnings per share would have been \$6.74 and \$5.91 for fiscal 2018 and 2017, respectively.

We have presented effective tax rate and diluted earnings per share excluding the impacts of the tax law changes in fiscal 2018 and the pension settlement charge in fiscal 2017 as well as operating income and operating margin



## Table of Contents

excluding the impact of the pension settlement charge in fiscal 2017, as we believe doing so facilitates understanding as to both the impacts of these items and our financial performance when comparing these periods.

Our operating income and diluted earnings per share are affected by currency exchange rate fluctuations on revenues and costs. Most of our costs are incurred in the same currency as the related net revenues. Where practical, we seek to manage foreign currency exposure for costs not incurred in the same currency as the related net revenues, such as the costs associated with our global delivery model, by using currency protection provisions in our customer contracts and through our hedging programs. We seek to manage our costs, taking into consideration the residual positive and negative effects of changes in foreign exchange rates on those costs. For more information on our hedging programs, see Note 7 (Derivative Financial Instruments) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

As described further in Note 1 (Summary of Significant Accounting Policies), on March 13, 2018 our subsidiary Accenture Holdings plc merged with and into Accenture plc, with Accenture plc as the surviving entity. As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. The merger was internal and administrative in nature.

Beginning in fiscal 2019, we are adopting new accounting standards that will affect the accounting for revenue and pension costs: Accounting Standards Update (“ASU”) No. 2014-09: “Revenue from Contracts with Customers” (Topic 606); and ASU No. 2017-07: “Compensation—Retirement Benefits” (Topic 715). In connection with the adoption, we will present total revenues and will no longer report revenues before reimbursements. Also, certain components of pension costs will be reclassified from operating expenses to non-operating expenses. In our subsequent periodic reports, prior-period results will be revised to reflect the fiscal 2019 presentation. Additionally, on September 1, 2018, we will adopt ASU No. 2016-16: “Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory”, which will require us to record deferred tax assets of up to \$2.1 billion and incremental income tax expense going forward, as these deferred tax assets are utilized. For additional information, see Note 1 (Summary of Significant Accounting Policies) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

### Bookings and Backlog

New bookings for fiscal 2018 were \$42.81 billion, with consulting bookings of \$23.63 billion and outsourcing bookings of \$19.18 billion.

We provide information regarding our new bookings, which include new contracts, including those acquired through acquisitions, as well as renewals, extensions and changes to existing contracts, because we believe doing so provides useful trend information regarding changes in the volume of our new business over time. New bookings can vary significantly quarter to quarter depending in part on the timing of the signing of a small number of large outsourcing contracts. The types of services and solutions clients are demanding and the pace and level of their spending may impact the conversion of new bookings to revenues. For example, outsourcing bookings, which are typically for multi-year contracts, generally convert to revenue over a longer period of time compared to consulting bookings. Information regarding our new bookings is not comparable to, nor should it be substituted for, an analysis of our revenues over time. New bookings involve estimates and judgments. There are no third-party standards or requirements governing the calculation of bookings. We do not update our new bookings for material subsequent terminations or reductions related to bookings originally recorded in prior fiscal years. New bookings are recorded using then-existing foreign currency exchange rates and are not subsequently adjusted for foreign currency exchange rate fluctuations.

The majority of our contracts are terminable by the client on short notice, and some without notice. Accordingly, we do not believe it is appropriate to characterize bookings attributable to these contracts as backlog. Normally, if a client terminates a project, the client remains obligated to pay for commitments we have made to third parties in connection with the project, services performed and reimbursable expenses incurred by us through the date of termination.

### Critical Accounting Policies and Estimates

The preparation of our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported

amounts of revenues and expenses. We continually evaluate our estimates, judgments and assumptions based on available information and experience. Because the use of estimates is inherent in the financial reporting process, actual results could differ from those estimates. Certain of our accounting policies require higher degrees of judgment than others in their application. These include certain aspects of accounting for revenue recognition and income taxes.

Table of Contents

## Revenue Recognition

Our contracts have different terms based on the scope, deliverables and complexity of the engagement, the terms of which frequently require us to make judgments and estimates in recognizing revenues. We have many types of contracts, including time-and-materials contracts, fixed-price contracts and contracts with features of both of these contract types. In addition, some contracts include incentives related to costs incurred, benefits produced or adherence to schedules that may increase the variability in revenues and margins earned on such contracts. We conduct rigorous reviews prior to signing such contracts to evaluate whether these incentives are reasonably achievable.

We recognize revenues from technology integration consulting contracts using the percentage-of-completion method of accounting, which involves calculating the percentage of services provided during the reporting period compared with the total estimated services to be provided over the duration of the contract. Our contracts for technology integration consulting services generally span six months to two years. Estimated revenues used in applying the percentage-of-completion method include estimated incentives for which achievement of defined goals is deemed probable. This method is followed where reasonably dependable estimates of revenues and costs can be made.

Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and estimated costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenues and income and are reflected in the Consolidated Financial Statements in the periods in which they are first identified. If our estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated total direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in Cost of services and classified in Other accrued liabilities.

Revenues from contracts for non-technology integration consulting services with fees based on time and materials or cost-plus are recognized as the services are performed and amounts are earned. We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectibility is reasonably assured. In such contracts, our efforts, measured by time incurred, typically are provided in less than a year and represent the contractual milestones or output measure, which is the contractual earnings pattern. For non-technology integration consulting contracts with fixed fees, we recognize revenues as amounts become billable in accordance with contract terms, provided the billable amounts are not contingent, are consistent with the services delivered and are earned. Contingent or incentive revenues relating to non-technology integration consulting contracts are recognized when the contingency is satisfied and we conclude the amounts are earned.

Outsourcing contracts typically span several years and involve complex delivery, often through multiple workforces in different countries. In a number of these arrangements, we hire client employees and become responsible for certain client obligations. Revenues are recognized on outsourcing contracts as amounts become billable in accordance with contract terms, unless the amounts are billed in advance of performance of services, in which case revenues are recognized when the services are performed and amounts are earned. Revenues from time-and-materials or cost-plus contracts are recognized as the services are performed. In such contracts, our effort, measured by time incurred, represents the contractual milestones or output measure, which is the contractual earnings pattern. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Revenues from fixed-price contracts are recognized on a straight-line basis, unless revenues are earned and obligations are fulfilled in a different pattern. Outsourcing contracts can also include incentive payments for benefits delivered to clients. Revenues relating to such incentive payments are recorded when the contingency is satisfied and we conclude the amounts are earned. We continuously review and reassess our estimates of contract profitability. Circumstances that potentially affect profitability over the life of the contract include decreases in volumes of transactions or other inputs/outputs on which we are paid, failure to deliver agreed benefits, variances from planned internal/external costs to deliver our services and other factors affecting revenues and costs.

Costs related to delivering outsourcing services are expensed as incurred, with the exception of certain transition costs related to the set-up of processes, personnel and systems, which are deferred during the transition period and expensed

evenly over the period outsourcing services are provided. The deferred costs are specific internal costs or incremental external costs directly related to transition or set-up activities necessary to enable the outsourced services. Generally, deferred amounts are protected in the event of early termination of the contract and are monitored regularly for impairment. Impairment losses are recorded when projected remaining undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of contract assets. Amounts billable to the client for transition or set-up activities are deferred and recognized as revenue evenly over the period outsourcing services are provided. Contract acquisition and origination costs are expensed as incurred.

Table of Contents

We enter into contracts that may consist of multiple deliverables. These contracts may include any combination of technology integration consulting services, non-technology integration consulting services or outsourcing services described above. Revenues for contracts with multiple deliverables are allocated based on the lesser of the element's relative selling price or the amount that is not contingent on future delivery of another deliverable. The selling price of each deliverable is determined by obtaining third party evidence of the selling price for the deliverable and is based on the price we charge when largely similar services are sold on a standalone basis to similarly situated customers. If the amount of non-contingent revenues allocated to a deliverable accounted for under the percentage-of-completion method of accounting is less than the costs to deliver such services, then such costs are deferred and recognized in future periods when the revenues become non-contingent. Revenues are recognized in accordance with our accounting policies for the separate deliverables when the services have value on a stand-alone basis, selling price of the separate deliverables exists and, in arrangements that include a general right of refund relative to the completed deliverable, performance of the in-process deliverable is considered probable and substantially in our control. While determining fair value and identifying separate deliverables require judgment, generally fair value and the separate deliverables are readily identifiable as we also sell those deliverables unaccompanied by other deliverables.

Revenues recognized in excess of billings are recorded as Unbilled services. Billings in excess of revenues recognized are recorded as Deferred revenues until revenue recognition criteria are met. Client prepayments (even if nonrefundable) are deferred and recognized over future periods as services are delivered or performed.

Our consulting revenues are affected by the number of work days in a fiscal quarter, which in turn is affected by the level of vacation days and holidays. Consequently, since our first and third quarters typically have approximately 5-10% more work days than our second and fourth quarters, our consulting revenues are typically higher in our first and third quarters than in our second and fourth quarters.

Net revenues include the margin earned on computer hardware, software and related services resale contracts, as well as revenues from alliance agreements, neither of which is material to us. Reimbursements include billings for travel and other out-of-pocket expenses and third-party costs, such as the cost of hardware, software and related services resales. In addition, Reimbursements include allocations from gross billings to record an amount equivalent to reimbursable costs, where billings do not specifically identify reimbursable expenses. We report revenues net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Income Taxes

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed U.S. tax law. The Tax Act lowered the U.S. statutory federal income tax rate from 35% to 21%, effective January 1, 2018, resulting in a blended U.S. statutory federal income tax rate of 25.7% for our fiscal year ended August 31, 2018. The Tax Act could modestly impact our ongoing effective tax rate by imposing taxes on our intercompany transactions and limiting our ability to deduct certain expenses.

Due to the recent enactment and the complexity involved in applying the provisions of the Tax Act, we had previously recorded provisional amounts in our financial statements. In the three months ended February 28, 2018, we recognized a provisional tax expense of \$136,724 primarily to remeasure our net deferred tax assets at the new, lower rates. In the three months ended May 31, 2018, we recorded an adjustment of \$40,927 to our provisional tax expense resulting from our continued analysis of the Tax Act. While we now consider our analysis of these items under the Tax Act to be complete, we have not yet made an accounting policy election to consider the taxes on our intercompany transactions in determining the amount of our valuation allowance. The election may materially impact our provision for income taxes and effective tax rate in the period in which the election is made.

Determining the consolidated provision for income tax expense, income tax liabilities and deferred tax assets and liabilities involves judgment. Deferred tax assets and liabilities, measured using enacted tax rates, are recognized for the future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. As a global company, we calculate and provide for income taxes in each of the tax jurisdictions in which we operate. This involves estimating current tax exposures in each jurisdiction as well as making judgments regarding the recoverability of deferred tax assets. Tax exposures can involve complex issues and may require an extended

period to resolve. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjust the valuation allowances accordingly. Factors considered in making this determination include the period of expiration of the tax asset, planned use of the tax asset, tax planning strategies and historical and projected taxable income as well as tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances will be subject to change in each future reporting period as a result of changes in one or more of these factors. Changes in the geographic mix or estimated level of annual income before taxes can affect the overall effective tax rate.

Table of Contents

We apply an estimated annual effective tax rate to our quarterly operating results to determine the interim provision for income tax expense. A change in judgment that impacts the measurement of a tax position taken in a prior year is recognized as a discrete item in the interim period in which the change occurs. In the event there is a significant unusual or infrequent item recognized in our quarterly operating results, the tax attributable to that item is recorded in the interim period in which it occurs.

No taxes have been provided on undistributed foreign earnings that are planned to be indefinitely reinvested. If future events, including material changes in estimates of cash, working capital and long-term investment requirements, necessitate that these earnings be distributed, an additional provision for taxes may apply, which could materially affect our future effective tax rate. We currently do not foresee any event that would require us to distribute any remaining undistributed earnings. For additional information, see Note 9 (Income Taxes) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

As a matter of course, we are regularly audited by various taxing authorities, and sometimes these audits result in proposed assessments where the ultimate resolution may result in us owing additional taxes. We establish tax liabilities or reduce tax assets when, despite our belief that our tax return positions are appropriate and supportable under local tax law, we believe we may not succeed in realizing the tax benefit of certain positions if challenged. In evaluating a tax position, we determine whether it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Our estimate of the ultimate tax liability contains assumptions based on past experiences, judgments about potential actions by taxing jurisdictions as well as judgments about the likely outcome of issues that have been raised by taxing jurisdictions. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. We evaluate tax positions each quarter and adjust the related tax liabilities or assets in light of changing facts and circumstances, such as the progress of a tax audit or the expiration of a statute of limitations. We believe the estimates and assumptions used to support our evaluation of tax positions are reasonable. However, final determinations of prior-year tax liabilities, either by settlement with tax authorities or expiration of statutes of limitations, could be materially different from estimates reflected in assets and liabilities and historical income tax provisions. The outcome of these final determinations could have a material effect on our income tax provision, net income, or cash flows in the period in which that determination is made. We believe our tax positions comply with applicable tax law and that we have adequately accounted for these positions.

#### Revenues by Segment/Operating Group

Our five reportable operating segments are our operating groups, which are Communications, Media & Technology; Financial Services; Health & Public Service; Products; and Resources. In addition to reporting net revenues by operating group, we also report net revenues by two types of work: consulting and outsourcing, which represent the services sold by our operating groups. Consulting net revenues, which include strategy, management and technology consulting and systems integration, reflect a finite, distinct project or set of projects with a defined outcome and typically a defined set of specific deliverables. Outsourcing net revenues typically reflect ongoing, repeatable services or capabilities provided to transition, run and/or manage operations of client systems or business functions.

From time to time, our operating groups work together to sell and implement certain contracts. The resulting revenues and costs from these contracts may be apportioned among the participating operating groups. Generally, operating expenses for each operating group have similar characteristics and are subject to the same factors, pressures and challenges. However, the economic environment and its effects on the industries served by our operating groups affect revenues and operating expenses within our operating groups to differing degrees. The mix between consulting and outsourcing is not uniform among our operating groups. Local currency fluctuations also tend to affect our operating groups differently, depending on the geographic concentrations and locations of their businesses.

While we provide discussion about our results of operations below, we cannot measure how much of our revenue growth in a particular period is attributable to changes in price or volume. Management does not track standard measures of unit or rate volume. Instead, our measures of volume and price are extremely complex, as each of our services contracts is unique, reflecting a customized mix of specific services that does not fit into standard comparability measurements. Revenue for our services is a function of the nature of each service to be provided, the

skills required and the outcome sought, as well as estimated cost, risk, contract terms and other factors.

33

---



Table of Contents

## Results of Operations for Fiscal 2018 Compared to Fiscal 2017

Net revenues (by operating group, geographic region and type of work) and reimbursements were as follows:

	Fiscal		Percent Increase U.S. Dollars	Percent Increase Local Currency	Percent of Total Net Revenues for Fiscal	
	2018	2017			2018	2017
<b>OPERATING GROUPS</b>						
Communications, Media & Technology	\$8,031	\$6,885	17 %	14 %	20 %	20 %
Financial Services	8,238	7,394	11	7	21	21
Health & Public Service	6,688	6,178	8	7	17	18
Products	10,854	9,500	14	11	28	27
Resources	5,657	4,847	17	13	14	14
Other	105	46	n/m	n/m	—	—
<b>TOTAL NET REVENUES</b>	<b>39,573</b>	<b>34,850</b>	<b>13.5 %</b>	<b>10.5 %</b>	<b>100%</b>	<b>100%</b>
Reimbursements	2,030	1,915	6			
<b>TOTAL REVENUES</b>	<b>\$41,603</b>	<b>\$36,765</b>	<b>13 %</b>			
<b>GEOGRAPHIC REGIONS (1)</b>						
North America	\$17,849	\$16,291	10 %	9 %	45 %	47 %
Europe	14,112	12,002	18	9	36	34
Growth Markets	7,613	6,557	16	16	19	19
<b>TOTAL NET REVENUES</b>	<b>\$39,573</b>	<b>\$34,850</b>	<b>13.5 %</b>	<b>10.5 %</b>	<b>100%</b>	<b>100%</b>
<b>TYPE OF WORK</b>						
Consulting	\$21,574	\$18,754	15 %	12 %	55 %	54 %
Outsourcing	17,999	16,096	12	9	45	46
<b>TOTAL NET REVENUES</b>	<b>\$39,573</b>	<b>\$34,850</b>	<b>13.5 %</b>	<b>10.5 %</b>	<b>100%</b>	<b>100%</b>

n/m = not meaningful

Amounts in table may not total due to rounding.

Effective September 1, 2017, we revised the reporting of our geographic regions as follows: North America (the United States and Canada), Europe and Growth Markets (Asia Pacific, Latin America, Africa and the Middle East). (1) Four countries, including Russia, were previously in Growth Markets, but are now included in Europe. Prior period amounts have been reclassified to conform to the current period presentation.

Our business in the United States represented 43%, 45% and 46% of our consolidated net revenues during fiscal 2018, 2017 and 2016, respectively. No other country individually comprised 10% or more of our consolidated net revenues during these periods.

**Net Revenues**

The following net revenues commentary discusses local currency net revenue changes for fiscal 2018 compared to fiscal 2017:

**Operating Groups**

Communications, Media & Technology net revenues increased 14% in local currency, driven by growth across all geographic regions in Software & Platforms and Communications & Media, led by Software & Platforms in North America.

Financial Services net revenues increased 7% in local currency, driven by growth across all industry groups and geographic regions, led by Banking & Capital Markets in Europe and Growth Markets.

Health & Public Service net revenues increased 7% in local currency, driven by growth in Public Service across all geographic regions and Health in North America.

Products net revenues increased 11% in local currency, driven by growth across all geographic regions, in Consumer Goods, Retail & Travel Services and Industrial.

Table of Contents

Resources net revenues increased 13% in local currency, driven by growth across all industry groups and geographic regions led by Chemicals & Natural Resources and Energy.

Geographic Regions

North America net revenues increased 9% in local currency, driven by the United States.

Europe net revenues increased 9% in local currency, driven by Germany, Italy, France, Ireland and Spain.

Growth Markets net revenues increased 16% in local currency, led by Japan, as well as Australia, Brazil, and Singapore.

