

ACCENTURE LTD
Form 10-Q
March 27, 2009

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED February 28, 2009
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: 001-16565
ACCENTURE LTD
(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of incorporation or organization)

98-0341111
(I.R.S. Employer Identification No.)

Canon s Court
22 Victoria Street
Hamilton HM 12, Bermuda
(Address of principal executive offices)
(441) 296-8262

(Registrant s telephone number, including area code)

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

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

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

(Do not check if a smaller reporting company)

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

The number of shares of the registrant s Class A common shares, par value \$0.0000225 per share, outstanding as of March 20, 2009 was 613,213,693 (which number does not include 55,301,703 issued shares held by subsidiaries of the registrant). The number of shares of the registrant s Class X common shares, par value \$0.0000225 per share, outstanding as of March 20, 2009 was 104,618,020.

**ACCENTURE LTD
INDEX**

	Page
Part I. Financial Information	3
Item 1. Financial Statements	3
Consolidated Balance Sheets as of February 28, 2009 (Unaudited) and August 31, 2008	3
Consolidated Income Statements (Unaudited) for the three and six months ended February 28, 2009 and February 29, 2008	4
Consolidated Shareholders' Equity and Comprehensive Income Statements (Unaudited) for the six months ended February 28, 2009	5
Consolidated Cash Flows Statements (Unaudited) for the six months ended February 28, 2009 and February 29, 2008	6
Notes to Consolidated Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35
Item 4. Controls and Procedures	36
Part II. Other Information	36
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	38
Item 3. Defaults upon Senior Securities	40
Item 4. Submission of Matters to a Vote of Security Holders	40
Item 5. Other Information	40
Item 6. Exhibits	40
Signatures	41

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ACCENTURE LTD
CONSOLIDATED BALANCE SHEETS
February 28, 2009 and August 31, 2008
(In thousands of U.S. dollars, except share and per share amounts)

	February 28, 2009 (Unaudited)	August 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,978,000	\$ 3,602,760
Short-term investments	13,450	20,282
Receivables from clients, net	2,386,780	2,996,815
Unbilled services, net	1,239,278	1,518,580
Deferred income taxes, net	433,888	425,859
Other current assets	475,552	594,832
 Total current assets	 7,526,948	 9,159,128
NON-CURRENT ASSETS:		
Unbilled services, net	28,584	43,627
Investments	11,846	19,034
Property and equipment, net of accumulated depreciation of \$1,574,602 and \$1,625,685, respectively	708,643	800,164
Goodwill	771,899	839,957
Deferred contract costs	505,194	539,856
Deferred income taxes, net	648,506	613,943
Other non-current assets	355,739	382,816
 Total non-current assets	 3,030,411	 3,239,397
 TOTAL ASSETS	 \$ 10,557,359	 \$ 12,398,525
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and bank borrowings	\$ 1,021	\$ 6,570
Accounts payable	716,466	1,017,227
Deferred revenues	1,550,207	1,810,661
Accrued payroll and related benefits	2,088,672	2,809,196
Accrued consumption taxes	233,179	343,658
Income taxes payable	295,564	249,986
Deferred income taxes, net	46,619	57,258
Other accrued liabilities	528,890	553,322
 Total current liabilities	 5,460,618	 6,847,878
NON-CURRENT LIABILITIES:		

Long-term debt	529	1,708
Deferred revenues relating to contract costs	523,000	555,935
Retirement obligation	466,535	483,857
Deferred income taxes, net	34,074	32,258
Income taxes payable	993,465	1,086,244
Other non-current liabilities	172,078	197,970
Total non-current liabilities	2,189,681	2,357,972
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	521,154	652,169
SHAREHOLDERS EQUITY:		
Preferred shares, 2,000,000,000 shares authorized, zero shares issued and outstanding		
Class A common shares, par value \$0.0000225 per share, 20,000,000,000 shares authorized, 668,174,941 and 659,097,033 shares issued as of February 28, 2009 and August 31, 2008, respectively	15	15
Class X common shares, par value \$0.0000225 per share, 1,000,000,000 shares authorized, 105,036,286 and 118,331,269 shares issued and outstanding as of February 28, 2009 and August 31, 2008, respectively	2	3
Restricted share units	868,624	819,577
Additional paid-in capital	46,400	
Treasury shares, at cost, 55,451,004 and 46,215,019 shares as of February 28, 2009 and August 31, 2008, respectively	(1,745,135)	(1,405,732)
Retained earnings	3,593,007	3,120,515
Accumulated other comprehensive (loss) income	(377,007)	6,128
Total shareholders equity	2,385,906	2,540,506
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 10,557,359	\$ 12,398,525