Operating Expenses

Operating expenses for fiscal 2018 increased \$3,630 million, or 11%, over fiscal 2017, and decreased as a percentage of revenues to 86.0% from 87.4% during this period. Operating expenses before reimbursable expenses for fiscal 2018 increased \$3,515 million, or 12%, over fiscal 2017, and decreased as a percentage of net revenues to 85.2% from 86.7% during this period.

Cost of Services

Cost of services for fiscal 2018 increased \$3,426 million, or 13%, over fiscal 2017, and increased as a percentage of revenues to 70.1% from 70.0% during this period. Cost of services before reimbursable expenses for fiscal 2018 increased \$3,311 million, or 14%, over fiscal 2017, and increased as a percentage of net revenues to 68.6% from 68.3% during this period. Gross margin for fiscal 2018 decreased to 31.4% from 31.7% in fiscal 2017. The decrease in gross margin for fiscal 2018 was principally due to higher labor costs compared to fiscal 2017, partially offset by other cost efficiencies in fiscal 2018.

Sales and Marketing

Sales and marketing expense for fiscal 2018 increased \$444 million, or 12%, over fiscal 2017, and decreased as a percentage of net revenues to 10.6% from 10.8% during this period.

General and Administrative Costs

General and administrative costs for fiscal 2018 increased \$270 million, or 13%, over fiscal 2017, and remained flat as a percentage of net revenues at 6.1% during this period.

Pension Settlement Charge

We recorded a pension settlement charge of \$510 million during fiscal 2017 as a result of the termination of our U.S. pension plan. For additional information, see Note 10 (Retirement and Profit Sharing Plans) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Table of Contents

## Operating Income and Operating Margin

Operating income for fiscal 2018 increased \$1,208 million, or 26%, over fiscal 2017. The pension settlement charge decreased operating margin in fiscal 2017 by 150 basis points. Excluding the effect of this charge, operating margin for fiscal 2018 was 14.8%, flat with fiscal 2017.

Operating income and operating margin for each of the operating groups were as follows:

	Fiscal				
	2018		2017		Increase
	Operating	Operating	Operating	Operating	(Decrease)
	Income	Margin	Income	Margin	
	(in millions of U.S. dollars)				
Communications, Media & Technology	\$1,368	17 %	\$1,049	15 %	\$ 319
Financial Services	1,353	16	1,207	16	145
Health & Public Service	756	11	773	13	(17 )
Products	1,650	15	1,559	16	91
Resources	715	13	555	11	160
Pension Settlement Charge (1)	—	—	(510 )	—	510
Operating Income (GAAP)	\$5,841	14.8 %	\$4,633	13.3 %	\$ 1,208
Pension Settlement Charge (1)	—		510		(510 )
Adjusted Operating Income (non-GAAP)	\$5,841	14.8 %	\$5,142	14.8 %	\$ 699

Amounts in table may not total due to rounding.

(1) Represents the pension settlement charge related to the termination of our U.S. pension plan.

We estimate that the aggregate percentage impact of foreign currency exchange rates on our operating income during fiscal 2018 was similar to that disclosed for net revenue. The commentary below provides insight into other factors affecting operating group performance and operating margin for fiscal 2018 compared with fiscal 2017:

• Communications, Media & Technology operating income increased primarily due to revenue growth and higher contract profitability.

• Financial Services operating income increased primarily due to consulting revenue growth.

• Health & Public Service operating income decreased primarily due to lower consulting contract profitability.

• Products operating income increased primarily due to revenue growth, partially offset by lower consulting contract profitability.

• Resources operating income increased primarily due to revenue growth.

Other Income (Expense), net

Other income (expense), net primarily consists of foreign currency gains and losses as well as gains and losses associated with our investments in privately held companies. During fiscal 2018, other expense increased \$31 million over fiscal 2017, primarily due to higher net foreign exchange losses.

Provision for Income Taxes

The effective tax rate for fiscal 2018 was 27.4%, compared with 21.3% for fiscal 2017. In fiscal 2018, we recorded a \$258 million charge associated with tax law changes. Absent this charge, our effective tax rate for fiscal 2018 would have been 23.0%. Absent the pension settlement charge of \$510 million and related tax impact of \$198 million, the effective tax rate for fiscal 2017 would have been 23.0%. For additional information, see Note 9 (Income Taxes) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

In addition, as described in Note 1 (Summary of Significant Accounting Policies), beginning in fiscal 2019 we will recognize incremental income tax expense as a result of adoption of ASU 2016-16.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests reflects the income earned or expense incurred attributable to the equity interest that some current and former members of Accenture Leadership and their permitted transferees have in our Accenture Holdings plc and Accenture Canada Holdings Inc. subsidiaries. See “Business—Organizational



Table of Contents

Structure.” Noncontrolling interests also includes amounts primarily attributable to noncontrolling shareholders in our Avanade Inc. subsidiary. Net income attributable to Accenture plc represents the income attributable to the shareholders of Accenture plc.

Net income attributable to noncontrolling interests for fiscal 2018 decreased \$35 million, or 18%, from fiscal 2017, primarily due to the Accenture Holdings plc merger with and into Accenture plc on March 13, 2018, which decreased the non-controlling ownership percentage from 4% held by Accenture Holdings plc and Accenture Canada Holdings Inc. to less than 1% held by only Accenture Canada Holdings Inc. For additional information on the merger, see Note 1 (Summary of Significant Accounting Policies) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”.

Earnings Per Share

Diluted earnings per share were \$6.34 for fiscal 2018, compared with \$5.44 for fiscal 2017. The \$0.90 increase in our diluted earnings per share included the impact of the tax law changes, which decreased diluted earnings per share for fiscal 2018 by \$0.40. The impact of the pension settlement charge, net of taxes, decreased diluted earnings per share for fiscal 2017 by \$0.47. Excluding these impacts, diluted earnings per share would have been \$6.74 and \$5.91 for fiscal 2018 and 2017, respectively, an increase of \$0.83. This increase was due to increases of \$0.82 from higher revenues and operating results and \$0.05 from lower weighted average shares outstanding, partially offset by decreases of \$0.02 from lower non-operating income and \$0.02 from higher net income attributable to non-controlling interest. For information regarding our earnings per share calculations, see Note 2 (Earnings Per Share) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

Table of Contents

## Results of Operations for Fiscal 2017 Compared to Fiscal 2016

Net revenues (by operating group, geographic region and type of work) and reimbursements were as follows:

	Fiscal		Percent Increase U.S. Dollars	Percent Increase Local Currency	Percent of Total Net Revenues for Fiscal	
	2017	2016			2017	2016
	(in millions of U.S. dollars)					
<b>OPERATING GROUPS</b>						
Communications, Media & Technology	\$6,885	\$6,616	4 %	4 %	20 %	20 %
Financial Services	7,394	7,031	5	7	21	21
Health & Public Service	6,178	5,987	3	3	18	18
Products	9,500	8,395	13	14	27	26
Resources	4,847	4,839	—	1	14	15
Other	46	15	n/m	n/m	—	—
<b>TOTAL NET REVENUES</b>	<b>34,850</b>	<b>32,883</b>	<b>6 %</b>	<b>7 %</b>	<b>100%</b>	<b>100%</b>
Reimbursements	1,915	1,915	—			
<b>TOTAL REVENUES</b>	<b>\$36,765</b>	<b>\$34,798</b>	<b>6 %</b>			
<b>GEOGRAPHIC REGIONS (1)</b>						
North America	\$16,291	\$15,653	4 %	4 %	47 %	48 %
Europe	12,002	11,512	4	8	34	35
Growth Markets	6,557	5,717	15	12	19	17
<b>TOTAL NET REVENUES</b>	<b>\$34,850</b>	<b>\$32,883</b>	<b>6 %</b>	<b>7 %</b>	<b>100%</b>	<b>100%</b>
<b>TYPE OF WORK</b>						
Consulting	\$18,754	\$17,868	5 %	6 %	54 %	54 %
Outsourcing	16,096	15,015	7	8	46	46
<b>TOTAL NET REVENUES</b>	<b>\$34,850</b>	<b>\$32,883</b>	<b>6 %</b>	<b>7 %</b>	<b>100%</b>	<b>100%</b>

n/m = not meaningful

Amounts in table may not total due to rounding.

Effective September 1, 2017, we revised the reporting of our geographic regions as follows: North America (the United States and Canada), Europe and Growth Markets (Asia Pacific, Latin America, Africa and the Middle East). (1) Four countries, including Russia, were previously in Growth Markets, but are now included in Europe. Prior period amounts have been reclassified to conform to the current period presentation.

**Net Revenues**

The following net revenues commentary discusses local currency net revenue changes for fiscal 2017 compared to fiscal 2016:

**Operating Groups**

Communications, Media & Technology net revenues increased 4% in local currency, led by Software & Platforms in North America, as well as growth across all industry groups in Growth Markets. This growth was partially offset by a decline in Communications & Media in Europe, as disruptions in the market continue to impact demand.

Financial Services net revenues increased 7% in local currency, led by Banking & Capital Markets in Europe and Growth Markets.

Health & Public Service net revenues increased 3% in local currency, driven by Public Service in Growth Markets and Europe.

Products net revenues increased 14% in local currency, driven by very strong growth across all industry groups and geographic regions, led by Consumer Goods, Retail & Travel Services, as well as Life Sciences in North America and Industrial in Europe.



Table of Contents

Resources net revenues increased 1% in local currency, led by Utilities in Europe, partially offset by declines in Energy across all geographic regions.

Geographic Regions

North America net revenues increased 4% in local currency, driven by the United States.

Europe net revenues increased 8% in local currency, led by the United Kingdom and Germany, as well as France, Spain and Switzerland.

Growth Markets net revenues increased 12% in local currency, led by Japan, as well as Australia, Singapore and China.

Operating Expenses

Operating expenses for fiscal 2017 increased \$2,146 million, or 7%, over fiscal 2016, and increased as a percentage of revenues to 87.4% from 86.2% during this period. Operating expenses before reimbursable expenses for fiscal 2017 increased \$2,145 million, or 8%, over fiscal 2016, and increased as a percentage of net revenues to 86.7% from 85.4% during this period.

Cost of Services

Cost of services for fiscal 2017 increased \$1,215 million, or 5%, over fiscal 2016, and decreased as a percentage of revenues to 70.0% from 70.5% during this period. Cost of services before reimbursable expenses for fiscal 2017 increased \$1,214 million, or 5%, over fiscal 2016, and decreased as a percentage of net revenues to 68.3% from 68.7% during this period. Gross margin for fiscal 2017 increased to 31.7% from 31.3% in fiscal 2016. The increase in gross margin for fiscal 2017 was principally due to lower labor costs as a percentage of net revenues, compared to fiscal 2016.

Sales and Marketing

Sales and marketing expense for fiscal 2017 increased \$174 million, or 5%, over fiscal 2016, and decreased as a percentage of net revenues to 10.8% from 10.9% during this period.

General and Administrative Costs

General and administrative costs for fiscal 2017 increased \$247 million, or 13%, over fiscal 2016, and increased as a percentage of net revenues to 6.1% from 5.7% during this period. The increase as a percentage of net revenues was principally due to higher technology and facilities costs, as well as higher acquisition-related costs.

Pension Settlement Charge

We recorded a pension settlement charge of \$510 million during fiscal 2017 as a result of the termination of our U.S. pension plan. For additional information, see Note 10 (Retirement and Profit Sharing Plans) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Table of Contents

## Operating Income and Operating Margin

Operating income for fiscal 2017 decreased \$178 million, or 4%, from fiscal 2016. The pension settlement charge decreased operating margin by 150 basis points. Excluding the effect of this charge, operating margin for fiscal 2017 increased 20 basis points compared with fiscal 2016.

Operating income and operating margin for each of the operating groups were as follows:

	Fiscal 2017		2016		Increase (Decrease)
	Operating Income	Operating Margin	Operating Income	Operating Margin	
	(in millions of U.S. dollars)				
Communications, Media & Technology	\$1,049	15 %	\$966	15 %	\$ 83
Financial Services	1,207	16	1,128	16	80
Health & Public Service	773	13	807	13	(34 )
Products	1,559	16	1,282	15	276
Resources	555	11	628	13	(73 )
Pension Settlement Charge (1)	(510 )	—	—	—	(510 )
Operating Income (GAAP)	\$4,633	13.3 %	\$4,810	14.6 %	\$ (178 )
Pension Settlement Charge (1)	510		—		510
Adjusted Operating Income (non-GAAP)	\$5,142	14.8 %	\$4,810	14.6 %	\$ 332

Amounts in table may not total due to rounding.

(1) Represents pension settlement charge related to the termination of our U.S. pension plan.

We estimate that the aggregate percentage impact of foreign currency exchange rates on our operating income during fiscal 2017 was similar to that disclosed for net revenue. In addition, during fiscal 2017, each operating group experienced higher costs associated with acquisition activity. The commentary below provides insight into other factors affecting operating group performance and operating margin for fiscal 2017 compared with fiscal 2016:

• **Communications, Media & Technology** operating income increased primarily due to revenue growth.

• **Financial Services** operating income increased primarily due to revenue growth.

• **Health & Public Service** operating income decreased primarily due to lower outsourcing contract profitability and a decline in consulting revenues.

• **Products** operating income increased principally due to very strong revenue growth, as well as higher consulting contract profitability.

• **Resources** operating income decreased due to lower consulting contract profitability and a decline in consulting revenue.

**Other Income (Expense), net**

Other income (expense), net primarily consists of foreign currency gains and losses as well as gains and losses associated with our investments in privately held companies. During fiscal 2017, other expense decreased \$31 million from fiscal 2016, primarily due to lower net foreign exchange losses.

**Gain (Loss) on Sale of Businesses**

We recorded a gain from the Navitaire divestiture of \$548 million and a gain from the Duck Creek partial divestiture of \$301 million during fiscal 2016. For additional information, see Note 5 (Business Combinations and Divestitures) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Table of Contents

Provision for Income Taxes

The effective tax rate for fiscal 2017 was 21.3%, compared with 22.4% for fiscal 2016. Absent the pension settlement charge of \$510 million and related tax impact of \$198 million, the effective tax rate for fiscal 2017 would have been 23.0%. Absent the gain on sale of businesses of \$849 million and related tax impact of \$104 million, the effective tax rate for fiscal 2016 would have been 24.2%. The effective tax rate for fiscal 2017 benefited from the final determination of prior-year U.S. taxes, other adjustments to prior year tax liabilities, and the recognition of excess tax benefits from share based payments as a result of our adoption of ASU No. 2016-09. This was partially offset by a net increase to prior-year non-U.S. tax liabilities, primarily related to a final assessment of prior-year taxes in Switzerland. The fiscal 2016 effective tax rate also benefited from the final determination of prior-year U.S. taxes.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests reflects the income earned or expense incurred attributable to the equity interest that some current and former members of Accenture Leadership and their permitted transferees have in Accenture Canada Holdings Inc., and prior to March 13, 2018, Accenture Holdings plc. See “Business—Organizational Structure and History.” Net income attributable to Accenture plc represents the income attributable to the shareholders of Accenture plc. Noncontrolling interests also includes amounts primarily attributable to noncontrolling shareholders in our Avanade Inc. subsidiary.

Net income attributable to noncontrolling interests for fiscal 2017 decreased \$48 million, or 20%, from fiscal 2016. The decrease was due to lower net income of \$715 million, primarily driven by the pension settlement charge recorded during fiscal 2017 as well as the gain on sale of businesses recorded during fiscal 2016.

Earnings Per Share

Diluted earnings per share were \$5.44 for fiscal 2017, compared with \$6.45 for fiscal 2016. The \$1.01 decrease in our diluted earnings per share included both the impact of the pension settlement charge, net of taxes, which decreased diluted earnings per share for fiscal 2017 by \$0.47 and the impact of the gain on sale of businesses, net of taxes, which increased diluted earnings per share for fiscal 2016 by \$1.11. Excluding these impacts, diluted earnings per share would have been \$5.91 and \$5.34 for fiscal 2017 and 2016, respectively, an increase of \$0.57 due to increases of \$0.38 from higher revenues and operating results, \$0.09 from a lower effective tax rate, \$0.06 from lower weighted average shares outstanding and \$0.04 from lower non-operating expense. For information regarding our earnings per share calculations, see Note 2 (Earnings Per Share) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

Table of Contents

## Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations, available cash reserves and debt capacity available under various credit facilities. In the fourth quarter of fiscal 2017, we entered into agreements that will allow us to establish a commercial paper program for short-term borrowings of up to \$1.0 billion, backed by our syndicated loan facility. In addition, we could raise additional funds through other public or private debt or equity financings. We may use our available or additional funds to, among other things:

- facilitate purchases, redemptions and exchanges of shares and pay dividends;
- acquire complementary businesses or technologies;
- take advantage of opportunities, including more rapid expansion; or
- develop new services and solutions.

As of August 31, 2018, Cash and cash equivalents were \$5.1 billion, compared with \$4.1 billion as of August 31, 2017.

Cash flows from operating, investing and financing activities, as reflected in our Consolidated Cash Flows Statements, are summarized in the following table:

	Fiscal			2018 to
	2018	2017	2016	2017
	Change			
	(in millions of U.S. dollars)			
Net cash provided by (used in):				
Operating activities	\$6,027	\$4,973	\$4,667	\$1,054
Investing activities	(1,250 )	(2,234 )	(610 )	984
Financing activities	(3,709 )	(3,560 )	(3,489 )	(149 )
Effect of exchange rate changes on cash and cash equivalents	(134 )	42	(23 )	(176 )
Net increase (decrease) in cash and cash equivalents	\$934	\$(779 )	\$545	\$1,713

Operating activities: The \$1,054 million year-over-year increase in operating cash flow was due to higher net income and lower tax disbursements, as well as changes in operating assets and liabilities, including lower spending on certain compensation payments.

Investing activities: Cash used in investing activities decreased \$984 million due to lower spending on business acquisitions and investments, partially offset by higher spending on property and equipment. For additional information, see Note 5 (Business Combinations and Divestitures) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Financing activities: The \$149 million increase in cash used was primarily due to an increase in cash dividends paid as well as the purchase of additional interests in consolidated subsidiaries. For additional information, see Note 13 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

We believe that our current and longer-term working capital, investments and other general corporate funding requirements will be satisfied for the next twelve months and thereafter through cash flows from operations and, to the extent necessary, from our borrowing facilities and future financial market activities.

Substantially all of our cash is held in jurisdictions where there are no regulatory restrictions or material tax effects on the free flow of funds. In addition, domestic cash inflows for our Irish parent, principally dividend distributions from lower-tier subsidiaries, have been sufficient to meet our historic cash requirements, and we expect this to continue into the future.

## Borrowing Facilities

See Note 8 (Borrowings and Indebtedness) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

## Share Purchases and Redemptions

We intend to continue to use a significant portion of cash generated from operations for share repurchases during fiscal 2019. The number of shares ultimately repurchased under our open-market share purchase program may vary depending on numerous factors, including, without limitation, share price and other market conditions, our ongoing

Table of Contents

capital allocation planning, the levels of cash and debt balances, other demands for cash, such as acquisition activity, general economic and/or business conditions, and board and management discretion. Additionally, as these factors may change over the course of the year, the amount of share repurchase activity during any particular period cannot be predicted and may fluctuate from time to time. Share repurchases may be made from time to time through open-market purchases, in respect of purchases and redemptions of Accenture Canada Holdings Inc. exchangeable shares, through the use of Rule 10b5-1 plans and/or by other means. The repurchase program may be accelerated, suspended, delayed or discontinued at any time, without notice. For additional information, see Note 13 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

**Subsequent Events**

See Note 13 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

**Obligations and Commitments**

As of August 31, 2018, we had the following obligations and commitments to make future payments under contracts, contractual obligations and commercial commitments:

Contractual Cash Obligations (1)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions of U.S. dollars)				
Long-term debt	\$25	\$ 5	\$ 9	\$ 11	\$ —
Operating leases	3,651	598	1,018	750	1,286
Retirement obligations (2)	100	11	22	20	47
Purchase obligations and other commitments (3)	184	64	97	23	—
<b>Total</b>	<b>\$3,960</b>	<b>\$ 678</b>	<b>\$ 1,146</b>	<b>\$ 804</b>	<b>\$ 1,333</b>

Amounts in table may not total due to rounding.

The liability related to unrecognized tax benefits has been excluded from the contractual obligations table because a reasonable estimate of the timing and amount of cash outflows from future tax settlements cannot be determined.

(1) For additional information, see Note 9 (Income Taxes) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

Amounts represent projected payments under certain unfunded retirement plans for former pre-incorporation (2) partners. Given these plans are unfunded, we pay these benefits directly. These plans were eliminated for active partners after May 15, 2001.

Other commitments include, among other things, information technology, software support and maintenance (3) obligations, as well as other obligations in the ordinary course of business that we cannot cancel or where we would be required to pay a termination fee in the event of cancellation. Amounts shown do not include recourse that we may have to recover termination fees or penalties from clients.

**Off-Balance Sheet Arrangements**

In the normal course of business and in conjunction with some client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients with respect to certain matters. To date, we have not been required to make any significant payment under any of these arrangements. For further discussion of these transactions, see Note 15 (Commitments and Contingencies) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

**New Accounting Pronouncements**

See Note 1 (Summary of Significant Accounting Policies) to our Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."



Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All of our market risk sensitive instruments were entered into for purposes other than trading.

Foreign Currency Risk

We are exposed to foreign currency risk in the ordinary course of business. We hedge material cash flow exposures when feasible using forward contracts. These instruments are subject to fluctuations in foreign currency exchange rates and credit risk. Credit risk is managed through careful selection and ongoing evaluation of the financial institutions utilized as counterparties.

Certain of these hedge positions are undesignated hedges of balance sheet exposures such as intercompany loans and typically have maturities of less than one year. These hedges—primarily U.S. dollar/U.K. pound, U.S. dollar/Japanese yen, U.S. dollar/Euro, U.S. dollar/Indian rupee, U.S. dollar/Swiss franc, U.S. dollar/Australian dollar, U.S. dollar/Philippine peso and U.S. dollar/Swedish krona—are intended to offset remeasurement of the underlying assets and liabilities. Changes in the fair value of these derivatives are recorded in Other expense, net in the Consolidated Income Statement. Additionally, we have hedge positions that are designated cash flow hedges of certain intercompany charges relating to our global delivery model. These hedges—U.S. dollar/Indian rupee, U.S. dollar/Philippine peso, U.K. pound/Indian rupee, Euro/Indian rupee, Australian dollar/Indian rupee and Japanese yen/Chinese yuan, which typically have maturities not exceeding three years—are intended to partially offset the impact of foreign currency movements on future costs relating to our global delivery resources. For additional information, see Note 7 (Derivative Financial Instruments) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

For designated cash flow hedges, gains and losses currently recorded in Accumulated other comprehensive loss are expected to be reclassified into earnings at the time when certain anticipated intercompany charges are accrued as Cost of services. As of August 31, 2018, it was anticipated that approximately \$21 million of net losses, net of tax, currently recorded in Accumulated other comprehensive loss will be reclassified into Cost of services within the next 12 months.

We use sensitivity analysis to determine the effects that market foreign currency exchange rate fluctuations may have on the fair value of our hedge portfolio. The sensitivity of the hedge portfolio is computed based on the market value of future cash flows as affected by changes in exchange rates. This sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the offsetting gain or loss on the underlying exposure. A 10% change in the levels of foreign currency exchange rates against the U.S. dollar (or other base currency of the hedge if not a U.S. dollar hedge) with all other variables held constant would have resulted in a change in the fair value of our hedge instruments of approximately \$483 million and \$494 million as of August 31, 2018 and 2017, respectively.

Interest Rate Risk

The interest rate risk associated with our borrowing and investing activities as of August 31, 2018 is not material in relation to our consolidated financial position, results of operations or cash flows. While we may do so in the future, we have not used derivative financial instruments to alter the interest rate characteristics of our investment holdings or debt instruments.

Other Market Risk

The privately held companies in which we invest are often in a start-up or development stage, which is inherently risky. The technologies or products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of a substantial part of our investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies. We have minimal exposure on our long-term investments in privately held companies as these investments were not material in relation to our consolidated financial position, results of operations or cash flows as of August 31, 2018.

Equity Price Risk



The equity price risk associated with our marketable equity securities that are subject to market price volatility is not material in relation to our consolidated financial position, results of operations or cash flows.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See the Index to Consolidated Financial Statements and financial statements commencing on page F-1, which are incorporated herein by reference.

Table of Contents

ITEM CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
9. FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, the principal executive officer and the principal financial officer of Accenture plc have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- ii. provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on its evaluation, our management concluded that our internal control over financial reporting was effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

KPMG LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of their audit, has issued its attestation report, included herein, on the effectiveness of our internal control over financial reporting. See “Report of Independent Registered Public Accounting Firm” on page F-2.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors from those described in the proxy statement for our Annual General Meeting of Shareholders filed with the SEC on December 15, 2017.

Information about our executive officers is contained in the discussion entitled “Executive Officers of the Registrant” in Part I of this Form 10-K. The remaining information called for by Item 10 will be included in the sections captioned “Re-Appointment of Directors,” “Corporate Governance” and “Beneficial Ownership” included in the definitive proxy statement relating to the 2019 Annual General Meeting of Shareholders of Accenture plc to be held on February 1, 2019 and is incorporated herein by reference. Accenture plc will file such definitive proxy statement with the SEC pursuant to Regulation 14A not later than 120 days after the end of our 2018 fiscal year covered by this Form 10-K.

ITEM 11. EXECUTIVE  
COMPENSATION

The information called for by Item 11 will be included in the sections captioned “Executive Compensation” and “Director Compensation” included in the definitive proxy statement relating to the 2019 Annual General Meeting of Shareholders of Accenture plc to be held on February 1, 2019 and is incorporated herein by reference. Accenture plc will file such definitive proxy statement with the SEC pursuant to Regulation 14A not later than 120 days after the end of our 2018 fiscal year covered by this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND  
RELATED SHAREHOLDER MATTERS

## Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of August 31, 2018, certain information related to our compensation plans under which Accenture plc Class A ordinary shares may be issued.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in 1st Column)
Equity compensation plans approved by shareholders:			
2001 Share Incentive Plan	89,613	(1) \$ 35.6484	—
Amended and Restated 2010 Share Incentive Plan	19,599,715	(2) 48.1050	24,266,070
Amended and Restated 2010 Employee Share Purchase Plan	—	N/A	35,888,092
Equity compensation plans not approved by shareholders	—	N/A	—
Total	19,689,328		60,154,162

(1) Consists of 81,090 restricted share units and 8,523 stock options.

(2) Consists of 19,595,964 restricted share units and 3,751 stock options.

The remaining information called for by Item 12 will be included in the section captioned “Beneficial Ownership” included in the definitive proxy statement relating to the 2019 Annual General Meeting of Shareholders of Accenture plc to be held on February 1, 2019 and is incorporated herein by reference. Accenture plc will file such definitive

proxy statement with the SEC pursuant to Regulation 14A not later than 120 days after the end of our 2018 fiscal year covered by this Form 10-K.

Table of Contents

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information called for by Item 13 will be included in the section captioned “Corporate Governance” included in the definitive proxy statement relating to the 2019 Annual General Meeting of Shareholders of Accenture plc to be held on February 1, 2019 and is incorporated herein by reference. Accenture plc will file such definitive proxy statement with the SEC pursuant to Regulation 14A not later than 120 days after the end of our 2018 fiscal year covered by this Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information called for by Item 14 will be included in the section captioned “Audit” included in the definitive proxy statement relating to the 2019 Annual General Meeting of Shareholders of Accenture plc to be held on February 1, 2019 and is incorporated herein by reference. Accenture plc will file such definitive proxy statement with the SEC pursuant to Regulation 14A not later than 120 days after the end of our 2018 fiscal year covered by this Form 10-K.

Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as part of this report:

1. Financial Statements as of August 31, 2018 and August 31, 2017 and for the three years ended August 31, 2018—Included in Part II of this Form 10-K:

Consolidated Balance Sheets

Consolidated Income Statements

Consolidated Statements of Comprehensive Income

Consolidated Shareholders' Equity Statements

Consolidated Cash Flows Statements

Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

None

3. Exhibit Index:

Exhibit Number	Exhibit
3.1	Amended and Restated Memorandum and Articles of Association of Accenture plc (incorporated by reference to <u>Exhibit 3.1 to Accenture plc's 8-K filed on February 7, 2018</u> )
3.2	Certificate of Incorporation of Accenture plc (incorporated by reference to <u>Exhibit 3.2 to Accenture plc's 8-K12B filed on September 1, 2009</u> (the "8-K12B"))
10.1	Form of Voting Agreement, dated as of April 18, 2001, among Accenture Ltd and the covered persons party thereto as amended and restated as of February 3, 2005 (incorporated by reference to <u>Exhibit 9.1 to the Accenture Ltd February 28, 2005 10-Q</u> (File No. 001-16565))
10.2	Assumption Agreement of the Amended and Restated Voting Agreement, dated September 1, 2009 (incorporated by reference to <u>Exhibit 10.4 to the 8-K12B</u> )
10.3*	Form of Non-Competition Agreement, dated as of April 18, 2001, among Accenture Ltd and certain employees (incorporated by reference to <u>Exhibit 10.2 to the Accenture Ltd Registration Statement on Form S-1</u> (File No. 333-59194) filed on April 19, 2001 (the "April 19, 2001 Form S-1"))
10.4	Assumption and General Amendment Agreement between Accenture plc and Accenture Ltd, dated September 1, 2009 (incorporated by reference to <u>Exhibit 10.1 to the 8-K12B</u> )
10.5*	2001 Share Incentive Plan (incorporated by reference to <u>Exhibit 10.3 to the Accenture Ltd Registration Statement on Form S-1/A</u> (File No. 333-59194) filed on July 12, 2001)
10.6*	Amended and Restated 2010 Share Incentive Plan (incorporated by reference to <u>Exhibit 10.1 to Accenture plc's 8-K filed on February 7, 2018</u> )
10.7*	Amended and Restated 2010 Employee Share Purchase Plan (incorporated by reference to <u>Exhibit 10.2 to Accenture plc's 8-K filed on February 3, 2016</u> )
10.8	Form of Support Agreement, dated as of May 23, 2001, between Accenture Ltd and Accenture Canada Holdings Inc. (incorporated by reference to <u>Exhibit 10.9 to the Accenture Ltd Registration Statement on Form S-1/A</u> (the "July 2, 2001 Form S-1/A"))
10.9	First Supplemental Agreement to Support Agreement among Accenture plc, Accenture Ltd and Accenture Canada Holdings Inc., dated September 1, 2009 (incorporated by reference to <u>Exhibit 10.2 to the 8-K12B</u> )
10.10*	Employment Agreement between Accenture SAS and Pierre Nanterme dated as of June 20, 2013 (incorporated by reference to <u>Exhibit 10.2 to the May 31, 2013 10-Q</u> )
10.11*	Form of Employment Agreement of executive officers in the United States (incorporated by reference to <u>Exhibit 10.3 to the February 28, 2013 10-Q</u> )
10.12*	Form of Employment Agreement of executive officers in the United Kingdom (incorporated by reference to <u>Exhibit 10.16 to the August 31, 2013 10-K</u> )

Edgar Filing: Accenture plc - Form 10-K

- 10.13\* Form of Employment Agreement of executive officers in Singapore (incorporated by reference to Exhibit 10.17 to the August 31, 2015 10-K)
- 10.14 Form of Articles of Association of Accenture Canada Holdings Inc. (incorporated by reference to Exhibit 10.11 to the July 2, 2001 Form S-1/A)
- 10.15 Articles of Amendment to Articles of Association of Accenture Canada Holdings Inc. (incorporated by reference to Exhibit 10.21 to the August 31, 2013 10-K)

48

---

Table of Contents

10.16	Form of Exchange Trust Agreement by and between Accenture Ltd and Accenture Canada Holdings Inc. and CIBC Mellon Trust Company, made as of May 23, 2001 (incorporated by reference to <a href="#">Exhibit 10.12 to the July 2, 2001 Form S-1/A</a> )
10.17	First Supplemental Agreement to Exchange Trust Agreement among Accenture plc, Accenture Ltd, Accenture Canada Holdings Inc. and Accenture Inc., dated September 1, 2009 (incorporated by reference to <a href="#">Exhibit 10.3 to the 8-K12B</a> )
10.18*	Form of Key Executive Performance-Based Award Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.2 to the February 28, 2017 10-Q</a> )
10.19*	Form of Key Executive Performance-Based Award Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.3 to the February 28, 2018 10-Q</a> )
10.20*	Form of Accenture Leadership Performance Equity Award Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.3 to the February 28, 2017 10-Q</a> )
10.21*	Form of Accenture Leadership Performance Equity Award Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.4 to the February 28, 2018 10-Q</a> )
10.22*	Form of Voluntary Equity Investment Program Matching Grant Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.4 to the February 28, 2017 10-Q</a> )
10.23*	Form of Voluntary Equity Investment Program Matching Grant Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.5 to the February 28, 2018 10-Q</a> )
10.24*	Form of CEO Discretionary Grant Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.6 to the February 28, 2018 10-Q</a> )
10.25*	Form of Director Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.7 to the February 28, 2018 10-Q</a> )
10.26*	Accenture LLP Leadership Separation Benefits Plan (incorporated by reference to <a href="#">Exhibit 10.30 to the August 31, 2017 10-K</a> )
10.27*	Description of Global Annual Bonus Plan (incorporated by reference to <a href="#">Exhibit 10.31 to the August 31, 2017 10-K</a> )
10.28*	Form of Indemnification Agreement, between Accenture Inc. and the indemnitee party thereto ( <a href="#">filed herewith</a> )
21.1	Subsidiaries of the Registrant ( <a href="#">filed herewith</a> )
23.1	Consent of KPMG LLP ( <a href="#">filed herewith</a> )
23.2	Consent of KPMG LLP related to the Accenture plc 2010 Employee Share Purchase Plan ( <a href="#">filed herewith</a> )
24.1	Power of Attorney (included on the signature page hereto)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ( <a href="#">filed herewith</a> )
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ( <a href="#">filed herewith</a> )
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ( <a href="#">furnished herewith</a> )
32.2	



Edgar Filing: Accenture plc - Form 10-K

Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

99.1

Amended and Restated Accenture plc 2010 Employee Share Purchase Plan Financial Statements (filed herewith)

101

The following financial information from Accenture plc's Annual Report on Form 10-K for the fiscal year ended August 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of August 31, 2018 and August 31, 2017, (ii) Consolidated Income Statements for the years ended August 31, 2018, 2017 and 2016, (iii) Consolidated Statements of Comprehensive Income for the years ended August 31, 2018, 2017 and 2016, (iv) Consolidated Shareholders' Equity Statement for the years ended August 31, 2018, 2017 and 2016, (v) Consolidated Cash Flows Statements for the years ended August 31, 2018, 2017 and 2016, and (vi) the Notes to Consolidated Financial Statements

49

---

Table of Contents

(\*)Indicates management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

50

---

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf on October 24, 2018 by the undersigned, thereunto duly authorized.

ACCENTURE PLC

By: /s/ PIERRE NANTERME

Name: Pierre Nanterme

Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Pierre Nanterme, David P. Rowland and Joel Unruch, and each of them, as his or her true and lawful attorneys-in-fact and agents, with power to act with or without the others and with full power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents and each of them may deem necessary or desirable to enable the registrant to comply with the U.S. Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission thereunder in connection with the registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 2018 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the registrant and the name of the undersigned, individually and in his or her capacity as a director or officer of the registrant, to the Annual Report as filed with the U.S. Securities and Exchange Commission, to any and all amendments thereto, and to any and all instruments or documents filed as part thereof or in connection therewith; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents and each of them shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on October 24, 2018 by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ PIERRE NANTERME Pierre Nanterme	Chief Executive Officer, Chairman of the Board and Director (principal executive officer)
/s/ DAVID P. ROWLAND David P. Rowland	Chief Financial Officer (principal financial officer)
/s/ RICHARD P. CLARK Richard P. Clark	Chief Accounting Officer (principal accounting officer)
/s/ JAIME ARDILA Jaime Ardila	Director
/s/ CHARLES GIANCARLO Charles Giancarlo	Director

Table of Contents

/s/ HERBERT HAINER Herbert Hainer	Director
/s/ MARJORIE MAGNER Marjorie Magner	Director
/s/ NANCY MCKINSTRY Nancy McKinstry	Director
/s/ GILLES C. PÉLISSON Gilles C. Pélisson	Director
/s/ PAULA A. PRICE Paula A. Price	Director
/s/ VENKATA S.M. RENDUCHINTALA Venkata S.M. Renduchintala	Director
/s/ ARUN SARIN Arun Sarin	Director
/s/ FRANK K. TANG Frank K. Tang	Director
/s/ TRACEY T. TRAVIS Tracey T. Travis	Director

Table of Contents

ACCENTURE PLC  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
Consolidated Financial Statements as of August 31, 2018 and 2017 and for the years ended August 31, 2018, 2017 and 2016:	
<u>Consolidated Balance Sheets</u>	<u>F-4</u>
<u>Consolidated Income Statements</u>	<u>F-5</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>F-6</u>
<u>Consolidated Shareholders' Equity Statements</u>	<u>F-7</u>
<u>Consolidated Cash Flows Statements</u>	<u>F-10</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-11</u>

F- 1

---

Table of Contents

Report of Independent Registered Public Accounting Firm  
To the Shareholders and Board of Directors  
Accenture plc:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Accenture plc and its subsidiaries (the Company) as of August 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2018, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of August 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of August 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance

with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

F- 2

---

Table of Contents

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have served as the Company's auditor since 2002.