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

ACCENTURE LTD
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended February 28, 2009 and February 29, 2008
(In thousands of U.S. dollars, except share and per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
REVENUES:				
Revenues before reimbursements (Net revenues)	\$ 5,266,324	\$ 5,611,314	\$ 11,285,821	\$ 11,285,227
Reimbursements	391,239	446,309	842,350	874,353
Revenues	5,657,563	6,057,623	12,128,171	12,159,580
OPERATING EXPENSES:				
Cost of services:				
Cost of services before reimbursable expenses	3,643,999	3,958,264	7,775,688	7,927,100
Reimbursable expenses	391,239	446,309	842,350	874,353
Cost of services	4,035,238	4,404,573	8,618,038	8,801,453
Sales and marketing	519,226	539,303	1,082,418	1,059,701
General and administrative costs	438,641	469,879	945,380	919,836
Reorganization (benefits) costs, net	(13,009)	5,811	(9,904)	14,134
Total operating expenses	4,980,096	5,419,566	10,635,932	10,795,124
OPERATING INCOME	677,467	638,057	1,492,239	1,364,456
(Loss) gain on investments, net	(119)	803	1,241	6,274
Interest income	11,155	24,110	33,351	61,890
Interest expense	(3,214)	(7,684)	(6,614)	(13,082)
Other income (expense), net	13,673	(5,708)	(12,734)	3,529
INCOME BEFORE INCOME TAXES	698,962	649,578	1,507,483	1,423,067
Provision for income taxes	196,554	115,782	411,842	383,713
INCOME BEFORE MINORITY INTEREST	502,408	533,796	1,095,641	1,039,354
Minority interest in Accenture SCA and Accenture Canada Holdings Inc.	(87,335)	(123,850)	(195,468)	(243,663)
Minority interest other	(3,637)	(3,389)	(8,871)	(7,849)
NET INCOME	\$ 411,436	\$ 406,557	\$ 891,302	\$ 787,842
Weighted average Class A common shares:				
Basic	620,461,500	608,472,725	621,322,235	610,116,498

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Diluted	786,369,122	828,811,701	791,751,686	834,479,356
Earnings per Class A common share:				
Basic	\$ 0.66	\$ 0.67	\$ 1.43	\$ 1.29
Diluted	\$ 0.63	\$ 0.64	\$ 1.37	\$ 1.24
Cash dividends per share	\$	\$	\$ 0.50	\$ 0.42

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

ACCENTURE LTD
CONSOLIDATED SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME STATEMENTS
For the Six Months Ended February 28, 2009
(In thousands of U.S. dollars and in thousands of share amounts)
(Unaudited)

	Class A		Class X		Additional		Treasury		Accumulated		
	Common		Common		Paid-in		Shares		Other		
	Preferred	Shares	Shares	Restricted	Paid-in	Shares	No.	Retained	Comprehensive		
	Shares	No.	No.	Share	Capital	\$	Shares	Earnings	Income		
	\$	Shares	\$	Units					(Loss)		
as of											
31, 2008	\$ 15	659,097	\$ 3	118,331	\$ 819,577	\$	(46,215)	\$ 3,120,515	\$ 6,128	2,5	
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n shares		(1,297)				(36,647)	(466,478)	(14,981)	(9,796)	(5	