/s/ KPMG LLP

Chicago, Illinois

October 24, 2018

F- 3

---



Table of Contents

## ACCENTURE PLC

## CONSOLIDATED BALANCE SHEETS

August 31, 2018 and 2017

(In thousands of U.S. dollars, except share and per share amounts)

	August 31, 2018	August 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$5,061,360	\$4,126,860
Short-term investments	3,192	3,011
Receivables from clients, net	4,996,454	4,569,214
Unbilled services, net	2,499,914	2,316,043
Other current assets	1,024,639	1,082,161
Total current assets	13,585,559	12,097,289
<b>NON-CURRENT ASSETS:</b>		
Unbilled services, net	23,036	40,938
Investments	215,532	211,610
Property and equipment, net	1,264,020	1,140,598
Goodwill	5,383,012	5,002,352
Deferred contract costs	705,124	755,871
Deferred income taxes, net	2,086,807	2,214,901
Other non-current assets	1,185,993	1,226,331
Total non-current assets	10,863,524	10,592,601
<b>TOTAL ASSETS</b>	<b>\$24,449,083</b>	<b>\$22,689,890</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and bank borrowings	\$5,337	\$2,907
Accounts payable	1,348,802	1,525,065
Deferred revenues	2,837,682	2,669,520
Accrued payroll and related benefits	4,569,172	4,060,364
Income taxes payable	497,885	708,485
Other accrued liabilities	892,873	857,938
Total current liabilities	10,151,751	9,824,279
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	19,676	22,163
Deferred revenues	618,124	663,248
Retirement obligation	1,410,656	1,408,759
Deferred income taxes, net	125,729	137,098
Income taxes payable	956,836	574,780
Other non-current liabilities	441,723	349,363
Total non-current liabilities	3,572,744	3,155,411
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Ordinary shares, par value 1.00 euros per share, 40,000 shares authorized and issued as of August 31, 2018 and August 31, 2017	57	57
Class A ordinary shares, par value \$0.0000225 per share, 20,000,000,000 shares authorized, 663,327,677 and 638,965,789 shares issued as of August 31, 2018 and August 31, 2017, respectively	15	14

Edgar Filing: Accenture plc - Form 10-K

Class X ordinary shares, par value \$0.0000225 per share, 1,000,000,000 shares authorized, 655,521 and 20,531,383 shares issued and outstanding as of August 31, 2018 and August 31, 2017, respectively	—	—
Restricted share units	1,234,623	1,095,026
Additional paid-in capital	4,870,764	3,516,399
Treasury shares, at cost: Ordinary, 40,000 shares as of August 31, 2018 and August 31, 2017; Class A ordinary, 24,293,199 and 23,408,811 shares as of August 31, 2018 and August 31, 2017, respectively	(2,116,948 )	(1,649,090 )
Retained earnings	7,952,413	7,081,855
Accumulated other comprehensive loss	(1,576,171 )	(1,094,784 )
Total Accenture plc shareholders' equity	10,364,753	8,949,477
Noncontrolling interests	359,835	760,723
Total shareholders' equity	10,724,588	9,710,200
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$24,449,083</b>	<b>\$22,689,890</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

## ACCENTURE PLC

## CONSOLIDATED INCOME STATEMENTS

For the Years Ended August 31, 2018, 2017 and 2016

(In thousands of U.S. dollars, except share and per share amounts)

	2018	2017	2016
<b>REVENUES:</b>			
Revenues before reimbursements (“Net revenues”)	\$39,573,450	\$34,850,182	\$32,882,723
Reimbursements	2,029,978	1,915,296	1,914,938
Revenues	41,603,428	36,765,478	34,797,661
<b>OPERATING EXPENSES:</b>			
Cost of services:			
Cost of services before reimbursable expenses	27,130,537	23,819,690	22,605,296
Reimbursable expenses	2,029,978	1,915,296	1,914,938
Cost of services	29,160,515	25,734,986	24,520,234
Sales and marketing	4,198,557	3,754,313	3,580,439
General and administrative costs	2,403,315	2,133,777	1,886,543
Pension settlement charge	—	509,793	—
Total operating expenses	35,762,387	32,132,869	29,987,216
<b>OPERATING INCOME</b>	5,841,041	4,632,609	4,810,445
Interest income	56,337	37,940	30,484
Interest expense	(19,539)	(15,545)	(16,258)
Other income (expense), net	(69,746)	(38,720)	(69,922)
Gain (loss) on sale of businesses	—	(252)	848,823
<b>INCOME BEFORE INCOME TAXES</b>	5,808,093	4,616,032	5,603,572
Provision for income taxes	1,593,499	981,100	1,253,969
<b>NET INCOME</b>	4,214,594	3,634,932	4,349,603
Net income attributable to noncontrolling interests in Accenture Holdings plc and Accenture Canada Holdings Inc.	(95,063)	(149,131)	(195,560)
Net income attributable to noncontrolling interests – other	(59,624)	(40,652)	(42,151)
<b>NET INCOME ATTRIBUTABLE TO ACCENTURE PLC</b>	\$4,059,907	\$3,445,149	\$4,111,892
Weighted average Class A ordinary shares:			
Basic	628,451,742	620,104,250	624,797,820
Diluted	655,296,150	660,463,227	667,770,274
Earnings per Class A ordinary share:			
Basic	\$6.46	\$5.56	\$6.58
Diluted	\$6.34	\$5.44	\$6.45
Cash dividends per share	\$2.66	\$2.42	\$2.20

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the Years Ended August 31, 2018, 2017 and 2016  
 (In thousands of U.S. dollars)

	2018	2017	2016
NET INCOME	\$4,214,594	\$3,634,932	\$4,349,603
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:			
Foreign currency translation	(305,225 )	149,920	(66,459 )
Defined benefit plans	21,335	368,885	(285,885 )
Cash flow hedges	(198,645 )	46,624	101,299
Investments	1,148	1,507	1,297
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ACCENTURE PLC	(481,387 )	566,936	(249,748 )
Other comprehensive income (loss) attributable to noncontrolling interests	(2,233 )	31,724	(7,881 )
COMPREHENSIVE INCOME	\$3,730,974	\$4,233,592	\$4,091,974
COMPREHENSIVE INCOME ATTRIBUTABLE TO ACCENTURE PLC	\$3,578,520	\$4,012,085	\$3,862,144
Comprehensive income attributable to noncontrolling interests	152,454	221,507	229,830
COMPREHENSIVE INCOME	\$3,730,974	\$4,233,592	\$4,091,974

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC  
CONSOLIDATED SHAREHOLDERS' EQUITY STATEMENTS

For the Years Ended August 31, 2018, 2017 and 2016

(In thousands of U.S. dollars and share amounts)

	Ordinary Shares		Class A Ordinary Shares		Class X Ordinary Shares		Restricted Share Units	Additional Paid-in Capital	Treasury Shares		Retained Earnings
	\$	No. Shares	\$	No. Shares	\$	No. Shares			\$	No. Shares	
Balance as of August 31, 2015	\$57	40	\$18	804,758	\$1	23,335	\$1,031,203	\$4,516,810	\$(11,472,400)	(178,096)	\$13,470,000
Net income											4,111,892
Other comprehensive income (loss)											
Income tax benefit on share-based compensation plans								112,562			
Purchases of Class A ordinary shares								103,760	(2,532,796)	(23,848)	
Cancellation of treasury shares		(4)		(163,016)				(2,923,579)	11,199,016	163,016	(8,275,433)
Share-based compensation expense							701,923	56,253			
Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares					(1)	(1,418)		(68,481)			
Issuances of Class A ordinary shares:											
Employee share programs		1		11,686			(785,141)	1,138,304	214,273	5,358	
Upon redemption of Accenture Holdings plc ordinary shares				775				3,541			
Dividends							51,137				(1,423,310)
Other, net							5,006	(14,441)			(3,191)
Balance as of August 31, 2016	\$57	40	\$15	654,203	\$—	21,917	\$1,004,128	\$2,924,729	\$(2,591,907)	(33,570)	\$7,879,960

Table of Contents

## ACCENTURE PLC

## CONSOLIDATED SHAREHOLDERS' EQUITY STATEMENTS — (continued)

For the Years Ended August 31, 2018, 2017, and 2016

(In thousands of U.S. dollars and share amounts)

	Ordinary Shares	Class A Ordinary Shares	Class X Ordinary Shares	Restricted Share Units	Additional Paid-in Capital	Treasury Shares	Retained Earnings	
	\$	No. Shares	No. Shares	\$	No. Shares	\$	No. Shares	
Net income								3,445,149
Other comprehensive income (loss)								56
Purchases of Class A ordinary shares					98,039	(2,552,880 )	(21,258)	
Cancellation of treasury shares		(1 )	(26,858 )		(413,509 )	3,014,356	26,858	(2,600,846 )
Share-based compensation expense				755,011	40,224			
Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares				(1,386 )	(92,160 )			
Issuances of Class A ordinary shares:								
Employee share programs			10,861	(715,790 )	975,322	481,341	4,521	(90,612 )
Upon redemption of Accenture Holdings plc ordinary shares			760		5,595			
Dividends				51,677				(1,550,411 )
Other, net					(21,841 )			(1,385 )
Balance as of August 31, 2017	\$57,401	\$14,638,966	\$-20,531	\$1,095,026	\$3,516,399	\$(1,649,090)	(23,449)	\$7,081,855

Table of Contents

## ACCENTURE PLC

## CONSOLIDATED SHAREHOLDERS' EQUITY STATEMENTS — (continued)

For the Years Ended August 31, 2018, 2017, and 2016

(In thousands of U.S. dollars and share amounts)

	Ordinary Shares	Class A Ordinary Shares	Class X Ordinary Shares	Restricted Share Units	Additional Paid-in Capital	Treasury Shares	Retained Earnings	
	\$	No. Shares	No. Shares	\$	No. Shares	\$	No. Shares	
Net income							4,059,907	
Other comprehensive income (loss)								(4)
Purchases of Class A ordinary shares					49,766	(2,554,084 )	(16,706)	
Cancellation of treasury shares			(11,621 )		(206,782 )	1,582,067	11,621	(1,375,285 )
Share-based compensation expense				913,801	63,107			
Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares			(821 )		(80,169 )			
Issuances of Class A ordinary shares:								
Employee share programs			10,077	(829,085 )	1,132,024	504,159	4,201	(68,656 )
Upon redemption of Accenture Holdings plc ordinary shares	1	25,906	(19,054)		408,652			
Dividends				54,881				(1,725,953 )
Other, net					(12,233 )			(19,455 )
Balance as of August 31, 2018	\$57 40	\$15 663,328	\$-656	\$1,234,623	\$4,870,764	\$(2,116,948)	(24,333)	\$7,952,413

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

## ACCENTURE PLC

## CONSOLIDATED CASH FLOWS STATEMENTS

For the Years Ended August 31, 2018, 2017 and 2016

(In thousands of U.S. dollars)

	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$4,214,594	\$3,634,932	\$4,349,603
Adjustments to reconcile Net income to Net cash provided by (used in) operating activities—			
Depreciation, amortization and asset impairments	926,776	801,789	729,052
Share-based compensation expense	976,908	795,235	758,176
Pension settlement charge	—	460,908	—
(Gain) loss on sale of businesses	—	252	(848,823 )
Deferred income taxes, net	94,000	(364,133 )	65,940
Other, net	7,609	88,123	(53,706 )
Change in assets and liabilities, net of acquisitions—			
Receivables from clients, net	(476,041 )	(169,714 )	(177,156 )
Unbilled services, current and non-current, net	(234,763 )	96,392	(192,912 )
Other current and non-current assets	(510,102 )	(415,568 )	(655,876 )
Accounts payable	(167,971 )	173,712	72,626
Deferred revenues, current and non-current	176,853	(38,954 )	302,738
Accrued payroll and related benefits	646,416	(117,725 )	386,018
Income taxes payable, current and non-current	183,933	15,721	(158,970 )
Other current and non-current liabilities	188,479	12,069	90,690
Net cash provided by (used in) operating activities	6,026,691	4,973,039	4,667,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(619,187 )	(515,919 )	(496,566 )
Purchases of businesses and investments, net of cash acquired	(657,546 )	(1,704,188 )	(932,542 )
Proceeds from the sale of businesses and investments, net of cash transferred	20,197	(24,035 )	814,538
Proceeds from sales of property and equipment	6,932	10,263	4,220
Net cash provided by (used in) investing activities	(1,249,604 )	(2,233,879 )	(610,350 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of ordinary shares	753,146	676,045	591,357
Purchases of shares	(2,639,094 )	(2,649,051 )	(2,604,989 )
Proceeds from (repayments of) long-term debt, net	(4,195 )	(2,120 )	(1,059 )
Cash dividends paid	(1,708,724 )	(1,567,578 )	(1,438,138 )
Other, net	(110,161 )	(17,531 )	(36,389 )
Net cash provided by (used in) financing activities	(3,709,028 )	(3,560,235 )	(3,489,218 )
Effect of exchange rate changes on cash and cash equivalents	(133,559 )	42,326	(22,989 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>934,500</b>	<b>(778,749 )</b>	<b>544,843</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>4,126,860</b>	<b>4,905,609</b>	<b>4,360,766</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$5,061,360</b>	<b>\$4,126,860</b>	<b>\$4,905,609</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Interest paid	\$19,673	\$15,751	\$16,285
Income taxes paid, net	\$1,373,244	\$1,288,788	\$1,425,480

The accompanying Notes are an integral part of these Consolidated Financial Statements.





Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Accenture plc is one of the world's leading organizations providing consulting, technology and outsourcing services and operates globally with one common brand and business model designed to enable it to provide clients around the world with the same high level of service. Drawing on a combination of industry and functional expertise, technology capabilities and alliances, and global delivery resources, Accenture plc seeks to provide differentiated services that help clients measurably improve their business performance and create sustainable value for their customers and stakeholders. Accenture plc's global delivery model enables it to provide high-quality, cost-effective solutions to clients.

Basis of Presentation

The Consolidated Financial Statements include the accounts of Accenture plc, an Irish company, and our controlled subsidiary companies. Accenture plc is an Irish public limited company, which operates its business through its subsidiaries. Prior to March 13, 2018, Accenture plc's only business was to hold ordinary and deferred shares in, and to act as the controlling shareholder of, its subsidiary, Accenture Holdings plc, an Irish public limited company. We operated our business through Accenture Holdings plc and subsidiaries of Accenture Holdings plc. Accenture plc controlled Accenture Holdings plc's management and operations and consolidated Accenture Holdings plc's results in our Consolidated Financial Statements.

On March 13, 2018, Accenture Holdings plc merged with and into Accenture plc, with Accenture plc as the surviving entity. As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. In connection with this internal merger, shareholders of Accenture Holdings plc (other than Accenture entities that held shares of Accenture Holdings plc), who primarily consisted of current and former members of Accenture Leadership and their permitted transferees, received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc owned by such shareholders.

All references to Accenture Holdings plc included in this report with respect to periods prior to August 26, 2015 reflect the activity and/or balances of Accenture SCA (the predecessor of Accenture Holdings plc). The shares of Accenture Holdings plc (for applicable periods) and Accenture Canada Holdings Inc. held by persons other than us are treated as a noncontrolling interest in the Consolidated Financial Statements. The noncontrolling interest percentages were less than 1% and 4% as of August 31, 2018 and 2017, respectively.

All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31. For example, a reference to "fiscal 2018" means the 12-month period that ended on August 31, 2018. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year.

The preparation of the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that we may undertake in the future, actual results may be different from those estimates.

Revenue Recognition

Revenues from contracts for technology integration consulting services where we design/redesign, build and implement new or enhanced systems applications and related processes for our clients are recognized on the percentage-of-completion method, which involves calculating the percentage of services provided during the reporting period compared to the total estimated services to be provided over the duration of the contract. Contracts for technology integration consulting services generally span six months to two years. Estimated revenues used in applying the percentage-of-completion method include estimated incentives for which achievement of defined goals is deemed probable. This method is followed where reasonably dependable estimates of revenues and costs can be made.

Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and estimated costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenues and income and are reflected in the Consolidated Financial Statements in the periods in which they are first identified. If our estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the

F- 11

---

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

amount by which the estimated total direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in Cost of services and classified in Other accrued liabilities.

Revenues from contracts for non-technology integration consulting services with fees based on time and materials or cost-plus are recognized as the services are performed and amounts are earned. We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectibility is reasonably assured. In such contracts, our efforts, measured by time incurred, typically are provided in less than a year and represent the contractual milestones or output measure, which is the contractual earnings pattern. For non-technology integration consulting contracts with fixed fees, we recognize revenues as amounts become billable in accordance with contract terms, provided the billable amounts are not contingent, are consistent with the services delivered and are earned. Contingent or incentive revenues relating to non-technology integration consulting contracts are recognized when the contingency is satisfied and we conclude the amounts are earned.

Outsourcing contracts typically span several years and involve complex delivery, often through multiple workforces in different countries. In a number of these arrangements, we hire client employees and become responsible for certain client obligations. Revenues are recognized on outsourcing contracts as amounts become billable in accordance with contract terms, unless the amounts are billed in advance of performance of services, in which case revenues are recognized when the services are performed and amounts are earned. Revenues from time-and-materials or cost-plus contracts are recognized as the services are performed. In such contracts, our effort, measured by time incurred, represents the contractual milestones or output measure, which is the contractual earnings pattern. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Revenues from fixed-price contracts are recognized on a straight-line basis, unless revenues are earned and obligations are fulfilled in a different pattern. Outsourcing contracts can also include incentive payments for benefits delivered to clients. Revenues relating to such incentive payments are recorded when the contingency is satisfied and we conclude the amounts are earned.

Costs related to delivering outsourcing services are expensed as incurred with the exception of certain transition costs related to the set-up of processes, personnel and systems, which are deferred during the transition period and expensed evenly over the period outsourcing services are provided. The deferred costs are specific internal costs or incremental external costs directly related to transition or set-up activities necessary to enable the outsourced services. Generally, deferred amounts are protected in the event of early termination of the contract and are monitored regularly for impairment. Impairment losses are recorded when projected remaining undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of contract assets. Deferred transition costs were \$690,868 and \$739,212 as of August 31, 2018 and 2017, respectively, and are included in Deferred contract costs. Deferred transition amortization expense for fiscal 2018, 2017 and 2016 was \$333,118, \$289,555, and \$283,434, respectively. Amounts billable to the client for transition or set-up activities are deferred and recognized as revenue evenly over the period outsourcing services are provided. Deferred transition revenues were \$581,395 and \$606,095 as of August 31, 2018 and 2017, respectively, and are included in non-current Deferred revenues. Contract acquisition and origination costs are expensed as incurred.

We enter into contracts that may consist of multiple deliverables. These contracts may include any combination of technology integration consulting services, non-technology integration consulting services or outsourcing services described above. Revenues for contracts with multiple deliverables are allocated based on the lesser of the element's relative selling price or the amount that is not contingent on future delivery of another deliverable. The selling price of each deliverable is determined by obtaining third party evidence of the selling price for the deliverable and is based on the price charged when largely similar services are sold on a standalone basis by us to similarly situated customers. If the amount of non-contingent revenues allocated to a deliverable accounted for under the percentage-of-completion method of accounting is less than the costs to deliver such services, then such costs are deferred and recognized in future periods when the revenues become non-contingent. Revenues are recognized in accordance with our accounting policies for the separate deliverables when the services have value on a stand-alone basis, selling price of the separate

deliverables exists and, in arrangements that include a general right of refund relative to the completed deliverable, performance of the in-process deliverable is considered probable and substantially in our control. While determining fair value and identifying separate deliverables require judgment, generally fair value and the separate deliverables are readily identifiable as we also sell those deliverables unaccompanied by other deliverables.

Revenues recognized in excess of billings are recorded as Unbilled services. Billings in excess of revenues recognized are recorded as Deferred revenues until revenue recognition criteria are met. Client prepayments (even if nonrefundable) are deferred and recognized over future periods as services are delivered or performed.

F- 12

---

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Revenues before reimbursements (“net revenues”) include the margin earned on computer hardware, software and related services resale, as well as revenues from alliance agreements. Reimbursements include billings for travel and other out-of-pocket expenses and third-party costs, such as the cost of hardware, software and related services resale. In addition, Reimbursements include allocations from gross billings to record an amount equivalent to reimbursable costs, where billings do not specifically identify reimbursable expenses. We report revenues net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Employee Share-Based Compensation Arrangements

Share-based compensation expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant date fair value of those awards expected to ultimately vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Income Taxes

We calculate and provide for income taxes in each of the tax jurisdictions in which we operate. Deferred tax assets and liabilities, measured using enacted tax rates, are recognized for the future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized. We establish liabilities or reduce assets when we believe tax positions are not more likely than not of being sustained if challenged. Recognized tax positions are measured at the largest amount of benefit greater than 50 percent likely of being realized. Each fiscal quarter, we evaluate tax positions and adjust the related tax assets and liabilities in light of changing facts and circumstances.

Translation of Non-U.S. Currency Amounts

Assets and liabilities of non-U.S. subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars at fiscal year-end exchange rates. Revenue and expense items are translated at average foreign currency exchange rates prevailing during the fiscal year. Translation adjustments are included in Accumulated other comprehensive income (loss). Gains and losses arising from intercompany foreign currency transactions that are of a long-term investment nature are reported in the same manner as translation adjustments.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and liquid investments with original maturities of three months or less, including certificates of deposit and time deposits. Cash and cash equivalents also include restricted cash of \$45,658 and \$45,547 as of August 31, 2018 and 2017, respectively, which primarily relates to cash held to meet certain insurance requirements. As a result of certain subsidiaries’ cash management systems, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are classified as Current portion of long term debt and bank borrowings.

Client Receivables, Unbilled Services and Allowances

We record our client receivables and unbilled services at their face amounts less allowances. On a periodic basis, we evaluate our receivables and unbilled services and establish allowances based on historical experience and other currently available information. As of August 31, 2018 and 2017, total allowances recorded for client receivables and unbilled services were \$49,913 and \$74,450, respectively. The allowance reflects our best estimate of collectibility risks on outstanding receivables and unbilled services. In limited circumstances, we agree to extend financing to certain clients. The terms vary by contract, but generally payment for services is contractually linked to the achievement of specified performance milestones.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

**Concentrations of Credit Risk**

Our financial instruments, consisting primarily of cash and cash equivalents, foreign currency exchange rate instruments, client receivables and unbilled services, are exposed to concentrations of credit risk. We place our cash and cash equivalents and foreign exchange instruments with highly-rated financial institutions, limit the amount of credit exposure with any one financial institution and conduct ongoing evaluations of the credit worthiness of the financial institutions with which we do business. Client receivables are dispersed across many different industries and countries; therefore, concentrations of credit risk are limited.

**Investments**

All liquid investments with an original maturity greater than three months but less than one year are considered to be short-term investments. Non-current investments are primarily non-marketable equity securities of privately held companies and are accounted for using either the equity or cost methods of accounting, in accordance with the requirements of Accounting Standards Codification (“ASC”) 323, Investments—Equity Method and Joint Ventures. Interest and amortization of premiums and discounts for debt securities are included in Interest income.

Cost method investments are periodically assessed for other-than-temporary impairment. For investments in privately held companies, if there are no identified events or circumstances that would have a significant adverse effect on the fair value of the investment, the fair value is not estimated. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the investment.

**Property and Equipment**

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Computers, related equipment and software	2 to 7 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	Lesser of lease term or 15 years

**Goodwill**

Goodwill represents the excess of the purchase price of an acquired entity over the fair value of net assets acquired. We review the recoverability of goodwill by reportable operating segment annually, or more frequently when indicators of impairment exist. Based on the results of our annual impairment analysis, we determined that no impairment existed as of August 31, 2018 or 2017, as each reportable operating segment’s estimated fair value substantially exceeded its carrying value.

**Long-Lived Assets**

Long-lived assets, including deferred contract costs and identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future net cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and a loss is recorded equal to the amount required to reduce the carrying amount to fair value.

Intangible assets with finite lives are generally amortized using the straight-line method over their estimated economic useful lives, ranging from one to fifteen years.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Operating Expenses

Selected components of operating expenses were as follows:

	Fiscal		
	2018	2017	2016
Research and development costs	\$790,779	\$704,317	\$643,407
Advertising costs	78,464	79,883	80,601
Provision for (release of) doubtful accounts (1)	(1,060)	10,117	15,312

(1)For additional information, see “Client Receivables, Unbilled Services and Allowances”.

## New Accounting Pronouncements

The following standards, issued by the Financial Accounting Standards Board (“FASB”), will, or are expected to, result in a change in practice and/or have a financial impact to our Consolidated Financial Statements:

Standard	Description	Accenture Adoption Date	Impact on the Financial Statements or Other Significant Matters
2016-16: Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory	The guidance requires an entity to recognize the income tax consequences of intra-entity transfers, other than inventory, when the transfer occurs. Under current guidance in U.S. GAAP, in the case of depreciable or amortizable assets, the income tax consequences are deferred at the time of the intra-entity transfer and recognized as the assets are depreciated or amortized. The guidance requires modified retrospective transition with a cumulative catch-up adjustment to opening retained earnings in the period of adoption.	September 1, 2018	The adoption of this ASU will require that we record deferred tax assets on our Consolidated Balance Sheet at the beginning of fiscal 2019. The deferred tax assets, which we expect to be up to \$2.1 billion, represent income tax consequences of prior intra-entity transfers of assets, which are currently recognized over the expected life of the assets. Beginning in fiscal 2019, we will recognize incremental income tax expense as these deferred tax assets are utilized. This could represent approximately a 3.3 percentage point increase in the annual effective tax rate for fiscal 2019. However, the actual impact of adoption will depend on numerous factors, including management’s expectations regarding recoverability of the related deferred taxes. Adoption will not have any impact on our cash flows.
2014-09: (Accounting Standard Codification 606), Revenue from Contracts with Customers and related updates	The guidance replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer	September 1, 2018	We expect revenue recognition across our portfolio of services to remain largely unchanged. However, the guidance will change the timing of revenue recognition in certain areas, including earlier recognition for certain variable fees and consulting services and later recognition for reimbursable expenses on certain contracts, which will be recognized with other revenues rather than when the expenses are incurred. These impacts are not expected to be material.



contracts, including significant judgments and changes in judgments. The guidance allows for both retrospective and modified retrospective methods of adoption.

We adopted the ASU on September 1, 2018, using the modified retrospective method. The estimated cumulative effect adjustment to retained earnings is not material to our Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

2016-02: Leases and related updates	<p>The guidance amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases and to disclose additional quantitative and qualitative information about leasing arrangements. The guidance requires either a modified retrospective transition method or a cumulative effect adjustment to opening retained earnings in the period of adoption.</p>	September 1, 2019	<p>While we are continuing to assess the potential impact of this ASU, we currently believe the most significant impact relates to our accounting for office space operating leases. We anticipate this ASU will have a material impact on our Consolidated Balance Sheets but will not have a material impact on our other Consolidated Financial Statements or footnotes. We will apply the cumulative effect method.</p>
2017-07: Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	<p>The guidance amends certain presentation and disclosure requirements for employers that sponsor defined benefit pension and post-retirement medical plans. The new standard requires the service cost component of the net benefit cost to be in the same line item as other compensation in operating income and the other components of net benefit cost to be presented outside of operating income on a retrospective basis.</p>	September 1, 2018	<p>The adoption of this ASU will require us to reclassify \$58 million of operating expenses to non-operating expense for fiscal 2018 to conform with the fiscal 2019 treatment of these expenses.</p>

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 2. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Fiscal		
	2018	2017	2016
Basic Earnings per share			
Net income attributable to Accenture plc	\$4,059,907	\$3,445,149	\$4,111,892
Basic weighted average Class A ordinary shares	628,451,742	620,104,250	624,797,820
Basic earnings per share	\$6.46	\$5.56	\$6.58
Diluted Earnings per share			
Net income attributable to Accenture plc	\$4,059,907	\$3,445,149	\$4,111,892
Net income attributable to noncontrolling interests in Accenture Holdings plc and Accenture Canada Holdings Inc. (1)	95,063	149,131	195,560
Net income for diluted earnings per share calculation	\$4,154,970	\$3,594,280	\$4,307,452
Basic weighted average Class A ordinary shares	628,451,742	620,104,250	624,797,820
Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1)	14,716,884	28,107,510	29,712,982
Diluted effect of employee compensation related to Class A ordinary shares	11,948,075	12,082,241	13,105,585
Diluted effect of share purchase plans related to Class A ordinary shares	179,449	169,226	153,887
Diluted weighted average Class A ordinary shares	655,296,150	660,463,227	667,770,274
Diluted earnings per share	\$6.34	\$5.44	\$6.45

(1) Diluted earnings per share assumes the exchange of all Accenture Canada Holdings Inc. exchangeable shares for Accenture plc Class A ordinary shares on a one-for-one basis and the redemption of all Accenture Holdings plc ordinary shares owned by holders of noncontrolling interests prior to March 13, 2018, when these were redeemed for Accenture plc Class A ordinary shares. The income effect does not take into account "Net income attributable to noncontrolling interests - other," since those shares are not redeemable or exchangeable for Accenture plc Class A ordinary shares.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 3. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive loss attributable to Accenture plc:

	Fiscal		
	2018	2017	2016
<b>Foreign currency translation</b>			
Beginning balance	\$(770,043 )	\$(919,963 )	\$(853,504 )
Foreign currency translation	(310,548 )	164,073	(67,884 )
Income tax benefit (expense)	3,354	(988 )	2,120
Portion attributable to noncontrolling interests	1,969	(13,165 )	(695 )
Foreign currency translation, net of tax	(305,225 )	149,920	(66,459 )
Ending balance	(1,075,268 )	(770,043 )	(919,963 )
<b>Defined benefit plans</b>			
Beginning balance	(440,619 )	(809,504 )	(523,619 )
Actuarial gains (losses)	19,862	49,565	(481,331 )
Pension settlement	3,030	509,793	—
Prior service costs arising during the period	(28,696 )	847	1,561
Reclassifications into net periodic pension and post-retirement expense (1)	34,972	44,913	26,639
Income tax benefit (expense)	(7,799 )	(219,817 )	153,869
Portion attributable to noncontrolling interests	(34 )	(16,416 )	13,377
Defined benefit plans, net of tax	21,335	368,885	(285,885 )
Ending balance	(419,284 )	(440,619 )	(809,504 )
<b>Cash flow hedges</b>			
Beginning balance	114,635	68,011	(33,288 )
Unrealized gain (loss)	(169,958 )	195,848	180,196
Reclassification adjustments into Cost of services	(93,105 )	(118,840 )	(23,004 )
Income tax benefit (expense)	64,118	(28,309 )	(51,153 )
Portion attributable to noncontrolling interests	300	(2,075 )	(4,740 )
Cash flow hedges, net of tax	(198,645 )	46,624	101,299
Ending balance (2)	(84,010 )	114,635	68,011
<b>Investments</b>			
Beginning balance	1,243	(264 )	(1,561 )
Unrealized gain (loss)	1,455	1,758	2,231
Income tax benefit (expense)	(305 )	(183 )	(873 )
Portion attributable to noncontrolling interests	(2 )	(68 )	(61 )
Investments, net of tax	1,148	1,507	1,297
Ending balance	2,391	1,243	(264 )
Accumulated other comprehensive loss	\$(1,576,171 )	\$(1,094,784 )	\$(1,661,720 )

(1) As of August 31, 2018, \$6,313 of net losses is expected to be reclassified into net periodic pension expense recognized in cost of services, sales and marketing and general and administrative costs in the next twelve months

and \$27,316 of net losses is expected to be reclassified into non-operating expenses in the next 12 months.

(2) As of August 31, 2018, \$21,490 of net unrealized losses related to derivatives designated as cash flow hedges is expected to be reclassified into Cost of services in the next twelve months.

F- 18

---

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 4. PROPERTY AND EQUIPMENT

The components of Property and equipment, net were as follows:

	August 31, 2018	August 31, 2017
Buildings and land	\$60	\$3,162
Computers, related equipment and software	1,625,950	1,611,641
Furniture and fixtures	374,294	393,351
Leasehold improvements	1,125,814	1,044,590
Property and equipment, gross	3,126,118	3,052,744
Total accumulated depreciation	(1,862,098 )	(1,912,146 )
Property and equipment, net	\$1,264,020	\$1,140,598

Depreciation expense for fiscal 2018, 2017 and 2016 was \$423,471, \$362,817 and \$327,736, respectively.

## 5. BUSINESS COMBINATIONS AND DIVESTITURES

Business Combinations

Fiscal 2018

During fiscal 2018, we completed a number of individually immaterial acquisitions for total consideration of \$596,148, net of cash acquired. These acquisitions were completed primarily to expand our services and solutions offerings. In connection with these acquisitions, we recorded goodwill of \$431,087 and intangible assets of \$140,403. The intangible assets primarily consist of customer-related and contract-in-progress intangibles, which are being amortized over one to twelve years. The goodwill was allocated among the reportable operating segments and is partially deductible for U.S. federal income tax purposes.

Fiscal 2017

During fiscal 2017, we completed a number of individually immaterial acquisitions for total consideration of \$1,643,205, net of cash acquired. These acquisitions were completed primarily to expand our services and solutions offerings. In connection with these acquisitions, we recorded goodwill of \$1,350,969 and intangible assets of \$328,776. The intangible assets primarily consist of customer-related and contract-in-progress intangibles, which are being amortized over one to twelve years. The goodwill was allocated among the reportable operating segments and is partially deductible for U.S. federal income tax purposes.

Fiscal 2016

On October 20, 2015, we acquired Cloud Sherpas (through its holding company, Declarative Holdings, Inc.), a leader in cloud advisory and technology services, for approximately \$409,424, net of cash acquired. This acquisition enhances our ability to provide clients with cloud strategy and technology consulting, as well as cloud application implementation, integration and management services, and resulted in approximately 1,100 employees joining us. In connection with this acquisition, we recorded goodwill of \$385,337, which was allocated to all five reportable operating segments, and intangible assets of \$66,522, primarily related to customer-related intangibles. The goodwill is non-deductible for U.S. federal income tax purposes. The intangible assets are being amortized over one to seven years. The pro forma effects of this acquisition on our operations were not material.

During fiscal 2016, we also completed other individually immaterial acquisitions for total consideration of \$458,892, net of cash acquired. These acquisitions were completed primarily to expand our services and solutions offerings. In connection with these acquisitions, we recorded goodwill of \$382,326 and intangible assets of \$109,981. The intangible assets primarily consist of customer-related and technology intangibles, which are being amortized over one to ten years. The goodwill was allocated among the reportable operating segments and is partially deductible for U.S. federal income tax purposes.



Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Divestitures

## Fiscal 2016

On January 26, 2016, we completed the sale of Navitaire LLC (“Navitaire”), a wholly owned subsidiary that provides technology and business solutions to the airline industry, to Amadeus IT Group, S.A. (“Amadeus”). Concurrent with the sale, we also entered into several arrangements to provide services to Amadeus, principally infrastructure outsourcing, over five years. We received a total of \$825,644, net of transaction costs and cash divested, of which \$214,500 was recorded as deferred revenue attributable to arrangements to provide services to Amadeus. In connection with the sale of Navitaire, we recorded a gain of \$547,584 (reported in “Gain on sale of businesses” in the Consolidated Income Statements) and recorded related income taxes of \$55,759. Approximately 600 Navitaire employees transferred to Amadeus as a part of this sale.