ACCENTURE LTD
CONSOLIDATED CASH FLOWS STATEMENTS
For the Six Months Ended February 28, 2009 and February 29, 2008
(In thousands of U.S. dollars)
(Unaudited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 891,302	\$ 787,842
Adjustments to reconcile Net income to Net cash provided by operating activities		
Depreciation, amortization and asset impairments	254,632	236,213
Reorganization (benefits) costs, net	(9,904)	14,134
Share-based compensation expense	222,100	176,921
Deferred income taxes, net	(35,897)	(20,598)
Minority interest	204,339	251,512
Other, net	44,809	(34,473)
Change in assets and liabilities, net of acquisitions		
Receivables from clients, net	316,616	(155,913)
Unbilled services, current and non-current	28,014	(37,964)
Other current and non-current assets	(42,033)	(132,487)
Accounts payable	(269,106)	(12,696)
Deferred revenues, current and non-current	8,979	(62,424)
Accrued payroll and related benefits	(447,733)	(190,940)
Income taxes payable, current and non-current	17,497	(22,804)
Other current and non-current liabilities	(84,846)	(103,800)
Net cash provided by operating activities	1,098,769	692,523
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and sales of available-for-sale investments	11,577	198,709
Purchases of available-for-sale investments	(1,118)	(19,651)
Proceeds from sales of property and equipment	1,669	7,316
Purchases of property and equipment	(124,489)	(167,318)
Purchases of businesses and investments, net of cash acquired	(2,806)	(197,618)
Proceeds from sale of business, net of cash transferred	2,163	1,756
Net cash used in investing activities	(113,004)	(176,806)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	212,287	202,168
Purchases of common shares	(1,046,771)	(1,168,417)
Proceeds from long-term debt	191	3,986
Repayments of long-term debt	(1,636)	(24,579)
Proceeds from short-term borrowings	49,152	69,926
Repayments of short-term borrowings	(53,927)	(66,925)
Cash dividends paid	(378,446)	(333,685)
Excess tax benefits from share-based payment arrangements	33,017	36,984
Other, net	(41,736)	(22,977)

Net cash used in financing activities	(1,227,869)	(1,303,519)
Effect of exchange rate changes on cash and cash equivalents	(382,656)	57,545
NET DECREASE IN CASH AND CASH EQUIVALENTS	(624,760)	(730,257)
CASH AND CASH EQUIVALENTS, beginning of period	3,602,760	3,314,396
CASH AND CASH EQUIVALENTS, end of period	\$ 2,978,000	\$ 2,584,139

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

ACCENTURE LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim Consolidated Financial Statements of Accenture Ltd, a Bermuda company, and its controlled subsidiary companies (collectively, the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. These Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes thereto for the fiscal year ended August 31, 2008 included in the Company's Annual Report on Form 10-K filed with the SEC on October 20, 2008. The accompanying unaudited interim Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three and six months ended February 28, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2009. Certain prior-period amounts have been reclassified to conform to the current-period presentation.

Allowances for Client Receivables and Unbilled Services

As of February 28, 2009 and August 31, 2008, total allowances for client receivables and unbilled services were \$111,305 and \$42,912, respectively. The increase was principally due to a \$74,884 bad debt provision, of which \$71,893 was recorded during the three months ended November 30, 2008, reflecting collectibility risks on outstanding receivables, in light of the current global economic downturn, particularly from clients in high-risk industries or with potential liquidity issues.

Recently Adopted Accounting Pronouncements

On December 1, 2008, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161). This Statement requires enhanced disclosures for derivative instruments and hedging activities about (i) how and why a company uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) and its related interpretations; and (iii) how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. The Company's adoption of SFAS 161 did not have a material impact on its Consolidated Financial Statements. For additional information, see Note 9 (Derivative Financial Instruments) to these Consolidated Financial Statements.

On September 1, 2008, the Company adopted the provisions of SFAS 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. In accordance with FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, the Company elected to defer the adoption of the provisions of SFAS 157 for its non-financial assets and non-financial liabilities. Such assets and liabilities, which include the Company's Deferred contract costs, Property and equipment, net and Goodwill, will be subject to the provisions of SFAS 157 on September 1, 2009. The Company is currently assessing the potential impact that the adoption of SFAS 157 for its non-financial assets may have on its Consolidated Financial Statements. For additional information, see Note 10 (Fair Value Measurements) to these Consolidated Financial Statements.

Effective September 1, 2008, the Company adopted the year-end measurement date provision of SFAS 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 106, and 132(R)*, using an approach generally known as the one measurement approach. The adoption of the provision had the following impact on the Company's Consolidated Balance Sheet: decreased Retained earnings by \$5,302; decreased Accumulated other comprehensive (loss) income by \$286; decreased Other non-current assets by \$2,736; and increased Retirement obligation by \$2,852.

ACCENTURE LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)
(Unaudited)

2. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated as follows:

Basic earnings per share

	Three Months Ended		Six Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Net income available for Class A common shareholders	\$ 411,436	\$ 406,557	\$ 891,302	\$ 787,842
Basic weighted average Class A common shares	620,461,500	608,472,725	621,322,235	610,116,498
Basic earnings per share				