On August 1, 2016, we completed the transfer of our Duck Creek business to Apex Partners LLP in exchange for \$196,198, net of transaction costs and cash divested, and a 40% non-controlling interest in the newly formed joint venture, Duck Creek Technologies LLC (“Duck Creek”). Duck Creek’s business is to accelerate the innovation of claims, billing and policy administration software for the insurance industry. In connection with the transaction, which resulted in the recording of the retained non-controlling interest at fair value, we recorded a gain of \$301,239 (reported in “Gain on sale of businesses” in the Consolidated Income Statements) and related income tax expense of \$48,286. The fair value of our retained interest in Duck Creek was calculated based on the terms of the transfer and other factors related to the valuation of the non-controlling interest. Approximately 1,000 employees moved to Duck Creek as a part of this transaction.

## 6. GOODWILL AND INTANGIBLE ASSETS

## Goodwill

The changes in the carrying amount of goodwill by reportable operating segment were as follows:

	August 31, 2016	Additions/ Adjustments	Foreign Currency Translation	August 31, 2017	Additions/ Adjustments	Foreign Currency Translation	August 31, 2018
Communications, Media & Technology	\$546,566	\$220,406	\$8,830	\$775,802	\$98,223	\$(8,516)	\$865,509
Financial Services	854,376	280,569	16,079	1,151,024	32,390	(21,348)	1,162,066
Health & Public Service	715,849	214,316	4,209	934,374	27,816	(3,142)	959,048
Products	1,112,991	564,519	20,630	1,698,140	270,701	(20,440)	1,948,401
Resources	379,655	56,447	6,910	443,012	13,163	(8,187)	447,988
Total	\$3,609,437	\$1,336,257	\$56,658	\$5,002,352	\$442,293	\$(61,633)	\$5,383,012

Goodwill includes immaterial adjustments related to prior period acquisitions.

## Intangible Assets

Our definite-lived intangible assets by major asset class were as follows:

Intangible Asset Class	August 31, 2017			August 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer-related	\$809,683	\$(235,315)	\$574,368	\$862,418	\$(299,702)	\$562,716
Technology	108,929	(65,453)	43,476	94,844	(55,690)	39,154
Patents	124,669	(62,543)	62,126	128,179	(66,659)	61,520
Other	52,342	(21,930)	30,412	50,490	(26,770)	23,720
Total	\$1,095,623	\$(385,241)	\$710,382	\$1,135,931	\$(448,821)	\$687,110





Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Total amortization related to our intangible assets was \$170,187, \$149,417 and \$117,882 for fiscal 2018, 2017 and 2016, respectively. Estimated future amortization related to intangible assets held at August 31, 2018 is as follows:

Fiscal Year	Estimated Amortization
2019	\$ 142,050
2020	120,026
2021	107,162
2022	90,993
2023	77,285
Thereafter	149,594
Total	\$ 687,110

**7. DERIVATIVE FINANCIAL INSTRUMENTS**

In the normal course of business, we use derivative financial instruments to manage foreign currency exchange rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored using techniques such as market value and sensitivity analyses. We do not enter into derivative transactions for trading purposes. We classify cash flows from our derivative programs as cash flows from operating activities in the Consolidated Cash Flows Statements.

Certain derivatives give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to us, and the maximum amount of loss due to credit risk, based on the gross fair value of our derivative financial instruments that are in an asset position, was \$59,145 as of August 31, 2018.

We utilize standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. These provisions may reduce our potential overall loss resulting from the insolvency of a counterparty and reduce a counterparty's potential overall loss resulting from our insolvency. Additionally, these agreements contain early termination provisions triggered by adverse changes in a counterparty's credit rating, thereby enabling us to accelerate settlement of a transaction prior to its contractual maturity and potentially decrease our realized loss on an open transaction. Similarly, a decrement in our credit rating could trigger a counterparty's early termination rights, thereby enabling a counterparty to accelerate settlement of a transaction prior to its contractual maturity and potentially increase our realized loss on an open transaction. The aggregate fair value of our derivative instruments with credit-risk-related contingent features that were in a liability position as of August 31, 2018 was \$140,690.

Our derivative financial instruments consist of deliverable and non-deliverable foreign currency forward contracts. Fair values for derivative financial instruments are based on prices computed using third-party valuation models and are classified as Level 2 in accordance with the three-level hierarchy of fair value measurements. All of the significant inputs to the third-party valuation models are observable in active markets. Inputs include current market-based parameters such as forward rates, yield curves and credit default swap pricing. For additional information related to the three-level hierarchy of fair value measurements, see Note 10 (Retirement and Profit Sharing Plans) to these Consolidated Financial Statements.

**Cash Flow Hedges**

Certain of our subsidiaries are exposed to currency risk through their use of our global delivery resources. To mitigate this risk, we use foreign currency forward contracts to hedge the foreign exchange risk of the forecasted intercompany expenses denominated in foreign currencies for up to three years in the future. We have designated these derivatives as cash flow hedges. As of August 31, 2018 and 2017, we held no derivatives that were designated as fair value or net investment hedges.

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, our risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly

F- 21

---

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. We assess the ongoing effectiveness of our hedges using the Hypothetical Derivative Method, which measures hedge ineffectiveness based on a comparison of the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a hypothetical derivative. The hypothetical derivative would have terms that identically match the critical terms of the hedged item. We measure and record hedge ineffectiveness at the end of each fiscal quarter.

For a cash flow hedge, the effective portion of the change in estimated fair value of a hedging instrument is recorded in Accumulated other comprehensive loss as a separate component of Shareholders' Equity and is reclassified into Cost of services in the Consolidated Income Statement during the period in which the hedged transaction is recognized. The amounts related to derivatives designated as cash flow hedges that were reclassified into Cost of services were a net gain of \$93,105, \$118,840 and \$23,004 during fiscal 2018, 2017 and 2016, respectively. The ineffective portion of the change in fair value of a cash flow hedge is recognized immediately in Other income (expense), net in the Consolidated Income Statement and for fiscal 2018, 2017 and 2016, was not material. In addition, we did not discontinue any cash flow hedges during fiscal 2018, 2017 or 2016.

Other Derivatives

We also use foreign currency forward contracts, which have not been designated as hedges, to hedge balance sheet exposures, such as intercompany loans. These instruments are generally short-term in nature, with typical maturities of less than one year, and are subject to fluctuations in foreign exchange rates. Realized gains or losses and changes in the estimated fair value of these derivatives were a net loss of \$114,076 for fiscal 2018, a net gain of \$66,748 for fiscal 2017, and a net loss of \$84,293 for fiscal 2016. Gains and losses on these contracts are recorded in Other income (expense), net in the Consolidated Income Statement and are offset by gains and losses on the related hedged items.

Fair Value of Derivative Instruments

The notional and fair values of all derivative instruments were as follows:

	August 31, 2018	August 31, 2017
<u>Assets</u>		
<u>Cash Flow Hedges</u>		
Other current assets	\$29,380	\$133,935
Other non-current assets	1,065	82,770
<u>Other Derivatives</u>		
Other current assets	28,700	11,470
Total assets	\$59,145	\$228,175
<u>Liabilities</u>		
<u>Cash Flow Hedges</u>		
Other accrued liabilities	\$50,870	\$21,632
Other non-current liabilities	64,365	17,244
<u>Other Derivatives</u>		
Other accrued liabilities	25,455	12,242
Total liabilities	\$140,690	\$51,118
Total fair value	\$(81,545 )	\$177,057
Total notional value	\$8,783,014	\$9,290,345



Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

We utilize standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for the set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. In the Consolidated Balance Sheets, we record derivative assets and liabilities at gross fair value. The potential effect of netting derivative assets against liabilities under the counterparty master agreements was as follows:

	August 31, 2018	August 31, 2017
Net derivative assets	\$ 23,599	\$ 189,066
Net derivative liabilities	105,144	12,009
Total fair value	\$(81,545 )	\$ 177,057

**8. BORROWINGS AND INDEBTEDNESS**

As of August 31, 2018, we had the following borrowing facilities, including the issuance of letters of credit, to support general working capital purposes:

	Facility Amount	Borrowings Under Facilities
Syndicated loan facility (1)	\$1,000,000	\$ —
Separate, uncommitted, unsecured multicurrency revolving credit facilities (2)	657,033	—
Local guaranteed and non-guaranteed lines of credit (3)	230,165	—
Total	\$1,887,198	\$ —

(1) This facility, which matures on December 22, 2020, provides unsecured, revolving borrowing capacity for general working capital purposes, including the issuance of letters of credit. Financing is provided under this facility at the (1) prime rate or at the London Interbank Offered Rate, plus a spread. We continue to be in compliance with relevant covenant terms. The facility is subject to annual commitment fees. As of August 31, 2018 and 2017, we had no borrowings under the facility.

(2) We maintain separate, uncommitted and unsecured multicurrency revolving credit facilities. These facilities provide local currency financing for the majority of our operations. Interest rate terms on the revolving facilities are at market rates prevailing in the relevant local markets. As of August 31, 2018 and 2017, we had no borrowings under these facilities.

(3) We also maintain local guaranteed and non-guaranteed lines of credit for those locations that cannot access our global facilities. As of August 31, 2018 and 2017, we had no borrowings under these various facilities.

Under the borrowing facilities described above, we had an aggregate of \$324,602 and \$195,998 of letters of credit outstanding as of August 31, 2018 and 2017, respectively. In addition, we had total outstanding debt of \$25,013 and \$25,070 as of August 31, 2018 and 2017, respectively. In the fourth quarter of fiscal 2017, we entered into agreements that will allow us to establish a commercial paper program for short-term borrowings of up to \$1 billion, backed by our syndicated loan facility.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 9. INCOME TAXES

	Fiscal		
	2018	2017	2016
Current taxes			
U.S. federal	\$70,050	\$152,002	\$314,121
U.S. state and local	3,574	17,269	38,255
Non-U.S.	1,425,875	1,175,962	835,653
Total current tax expense	1,499,499	1,345,233	1,188,029
Deferred taxes			
U.S. federal	219,034	(200,483 )	8,588
U.S. state and local	57,044	(26,069 )	1,056
Non-U.S.	(182,078 )	(137,581 )	56,296
Total deferred tax (benefit) expense	94,000	(364,133 )	65,940
Total	\$1,593,499	\$981,100	\$1,253,969

The components of Income before income taxes were as follows:

	Fiscal		
	2018	2017	2016
U.S. sources (1)	\$645,943	\$251,456	\$1,047,909
Non-U.S. sources	5,162,150	4,364,576	4,555,663
Total	\$5,808,093	\$4,616,032	\$5,603,572

(1)Includes U.S. pension settlement charge of \$509,793 for fiscal 2017.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Tax Act”), which significantly changed U.S. tax law. The Tax Act lowered the U.S. statutory federal income tax rate from 35% to 21%, effective January 1, 2018, resulting in a blended U.S. statutory federal income tax rate of 25.7% for our fiscal year ended August 31, 2018. Due to the recent enactment and the complexity involved in applying the provisions of the Tax Act, we had previously recorded provisional amounts in our financial statements. In the three months ended February 28, 2018, we recognized a provisional tax expense of \$136,724 primarily to remeasure our net deferred tax assets at the new, lower rates. In the three months ended May 31, 2018, we recorded an adjustment of \$40,927 to our provisional tax expense resulting from our continued analysis of the Tax Act. While we now consider our analysis of these items under the Tax Act to be complete, we have not yet made an accounting policy election to consider the taxes on our intercompany transactions in determining the amount of our valuation allowance.





Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

The reconciliation of the U.S. federal statutory income tax rate to our effective income tax rate was as follows:

	Fiscal		
	2018	2017	2016
U.S. federal statutory income tax rate	25.7 %	35.0 %	35.0 %
U.S. state and local taxes, net	1.1	1.3	1.1
Non-U.S. operations taxed at lower rates	(6.1 )	(16.3 )	(12.6 )
Final determinations (1)	(1.9 )	(3.6 )	(2.1 )
Other net activity in unrecognized tax benefits	5.8	8.4	2.7
Divestitures	—	—	(3.4 )
Excess tax benefits from share based payments	(2.3 )	(2.7 )	—
Changes in tax laws and rates	4.4	(1.5 )	—
Other, net	0.7	0.7	1.7
Effective income tax rate	27.4 %	21.3 %	22.4 %

(1) Final determinations include final agreements with tax authorities and expirations of statutes of limitations.

As of August 31, 2018, we had not recognized a deferred tax liability on \$1,082,198 of undistributed earnings for certain foreign subsidiaries, because these earnings are intended to be indefinitely reinvested. If such earnings were distributed, some countries may impose additional taxes. The unrecognized deferred tax liability (the amount payable if distributed) is approximately \$131,000.

Portions of our operations are subject to reduced tax rates or are free of tax under various tax holidays which expire between fiscal 2019 and 2022. Some of the holidays are renewable at reduced levels, under certain conditions, with possible renewal periods through 2032. The income tax benefits attributable to the tax status of these subsidiaries were estimated to be approximately \$103,000, \$95,000 and \$100,000 in fiscal 2018, 2017 and 2016, respectively.

F- 25

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Changes in tax laws and tax rates decreased our net deferred tax assets by \$247,216 in fiscal 2018 and increased our net deferred tax assets by \$68,724 in fiscal 2017.

The components of our deferred tax assets and liabilities included the following:

	August 31, 2018	August 31, 2017
Deferred tax assets		
Pensions	\$254,268	\$294,850
Revenue recognition	110,424	163,393
Compensation and benefits	517,850	734,373
Share-based compensation	259,276	293,546
Tax credit carryforwards	400,253	1,419,506
Net operating loss carryforwards	119,130	204,803
Depreciation and amortization	97,459	97,076
Deferred amortization deductions	728,564	705,495
Indirect effects of unrecognized tax benefits	355,152	343,832
Other	150,740	122,590
	2,993,116	4,379,464
Valuation allowance	(451,775 )	(1,564,554 )
Total deferred tax assets	2,541,341	2,814,910
Deferred tax liabilities		
Revenue recognition	(66,128 )	(80,683 )
Depreciation and amortization	(214,396 )	(228,166 )
Investments in subsidiaries	(138,417 )	(202,359 )
Other	(161,322 )	(225,899 )
Total deferred tax liabilities	(580,263 )	(737,107 )
Net deferred tax assets	\$1,961,078	\$2,077,803

We recorded valuation allowances of \$451,775 and \$1,564,554 as of August 31, 2018 and 2017, respectively, against deferred tax assets principally associated with certain tax credit and tax net operating loss carryforwards, as we believe it is more likely than not that these assets will not be realized. For all other deferred tax assets, we believe it is more likely than not that the results of future operations will generate sufficient taxable income to realize these deferred tax assets. During fiscal 2018, we recorded a net decrease of \$1,112,779 in the valuation allowance. Substantially all of this change related to the write-off of certain tax credit carryforwards for which we had a full valuation allowance. During fiscal 2017, we recorded a net increase of \$321,347 in the valuation allowance. The majority of this change related to valuation allowances on certain tax credit carryforwards, as we believed it was more likely than not that these assets would not be realized.

We had tax credit carryforwards as of August 31, 2018 of \$400,253, of which \$19,976 will expire between 2019 and 2028, \$1,838 will expire between 2029 and 2038, and \$378,439 has an indefinite carryforward period. We had net operating loss carryforwards as of August 31, 2018 of \$478,274. Of this amount, \$216,476 expires between 2019 and 2028, \$11,080 expires between 2029 and 2038, and \$250,718 has an indefinite carryforward period.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

As of August 31, 2018, we had \$1,210,520 of unrecognized tax benefits, of which \$818,638, if recognized, would favorably affect our effective tax rate. As of August 31, 2017, we had \$945,850 of unrecognized tax benefits, of which \$609,555, if recognized, would favorably affect our effective tax rate. The remaining unrecognized tax benefits as of August 31, 2018 and 2017 of \$391,882 and \$336,295, respectively, represent items recorded as offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits was as follows:

	Fiscal	
	2018	2017
Balance, beginning of year	\$945,850	\$985,755
Additions for tax positions related to the current year	349,343	204,321
Additions for tax positions related to prior years	317,215	254,274
Reductions for tax positions related to prior years	(284,711 )	(250,135 )
Statute of limitations expirations	(37,050 )	(41,544 )
Settlements with tax authorities	(68,605 )	(221,999 )
Foreign currency translation	(11,522 )	15,178
Balance, end of year	\$1,210,520	\$945,850

We recognize interest and penalties related to unrecognized tax benefits in the Provision for income taxes. During fiscal 2018, 2017 and 2016, we recognized expense of \$37,230, \$37,350 and \$8,681 in interest and penalties, respectively. Accrued interest and penalties related to unrecognized tax benefits of \$125,886 (\$114,631, net of tax benefits) and \$98,204 (\$87,417, net of tax benefits) were reflected on our Consolidated Balance Sheets as of August 31, 2018 and 2017, respectively.

We are currently under audit by the U.S. Internal Revenue Service for fiscal 2016. We are also currently under audit in numerous state and non-U.S. tax jurisdictions. Although the outcome of tax audits is always uncertain and could result in significant cash tax payments, we do not believe the outcome of these audits will have a material adverse effect on our consolidated financial position or results of operations. With limited exceptions, we are no longer subject to income tax audits by taxing authorities for the years before 2009. We believe that it is reasonably possible that our unrecognized tax benefits could decrease by approximately \$486,000 or increase by approximately \$219,000 in the next 12 months as a result of settlements, lapses of statutes of limitations, tax audit activity and other adjustments. The majority of these amounts relate to transfer pricing matters in both U.S. and non-U.S. tax jurisdictions.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 10. RETIREMENT AND PROFIT SHARING PLANS

## Defined Benefit Pension and Postretirement Plans

In the United States and certain other countries, we maintain and administer defined benefit retirement plans and postretirement medical plans for certain current, retired and resigned employees. In addition, our U.S. defined benefit pension plans include a frozen plan for former pre-incorporation partners, which is unfunded. Benefits under the employee retirement plans are primarily based on years of service and compensation during the years immediately preceding retirement or termination of participation in the plan. The defined benefit pension disclosures include our U.S. and material non-U.S. defined benefit pension plans.

## Assumptions

The weighted-average assumptions used to determine the defined benefit pension obligations as of August 31 and the net periodic pension expense were as follows:

	Pension Plans						Postretirement Plans		
	August 31, 2018		August 31, 2017		August 31, 2016		August 31, 2018	August 31, 2017	August 31, 2016
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. and Non-U.S. Plans	U.S. and Non-U.S. Plans	U.S. and Non-U.S. Plans
Discount rate for determining projected benefit obligation	4.00%	3.29%	3.75%	2.83%	3.50%	2.40%	3.98%	3.73%	3.51%
Discount rate for determining net periodic pension expense	3.75%	2.83%	3.50%	2.40%	4.50%	3.47%	3.73%	3.51%	4.46%
Long term rate of return on plan assets	4.25%	3.56%	4.25%	3.52%	4.75%	3.99%	3.64%	4.13%	4.54%
Rate of increase in future compensation for determining projected benefit obligation	2.23%	3.67%	2.25%	3.63%	2.57%	3.47%	N/A	N/A	N/A
Rate of increase in future compensation for determining net periodic pension expense	2.25%	3.63%	2.57%	3.47%	3.60%	3.56%	N/A	N/A	N/A

We utilize a full yield curve approach to estimate the service and interest cost components by applying specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This approach provides a correlation between projected benefit cash flows and the corresponding yield curve spot rates and provides a precise measurement of service and interest costs. The discount rate assumptions are based on the expected duration of the benefit payments for each of our defined benefit pension and postretirement plans as of the annual measurement date and are subject to change each year.

The expected long-term rate of return on plan assets should, over time, approximate the actual long-term returns on defined benefit pension and postretirement plan assets and is based on historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the asset portfolio.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Assumed U.S. Health Care Cost Trend

Our U.S. postretirement plan assumed annual rate of increase in the per capita cost of health care benefits is 6.9% for the plan year ending June 30, 2019. The rate is assumed to decrease on a straight-line basis to 4.5% for the plan year ending June 30, 2038 and remain at that level thereafter. A one percentage point increase in the assumed health care cost trend rates would increase the benefit obligation by \$79,766, while a one percentage point decrease would reduce the benefit obligation by \$62,785.

U.S. Defined Benefit Pension Plan Settlement Charges

In May 2017, we settled our U.S. pension plan obligations. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. As a result of the settlement, we were relieved of any further obligation under our U.S. pension plan. During fiscal 2017, we recorded a pension settlement charge of \$509,793, and related income tax benefits of \$198,219. The charge primarily consisted of unrecognized actuarial losses of \$460,908 previously included in Accumulated other comprehensive loss. In connection with the settlement, we made a \$118,500 cash contribution (\$48,885 related to additional actuarial losses and \$69,615 to fund previously recorded pension liabilities). In connection with the plan termination, we created a separate defined benefit plan, with substantially the same terms as the terminated plan, for approximately 600 active employees who are currently eligible to accrue benefits.

Pension and Postretirement Expense

Pension expense for fiscal 2018, 2017 and 2016 was \$125,320, \$622,302(including the above noted settlement charge) and \$94,827, respectively. Postretirement expense for fiscal 2018, 2017 and 2016 was not material to our Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Benefit Obligation, Plan Assets and Funded Status

The changes in the benefit obligations, plan assets and funded status of our pension and postretirement benefit plans for fiscal 2018 and 2017 were as follows:

	Pension Plans				Postretirement Plans	
	August 31, 2018		August 31, 2017		August 31, 2018	August 31, 2017
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. and Non-U.S. Plans	U.S. and Non-U.S. Plans
Reconciliation of benefit obligation						
Benefit obligation, beginning of year	\$342,863	\$ 1,816,462	\$2,030,006	\$ 1,758,110	\$529,680	\$500,964
Service cost	4,233	81,840	7,380	82,727	20,929	19,898
Interest cost	10,626	46,993	48,354	36,906	17,537	15,270
Participant contributions	—	12,189	—	11,832	—	—
Acquisitions/divestitures/transfers	—	(121	) —	15,664	—	—
Amendments	—	28,696	—	(847	) —	—
Curtailement	—	(4,946	) —	—	(2,782	) —
Pension settlement	4,289	(70,124	) (1,612,824	) —	—	—
Actuarial (gain) loss	(16,149	) (25,942	) (80,507	) (76,066	) (18,001	) 5,084
Benefits paid	(13,946	) (69,841	) (49,546	) (47,233	) (10,499	) (13,047
Exchange rate impact	—	(42,494	) —	35,369	(1,232	) 1,511
Benefit obligation, end of year	\$331,916	\$ 1,772,712	\$342,863	\$ 1,816,462	\$535,632	\$529,680
Reconciliation of fair value of plan assets						
Fair value of plan assets, beginning of year	\$204,629	\$ 1,154,128	\$ 1,801,435	\$ 1,081,154	\$26,541	\$27,130
Actual return on plan assets	(5,278	) 6,792	(63,919	) 42,417	(505	) (38
Acquisitions/divestitures/transfers	—	—	—	818	—	—
Employer contributions	20,882	109,292	129,483	67,300	13,176	12,496
Participant contributions	—	12,189	—	11,832	—	—
Pension settlement	4,289	(71,562	) (1,612,824	) —	—	—
Benefits paid	(13,946	) (69,841	) (49,546	) (47,233	) (10,499	) (13,047
Exchange rate impact	—	(13,622	) —	(2,160	) —	—
Fair value of plan assets, end of year	\$210,576	\$ 1,127,376	\$204,629	\$ 1,154,128	\$28,713	\$26,541
Funded status, end of year	\$(121,340)	\$(645,336	) \$(138,234	) \$(662,334	) \$(506,919)	\$(503,139)
Amounts recognized in the Consolidated Balance Sheets						
Non-current assets	\$6,757	\$ 106,621	\$2,127	\$ 64,461	\$—	\$—
Current liabilities	(10,854	) (27,306	) (11,047	) (21,015	) (1,856	) (1,659
Non-current liabilities	(117,243	) (724,651	) (129,314	) (705,780	) (505,063	) (501,480
Funded status, end of year	\$(121,340)	\$(645,336	) \$(138,234	) \$(662,334	) \$(506,919)	\$(503,139)

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Accumulated Other Comprehensive Loss

The pre-tax accumulated net loss and prior service (credit) cost recognized in Accumulated other comprehensive loss as of August 31, 2018 and 2017 was as follows:

	Pension Plans		Postretirement Plans	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Net loss	\$ 105,580	\$ 357,250	\$ 112,015	\$ 386,428
Prior service (credit) cost	—	22,293	—	(5,222 )
Accumulated other comprehensive loss, pre-tax	\$ 105,580	\$ 379,543	\$ 112,015	\$ 381,206

## Funded Status for Defined Benefit Plans

The accumulated benefit obligation for defined benefit pension plans as of August 31, 2018 and 2017 was as follows:

	August 31, 2018		August 31, 2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Accumulated benefit obligation	\$ 325,152	\$ 1,614,649	\$ 333,588	\$ 1,651,869

The following information is provided for defined benefit pension plans and postretirement plans with projected benefit obligations in excess of plan assets and for defined benefit pension plans with accumulated benefit obligations in excess of plan assets as of August 31, 2018 and 2017:

	Pension Plans		Postretirement Plans	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation in excess of plan assets	\$ 128,097	\$ 1,009,762	\$ 342,863	\$ 1,037,634
Projected benefit obligation	—	257,805	202,502	310,839
Fair value of plan assets			\$ 535,632	\$ 529,680
			28,713	26,541

	August 31, 2018		August 31, 2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Accumulated benefit obligation in excess of plan assets	\$ 128,097	\$ 848,217	\$ 138,476	\$ 810,330
Accumulated benefit obligation	—	220,220	—	208,559
Fair value of plan assets				

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Investment Strategies

## U.S. Pension Plans

The overall investment objective of the defined benefit pension plans is to match the duration of the plans' assets to the plans' liabilities while managing risk in order to meet current defined benefit pension obligations. The plans' future prospects, their current financial conditions, our current funding levels and other relevant factors suggest that the plans can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives without undue risk to the plans' ability to meet their current benefit obligations. We recognize that asset allocation of the defined benefit pension plans' assets is an important factor in determining long-term performance. Actual asset allocations at any point in time may vary from the target asset allocations and will be dictated by current and anticipated market conditions, required cash flows and investment decisions of the investment committee and the pension plans' investment funds and managers. Ranges are established to provide flexibility for the asset allocation to vary around the targets without the need for immediate rebalancing.

## Non-U.S. Pension Plans

Plan assets in non-U.S. defined benefit pension plans conform to the investment policies and procedures of each plan and to relevant legislation. The pension committee or trustee of each plan regularly, but at least annually, reviews the investment policy and the performance of the investment managers. In certain countries, the trustee is also required to consult with us. Asset allocation decisions are made to provide risk adjusted returns that align with the overall investment strategy for each plan. Generally, the investment return objective of each plan is to achieve a total annualized rate of return that exceeds inflation over the long term by an amount based on the target asset allocation mix of that plan. In certain countries, plan assets are invested in funds that are required to hold a majority of assets in bonds, with a smaller proportion in equities. Also, certain plan assets are entirely invested in contracts held with the plan insurer, which determines the strategy. Defined benefit pension plans in certain countries are unfunded.

## Risk Management

Plan investments are exposed to risks including market, interest rate and operating risk. In order to mitigate significant concentrations of these risks, the assets are invested in a diversified portfolio primarily consisting of fixed income instruments and equities. To minimize asset volatility relative to the liabilities, plan assets allocated to debt securities appropriately match the duration of individual plan liabilities. Equities are diversified between U.S. and non-U.S. index funds and are intended to achieve long term capital appreciation. Plan asset allocation and investment managers' guidelines are reviewed on a regular basis.

## Plan Assets

Our target allocation for fiscal 2019 and weighted-average plan assets allocations as of August 31, 2018 and 2017 by asset category for defined benefit pension plans were as follows:

Asset Category	2019 Target		2018		2017	
	Allocation					
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Equity securities	— %	26 %	— %	20 %	— %	30 %
Debt securities	100	52	94	57	94	58
Cash and short-term investments	—	2	6	2	6	2
Insurance contracts	—	17	—	17	—	6
Other	—	3	—	4	—	4
Total	100%	100 %	100%	100 %	100%	100 %



Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The three-level hierarchy of fair value measurements is based on whether the inputs to those measurements are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair-value hierarchy requires the use of observable market data when available and consists of the following levels:

Level 1—Quoted prices for identical instruments in active markets;

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and

Level 3—Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The fair values of defined benefit pension and postretirement plan assets as of August 31, 2018 were as follows:

## Non-U.S. Plans

	Level 1	Level 2	Level 3	Total
Equity				
Mutual fund equity securities	\$—	\$222,061	\$—	\$222,061
Fixed Income				
Non-U.S. government debt securities	117,389	—	—	117,389
Mutual fund debt securities	4	535,092	—	535,096
Cash and short-term investments	17,687	5,502	—	23,189
Insurance contracts	—	72,820	114,960	187,780
Other	—	41,861	—	41,861
Total	\$135,080	\$877,336	\$114,960	\$1,127,376

There were no transfers between Levels 1 and 2 during fiscal 2018. The level 3 assets are invested in an insurance buy-in contract in a Non-U.S. plan. The fair value of the assets is set to an actuarially calculated present value of the underlying liabilities.

The U.S. Plans have \$239,289 in Level 2 assets, primarily made up of U.S. corporate debt securities of \$136,814 and U.S. government, state and local debt securities of \$58,239.

The following table provides a reconciliation of the beginning and ending balances of Level 3 assets for fiscal 2018:

Level 3 Assets	Fiscal 2018
Beginning balance	\$—
Purchases, sales and settlements	130,543
Changes in fair value	(15,583 )
Ending Balance	\$114,960

## Expected Contributions

Generally, annual contributions are made at such times and in amounts as required by law and may, from time to time, exceed minimum funding requirements. We estimate we will pay approximately \$93,973 in fiscal 2019 related to contributions to our U.S. and non-U.S. defined benefit pension plans and benefit payments related to the unfunded frozen plan for former pre-incorporation partners. We have not determined whether we will make additional voluntary



Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

contributions for our defined benefit pension plans. Our postretirement plan contributions in fiscal 2019 are not expected to be material to our Consolidated Financial Statements.

**Estimated Future Benefit Payments**

Benefit payments for defined benefit pension plans and postretirement plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Plans		Postretirement Plans
	U.S. Plans	Non-U.S. Plans	U.S. and Non-U.S. Plans
2019	\$ 14,168	\$ 61,593	\$ 14,052
2020	15,013	72,592	15,879
2021	15,795	82,049	17,811
2022	16,621	88,100	19,823
2023	17,317	103,213	22,458
2024-2028	96,921	522,427	150,083

**Defined Contribution Plans**

In the United States and certain other countries, we maintain and administer defined contribution plans for certain current, retired and resigned employees. Total expenses recorded for defined contribution plans were \$485,736, \$454,124 and \$419,932 in fiscal 2018, 2017 and 2016, respectively.

**11. SHARE-BASED COMPENSATION****Share Incentive Plans**

The Amended and Restated Accenture plc 2010 Share Incentive Plan, as amended and approved by our shareholders in 2018 (the “Amended 2010 SIP”), is administered by the Compensation Committee of the Board of Directors of Accenture and provides for the grant of nonqualified share options, incentive stock options, restricted share units and other share-based awards. A maximum of 99,000,000 Accenture plc Class A ordinary shares are currently authorized for awards under the Amended 2010 SIP. As of August 31, 2018, there were 24,266,070 shares available for future grants. Accenture plc Class A ordinary shares covered by awards that terminate, lapse or are cancelled may again be used to satisfy awards under the Amended 2010 SIP. We issue new Accenture plc Class A ordinary shares and shares from treasury for shares delivered under the Amended 2010 SIP.

A summary of information with respect to share-based compensation is as follows:

	Fiscal		
	2018	2017	2016
Total share-based compensation expense included in Net income	\$976,908	\$795,235	\$758,176
Income tax benefit related to share-based compensation included in Net income (1)	404,124	349,114	236,423

Prior to the adoption of ASU 2016-09 excess tax benefits for share-based compensation were not recognized in the (1) provision for income taxes. Therefore, fiscal 2016 excludes \$92,285 of excess tax benefits from the income tax provision.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Restricted Share Units

Under the Amended 2010 SIP, participants may be, and previously under the predecessor 2001 Share Incentive Plan were, granted restricted share units, each of which represent an unfunded, unsecured right to receive an Accenture plc Class A ordinary share on the date specified in the participant's award agreement. The fair value of the awards is based on our stock price on the date of grant. The restricted share units granted under these plans are subject to cliff or graded vesting, generally ranging from two to seven years. For awards with graded vesting, compensation expense is recognized over the vesting term of each separately vesting portion. Compensation expense is recognized on a straight-line basis for awards with cliff vesting. Restricted share unit activity during fiscal 2018 was as follows:

	Number of Restricted Share Units	Weighted Average Grant-Date Fair Value
Nonvested balance as of August 31, 2017	21,029,042	\$ 101.88
Granted (1)	8,166,416	153.33
Vested (2)	(8,692,766	) 96.86
Forfeited	(1,424,085	) 109.83
Nonvested balance as of August 31, 2018	19,078,607	\$ 125.59

(1) The weighted average grant-date fair value for restricted share units granted for fiscal 2018, 2017 and 2016 was \$153.33, \$117.72 and \$105.16, respectively.

(2) The total grant-date fair value of restricted share units vested for fiscal 2018, 2017 and 2016 was \$842,002, \$726,324 and \$796,620, respectively.

As of August 31, 2018, there was \$924,824 of total unrecognized restricted share unit compensation expense related to nonvested awards, which is expected to be recognized over a weighted average period of 1.2 years. As of August 31, 2018, there were 598,447 restricted share units vested but not yet delivered as Accenture plc Class A ordinary shares.

## Stock Options

There were no stock options granted during fiscal 2018, 2017 or 2016. As of August 31, 2018 we had 12,274 stock options outstanding and exercisable at a weighted average exercise price of \$39.46 and a weighted average remaining contractual term of 1.2 years.

## Employee Share Purchase Plan

## 2010 ESPP

The Amended and Restated Accenture plc 2010 Employee Share Purchase Plan (the "2010 ESPP") is a nonqualified plan that provides eligible employees of Accenture plc and its designated affiliates with an opportunity to purchase Accenture plc Class A ordinary shares through payroll deductions. Under the 2010 ESPP, eligible employees may purchase Accenture plc Class A ordinary shares through the Employee Share Purchase Plan (the "ESPP") or the Voluntary Equity Investment Program (the "VEIP"). Under the ESPP, eligible employees may elect to contribute 1% to 10% of their eligible compensation during each semi-annual offering period (up to \$7.5 per offering period) to purchase Accenture plc Class A ordinary shares at a discount. Under the VEIP, eligible members of Accenture Leadership may elect to contribute up to 30% of their eligible compensation towards the monthly purchase of Accenture plc Class A ordinary shares at fair market value. At the end of the VEIP program year, Accenture Leadership participants who did not withdraw from the program will be granted restricted share units under the Amended 2010 SIP equal to 50% of the number of shares purchased during that year and held by the participant as of the grant date.

A maximum of 90,000,000 Accenture plc Class A ordinary shares may be issued under the 2010 ESPP. As of August 31, 2018, we had issued 54,111,908 Accenture plc Class A ordinary shares under the 2010 ESPP. We issued 5,428,356, 6,103,977 and 5,850,113 shares to employees in fiscal 2018, 2017 and 2016, respectively, under the 2010 ESPP.



Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

12. SHAREHOLDERS' EQUITY

Accenture plc

Ordinary Shares

We have 40,000 authorized ordinary shares, par value €1 per share. Each ordinary share of Accenture plc entitles its holder to receive payments upon a liquidation of Accenture plc; however a holder of an ordinary share is not entitled to vote on matters submitted to a vote of shareholders of Accenture plc or to receive dividends.

Class A Ordinary Shares

An Accenture plc Class A ordinary share entitles its holder to one vote per share, and holders of those shares do not have cumulative voting rights. Each Class A ordinary share entitles its holder to a pro rata part of any dividend at the times and in the amounts, if any, which Accenture plc's Board of Directors from time to time determines to declare, subject to any preferred dividend rights attaching to any preferred shares. Each Class A ordinary share is entitled on a winding-up of Accenture plc to be paid a pro rata part of the value of the assets of Accenture plc remaining after payment of its liabilities, subject to any preferred rights on liquidation attaching to any preferred shares.

Class X Ordinary Shares

Most of our partners who received Accenture Canada Holdings Inc. exchangeable shares in connection with our transition to a corporate structure received a corresponding number of Accenture plc Class X ordinary shares. An Accenture plc Class X ordinary share entitles its holder to one vote per share, and holders of those shares do not have cumulative voting rights. A Class X ordinary share does not entitle its holder to receive dividends, and holders of those shares are not entitled to be paid any amount upon a winding-up of Accenture plc. Accenture plc may redeem, at its option, any Class X ordinary share for a redemption price equal to the par value of the Class X ordinary share. Accenture plc has separately agreed with the original holders of Accenture Canada Holdings Inc. exchangeable shares not to redeem any Class X ordinary share of such holder if the redemption would reduce the number of Class X ordinary shares held by that holder to a number that is less than the number of Accenture Canada Holdings Inc. exchangeable shares owned by that holder, as the case may be. Accenture plc will redeem Class X ordinary shares upon the redemption or exchange of Accenture Canada Holdings Inc. exchangeable shares so that the aggregate number of Class X ordinary shares outstanding at any time does not exceed the aggregate number of Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

Equity of Subsidiaries Redeemable or Exchangeable for Accenture plc Class A Ordinary Shares

Accenture Canada Holdings Inc. Exchangeable Shares

Partners resident in Canada and New Zealand received Accenture Canada Holdings Inc. exchangeable shares in connection with our transition to a corporate structure. Holders of Accenture Canada Holdings Inc. exchangeable shares may exchange their shares for Accenture plc Class A ordinary shares at any time on a one-for-one basis. We may, at our option, satisfy this exchange with cash at a price per share generally equal to the market price of an Accenture plc Class A ordinary share at the time of the exchange. Each exchangeable share of Accenture Canada Holdings Inc. entitles its holder to receive distributions equal to any distributions to which an Accenture plc Class A ordinary share entitles its holder.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 13. MATERIAL TRANSACTIONS AFFECTING SHAREHOLDERS' EQUITY

## Share Purchases and Redemptions

The Board of Directors of Accenture plc has authorized funding for our publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares and for purchases and redemptions of Accenture plc Class A ordinary shares and Accenture Canada Holdings Inc. exchangeable shares, and prior to March 13, 2018, Accenture Holdings plc ordinary shares, held by current and former members of Accenture Leadership and their permitted transferees. As of August 31, 2018, our aggregate available authorization was \$950,443 for our publicly announced open-market share purchase and these other share purchase programs.

Our share purchase activity during fiscal 2018 was as follows:

	Accenture plc Class A Ordinary Shares		Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares (3)	
	Shares	Amount	Shares	Amount
Open-market share purchases (1)	13,618,163	\$2,083,762	—	\$ —
Other share purchase programs	—	—	571,134	85,010
Other purchases (2)	3,088,027	470,322	—	—
Total	16,706,190	\$2,554,084	571,134	\$ 85,010

We conduct a publicly announced open-market share purchase program for Accenture plc Class A ordinary shares. (1) These shares are held as treasury shares by Accenture plc and may be utilized to provide for select employee benefits, such as equity awards to our employees.

During fiscal 2018, as authorized under our various employee equity share plans, we acquired Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former (2) employees in connection with the delivery of Accenture plc Class A ordinary shares under those plans. These purchases of shares in connection with employee share plans do not affect our aggregate available authorization for our publicly announced open-market share purchase and the other share purchase programs.

In connection with the internal merger described in Note 1 (Summary of Significant Accounting Policies) in which Accenture Holdings plc merged with and into Accenture plc, shareholders of Accenture Holdings plc received one (3) Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, after which Accenture Holdings plc ceased to exist. Accordingly, as of March 13, 2018, there were no longer any ordinary shares of Accenture Holdings plc outstanding.

## Other Share Redemptions

During fiscal 2018, we issued 25,906,176 Accenture plc Class A ordinary shares. The merger, described in Note 1 (Summary of Significant Accounting Policies) resulted in 25,554,372 Accenture plc Class A ordinary shares being issued in exchange for Accenture Holdings plc shares on March 13, 2018. Additionally, prior to the merger, we issued 351,804 Accenture plc Class A ordinary shares upon redemptions of an equivalent number of Accenture Holdings plc ordinary shares pursuant to a registration statement on Form S-3 (the "registration statement"). Under the registration statement we, at our option, could issue freely tradable Accenture plc Class A ordinary shares in lieu of cash upon redemptions of Accenture Holdings plc ordinary shares held by current and former members of Accenture Leadership and their permitted transferees. In connection with the merger of Accenture Holdings plc with and into Accenture plc, we have terminated the registration statement.

## Cancellation of Treasury Shares

During fiscal 2018, we cancelled 11,620,621 Accenture plc Class A ordinary shares that were held as treasury shares and had an aggregate cost of \$1,582,067. The effect of the cancellation of these treasury shares was recognized in Class A ordinary shares and Additional paid-in capital with the residual recorded in Retained earnings. There was no effect on total shareholders' equity as a result of this cancellation.





Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Dividends

Our dividend activity during fiscal 2018 was as follows:

Dividend Payment Date	Dividend Per Share	Accenture plc Class A Ordinary Shares		Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares (1)		Total Cash Outlay
		Record Date	Cash Outlay	Record Date	Cash Outlay	
November 15, 2017	\$ 1.33	October 19, 2017	\$ 817,241	October 17, 2017	\$ 36,373	\$ 853,614
May 15, 2018	1.33	April 12, 2018	853,831	April 10, 2018	1,279	855,110
Total Dividends			\$ 1,671,072		\$ 37,652	\$ 1,708,724

The dividend for the three months ended May 31, 2018 included payments made to holders of Accenture Canada Holdings Inc. exchangeable shares while the dividend for the three months ended November 30, 2017 included (1) payments made to holders of both Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares. See Note 1 (Summary of Significant Accounting Policies) for additional information on Accenture Holdings plc.

The payment of the cash dividends also resulted in the issuance of an immaterial number of additional restricted share units to holders of restricted share units.

## Subsequent Events

On September 26, 2018, the Board of Directors of Accenture plc declared a semi-annual cash dividend of \$1.46 per share on its Class A ordinary shares for shareholders of record at the close of business on October 18, 2018 payable on November 15, 2018. The payment of the cash dividends will result in the issuance of an immaterial number of additional restricted share units to holders of restricted share units. In addition, on September 27, 2018, we announced that we are changing the frequency of any cash dividend payments to shareholders during fiscal 2020 from semi-annual to quarterly.

On September 26, 2018, the Board of Directors of Accenture plc approved \$5,000,000 in additional share repurchase authority bringing Accenture's total outstanding authority to \$5,950,443.

## 14. LEASE COMMITMENTS

We have operating leases, principally for office space, with various renewal options. Substantially all operating leases are non-cancelable or cancelable only by the payment of penalties. Rental expense in agreements with rent holidays and scheduled rent increases is recorded on a straight-line basis over the lease term. Rental expense, including operating costs and taxes, and sublease income from third parties during fiscal 2018, 2017 and 2016 was as follows:

	Fiscal		
	2018	2017	2016
Rental expense	\$653,531	\$617,014	\$578,149
Sublease income from third parties	(28,219 )	(28,992 )	(26,403 )

Table of Contents

Future minimum rental commitments under non-cancelable operating leases as of August 31, 2018 were as follows:

	Operating Lease Payments	Operating Sublease Income
2019	\$598,483	\$(28,083 )
2020	543,125	(24,115 )
2021	474,478	(17,221 )
2022	411,002	(7,932 )
2023	338,630	(7,661 )
Thereafter	1,285,763	(40,286 )
	\$3,651,481	\$(125,298)

## 15. COMMITMENTS AND CONTINGENCIES

### Commitments

We have the right to purchase at fair value, or if certain events occur may be required to purchase at fair value, the outstanding shares of our SinnerSchrader AG subsidiary. As of August 31, 2018, the fair value of the redeemable common stock of SinnerSchrader AG of \$46,703 was included in Other accrued liabilities in the Consolidated Balance Sheets.

During fiscal 2018, we purchased shares related to the remaining outstanding redeemable common stock and options on redeemable common stock of our Avanade Inc. subsidiary and eliminated the liability, which was \$52,996 as of August 31, 2017 and was included in Other accrued liabilities in the Consolidated Balance Sheets.

### Indemnifications and Guarantees

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients with respect to certain matters. These arrangements with clients can include provisions whereby we have joint and several liability in relation to the performance of certain contractual obligations along with third parties also providing services and products for a specific project. In addition, our consulting arrangements may include warranty provisions that our solutions will substantially operate in accordance with the applicable system requirements. Indemnification provisions are also included in arrangements under which we agree to hold the indemnified party harmless with respect to third-party claims related to such matters as title to assets sold or licensed or certain intellectual property rights.

Typically, we have contractual recourse against third parties for certain payments we made in connection with arrangements where third-party nonperformance has given rise to the client's claim. Payments we made under any of the arrangements described above are generally conditioned on the client making a claim, which may be disputed by us typically under dispute resolution procedures specified in the particular arrangement. The limitations of liability under these arrangements may be expressly limited or may not be expressly specified in terms of time and/or amount. As of August 31, 2018 and 2017, our aggregate potential liability to our clients for expressly limited guarantees involving the performance of third parties was approximately \$782,000 and \$697,000, respectively, of which all but approximately \$130,000 and \$149,000, respectively, may be recovered from the other third parties if we are obligated to make payments to the indemnified parties as a consequence of a performance default by the other third parties. For arrangements with unspecified limitations, we cannot reasonably estimate the aggregate maximum potential liability, as it is inherently difficult to predict the maximum potential amount of such payments, due to the conditional nature and unique facts of each particular arrangement.

To date, we have not been required to make any significant payment under any of the arrangements described above. We have assessed the current status of performance/payment risk related to arrangements with limited guarantees, warranty obligations, unspecified limitations and/or indemnification provisions and believe that any potential payments would be immaterial to the Consolidated Financial Statements, as a whole.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## Legal Contingencies

As of August 31, 2018, we or our present personnel had been named as a defendant in various litigation matters. We and/or our personnel also from time to time are involved in investigations by various regulatory or legal authorities concerning matters arising in the course of our business around the world. Based on the present status of these matters, management believes the range of reasonably possible losses in addition to amounts accrued, net of insurance recoveries, will not have a material effect on our results of operations or financial condition.

## 16. SEGMENT REPORTING

Operating segments are components of an enterprise where separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

Our chief operating decision makers are our Chief Executive Officer and Chief Financial Officer. Our operating segments are managed separately because each operating segment represents a strategic business unit providing consulting and outsourcing services to clients in different industries.

Our reportable operating segments are the five operating groups, which are Communications, Media & Technology, Financial Services, Health & Public Service, Products and Resources. Information regarding our reportable operating segments is as follows:

## Fiscal

	Communications, Media & Technology	Financial Services	Health & Public Service	Products	Resources	Other (3)	Total
2018							
Net revenues	\$ 8,030,775	\$8,237,982	\$6,688,467	\$10,854,339	\$5,657,178	\$104,709	\$39,573,450
Depreciation and amortization (1)	176,232	161,451	171,084	271,853	146,156	—	926,776
Operating income	1,368,142	1,352,870	755,559	1,649,785	714,685	—	5,841,041
Net assets as of August 31 (2)	984,345	23,666	989,150	1,571,620	1,046,216	153,725	4,768,722
2017							
Net revenues	\$ 6,884,738	\$7,393,945	\$6,177,846	\$9,500,451	\$4,847,073	\$46,129	\$34,850,182
Depreciation and amortization (1)	148,690	147,343	143,659	228,400	133,697	—	801,789
Operating income	1,048,786	1,207,391	772,785	1,558,680	554,760	(509,793 )	4,632,609
Net assets as of August 31 (2)	916,325	155,386	911,605	1,299,898	953,820	112,264	4,349,298
2016							
Net revenues	\$ 6,615,717	\$7,031,053	\$5,986,878	\$8,395,038	\$4,838,963	\$15,074	\$32,882,723
Depreciation and amortization (1)	141,356	139,518	134,788	206,806	106,584	—	729,052
Operating income	965,574	1,127,750	807,012	1,282,461	627,648	—	4,810,445
Net assets as of August 31 (2)	923,764	123,827	892,569	1,281,551	820,273	(137,761 )	3,904,223

(1) Amounts include depreciation on property and equipment and amortization of intangible assets controlled by each operating segment, as well as an allocation for amounts they do not directly control.

We do not allocate total assets by operating segment. Operating segment assets directly attributed to an operating (2) segment and provided to the chief operating decision makers include receivables from clients, current and non-current unbilled services, deferred contract costs and current and non-current deferred revenues.

(3) Other operating income for fiscal 2017 represents the pension settlement charge.

The accounting policies of the operating segments are the same as those described in Note 1 (Summary of Significant Accounting Policies) to these Consolidated Financial Statements.

F- 40

---

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Revenues are attributed to geographic regions and countries based on where client services are supervised.

Information regarding geographic regions and countries is as follows:

Fiscal	North America	Europe	Growth Markets	Total
2018				
Net revenues	\$17,849,010	\$14,111,622	\$7,612,818	\$39,573,450
Reimbursements	927,266	738,062	364,650	2,029,978
Revenues	18,776,276	14,849,684	7,977,468	41,603,428
Property and equipment, net as of August 31	375,237	319,487	569,296	1,264,020
2017				
Net revenues	\$16,290,842	\$12,002,025	\$6,557,315	\$34,850,182
Reimbursements	963,911	625,073	326,312	1,915,296
Revenues	17,254,753	12,627,098	6,883,627	36,765,478
Property and equipment, net as of August 31	274,463	294,154	571,981	1,140,598
2016				
Net revenues	\$15,653,290	\$11,512,434	\$5,716,999	\$32,882,723
Reimbursements	970,248	637,212	307,478	1,914,938
Revenues	16,623,538	12,149,646	6,024,477	34,797,661
Property and equipment, net as of August 31	244,351	220,500	491,691	956,542

Our business in the United States represented 43%, 45% and 46% of our consolidated net revenues during fiscal 2018, 2017 and 2016, respectively. No other country individually comprised 10% or more of our consolidated net revenues during these periods. Business in Ireland, our country of domicile, represented approximately 1% of our consolidated net revenues during each of fiscal 2018, 2017 and 2016.

We conduct business in Ireland and in the following countries that hold 10% or more of our total consolidated Property and equipment, net:

	August 31, 2018		August 31, 2017		August 31, 2016	
	2018	%	2017	%	2016	%
United States	27	%	23	%	25	%
India	19		25		25	
Ireland	7		5		4	

Revenues by type of work were as follows:

	Fiscal		
	2018	2017	2016
Consulting	\$21,573,983	\$18,753,796	\$17,867,891
Outsourcing	17,999,467	16,096,386	15,014,832
Net revenues	39,573,450	34,850,182	32,882,723
Reimbursements	2,029,978	1,915,296	1,914,938
Revenues	\$41,603,428	\$36,765,478	\$34,797,661

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

## 17. QUARTERLY DATA (unaudited)

Fiscal 2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net revenues	\$ 9,523,222	\$ 9,585,442	\$ 10,314,999	\$ 10,149,787	\$ 39,573,450
Reimbursements	531,271	482,390	523,855	492,462	2,029,978
Revenues	10,054,493	10,067,832	10,838,854	10,642,249	41,603,428
Cost of services before reimbursable expenses	6,470,962	6,737,048	6,995,871	6,926,656	27,130,537
Reimbursable expenses	531,271	482,390	523,855	492,462	2,029,978
Cost of services	7,002,233	7,219,438	7,519,726	7,419,118	29,160,515
Operating income	1,485,880	1,282,764	1,619,726	1,452,671	5,841,041
Net income	1,188,542	919,540	1,058,141	1,048,371	4,214,594
Net income attributable to Accenture plc	1,123,660	863,703	1,043,020	1,029,524	4,059,907
Weighted average Class A ordinary shares:					
—Basic	615,835,525	617,854,667	639,217,344	640,575,241	628,451,742
—Diluted	656,672,417	656,118,796	654,600,026	653,960,751	655,296,150
Earnings per Class A ordinary share:					
—Basic	\$ 1.82	\$ 1.40	\$ 1.63	\$ 1.61	\$ 6.46
—Diluted	1.79	1.37	1.60	1.58	6.34
Ordinary share price per share:					
—High	\$ 148.60	\$ 165.58	\$ 164.30	\$ 169.92	\$ 169.92
—Low	129.10	145.75	146.05	155.30	129.10

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Fiscal 2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net revenues	\$8,515,517	\$8,317,671	\$8,867,036	\$9,149,958	\$34,850,182
Reimbursements	490,086	444,511	489,751	490,948	1,915,296
Revenues	9,005,603	8,762,182	9,356,787	9,640,906	36,765,478
Cost of services before reimbursable expenses	5,785,485	5,813,515	5,957,405	6,263,285	23,819,690
Reimbursable expenses	490,086	444,511	489,751	490,948	1,915,296
Cost of services	6,275,571	6,258,026	6,447,156	6,754,233	25,734,986
Operating income	1,331,959	1,138,653	865,435	1,296,562	4,632,609
Net income	1,059,749	887,208	704,801	983,174	3,634,932
Net income attributable to Accenture plc	1,004,476	838,752	669,468	932,453	3,445,149
Weighted average Class A ordinary shares:					
—Basic	621,569,764	621,999,948	619,436,804	617,515,125	620,104,250
—Diluted	663,752,830	661,079,375	658,770,425	658,384,196	660,463,227
Earnings per Class A ordinary share:					
—Basic	\$ 1.62	\$ 1.35	\$ 1.08	\$ 1.51	\$5.56
—Diluted	1.58	1.33	1.05	1.48	5.44
Ordinary share price per share:					
—High	\$ 124.96	\$ 125.72	\$ 126.53	\$ 130.92	\$ 130.92
—Low	108.83	112.31	114.82	119.10	108.83