Accenture plc
Form 10-Q
December 20, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED November 30, 2011

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)

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 þ

The number of shares of the registrant s Class A ordinary shares, par value $0.0000225 per share, outstanding as of December 12, 2011 was 647,208,748 (which number does not include 87,302,077 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 December 12, 2011 was 47,884,679.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ACCENTURE PLC

CONSOLIDATED BALANCE SHEETS

November 30, 2011 and August 31, 2011

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

	November 30, 2011 (Unaudited)	August 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,091,906	$ 5,701,078
Short-term investments	4,638	4,929
Receivables from clients, net	3,325,556	3,236,059
Unbilled services, net	1,489,541	1,385,733
Deferred income taxes, net	568,649	556,160
Other current assets	512,429	587,224
Total current assets	10,992,719	11,471,183
NON-CURRENT ASSETS:		
Unbilled services, net	49,303	49,192
Investments	38,207	40,365
Property and equipment, net	745,898	785,231
Goodwill	1,225,298	1,131,991
Deferred contract costs	552,893	559,794
Deferred income taxes, net	801,447	756,079
Other non-current assets	885,080	937,675
Total non-current assets	4,298,126	4,260,327
TOTAL ASSETS	$ 15,290,845	$ 15,731,510
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and bank borrowings	$ 4,762	$ 4,419
Accounts payable	898,113	949,250
Deferred revenues	2,112,177	2,219,270
Accrued payroll and related benefits	3,079,862	3,259,252
Accrued consumption taxes	357,744	348,540
Income taxes payable	201,625	238,003
Deferred income taxes, net	26,385	32,647
Other accrued liabilities	894,457	855,208
Total current liabilities	7,575,125	7,906,589
NON-CURRENT LIABILITIES:		

Long-term debt	1,620	
Deferred revenues relating to contract costs	554,413	553,440
Retirement obligation	975,489	995,695
Deferred income taxes, net	61,136	72,257
Income taxes payable	1,653,847	1,619,076
Other non-current liabilities	250,031	233,581
Total non-current liabilities	3,496,536	3,474,049
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Ordinary shares, par value 1.00 euros per share, 40,000 shares authorized and issued as of November 30, 2011 and August 31, 2011	57	57
Class A ordinary shares, par value $0.0000225 per share, 20,000,000,000 shares authorized, 733,044,361 and 727,795,770 shares issued as of November 30, 2011 and August 31, 2011, respectively	16	16
Class X ordinary shares, par value $0.0000225 per share, 1,000,000,000 shares authorized, 47,884,679 and 49,365,379 shares issued and outstanding as of November 30, 2011 and August 31, 2011, respectively	1	1
Restricted share units	768,239	784,277
Additional paid-in capital	722,931	525,037
Treasury shares, at cost: Ordinary, 40,000 shares as of November 30, 2011 and August 31, 2011; Class A ordinary, 88,372,746 and 86,361,763 shares as of November 30, 2011 and August 31, 2011, respectively	(3,740,023)	(3,577,574)
Retained earnings	6,467,622	6,281,517
Accumulated other comprehensive loss	(452,483)	(134,380)
Total Accenture plc shareholders equity	3,766,360	3,878,951
Noncontrolling interests	452,824	471,921
Total shareholders equity	4,219,184	4,350,872
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 15,290,845	$ 15,731,510

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

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ACCENTURE PLC

CONSOLIDATED INCOME STATEMENTS

For the Three Months Ended November 30, 2011 and 2010

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

(Unaudited)

	2011	2010
REVENUES:		
Revenues before reimbursements (Net revenues)	$ 7,074,497	$ 6,045,650
Reimbursements	514,611	432,543
Revenues	7,589,108	6,478,193
OPERATING EXPENSES:		
Cost of services:		
Cost of services before reimbursable expenses	4,822,957	4,101,170
Reimbursable expenses	514,611	432,543
Cost of services	5,337,568	4,533,713
Sales and marketing	837,477	731,471
General and administrative costs	432,517	385,726
Reorganization costs, net	408	348
Total operating expenses	6,607,970	5,651,258
OPERATING INCOME	981,138	826,935
Loss on investments, net	(55)	(51)
Interest income	10,512	9,393
Interest expense	(4,158)	(4,736)
Other income, net	5,590	13,087
INCOME BEFORE INCOME TAXES	993,027	844,628
Provision for income taxes	281,270	239,072
NET INCOME	711,757	605,556
Net income attributable to noncontrolling interests in Accenture SCA and Accenture Canada Holdings Inc.	(61,956)	(64,674)
Net income attributable to noncontrolling interests other	(7,715)	(6,168)
NET INCOME ATTRIBUTABLE TO ACCENTURE PLC	$ 642,086	$ 534,714
Weighted average Class A ordinary shares:		
Basic	644,285,298	637,298,491
Diluted	730,114,347	743,495,265
Earnings per Class A ordinary share:		
Basic	$ 1.00	$ 0.84
Diluted	$ 0.96	$ 0.81
Cash dividends per share	$ 0.675	$ 0.45

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

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ACCENTURE PLC

CONSOLIDATED SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME STATEMENTS

For the Three Months Ended November 30, 2011

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

(Unaudited)

	Ordinary Shares $	Ordinary Shares No. Shares	Class A Ordinary Shares $	Class A Ordinary Shares No. Shares	Class X Ordinary Shares $	Class X Ordinary Shares No. Shares	Restricted Share Units	Additional Paid-in Capital	Treasury Shares $	Treasury Shares No. Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total Accenture plc Shareholders Equity	Noncontrolling Interests	Tot Shareho Equi
ce as of t 31, 2011	$ 57	40	$ 16	727,796	$ 1	49,365	$ 784,277	$ 525,037	$ (3,577,574)	(86,402)	$ 6,281,517	$ (134,380)	$ 3,878,951	$ 471,921	$ 4,350
rehensive e:															
come											642,086		642,086	69,671	711
comprehensive															
ized losses on ow hedges, net and sification ments												(67,796)	(67,796)	(6,420)	(74
ized losses on able securities, reclassification ments												(287)	(287)	(27)	
n currency tion ments, net of tax												(254,856)	(254,856)	(24,791)	(279
d benefit plans, tax												4,836	4,836	458	5
comprehensive												(318,103)		(30,780)	
rehensive e													323,983		362
e tax benefit on based nsation plans								23,189					23,189		23
ses of Class A ry shares								19,818	(254,222)	(4,807)			(234,404)	(19,818)	(254
based nsation expense							92,008	8,550					100,558		100
ases/redemptions enture SCA common Accenture a Holdings Inc. ngeable shares ass X ordinary						(1,480)		(28,209)					(28,209)	(2,674)	(30
ces of Class A ry shares:															

yee share ms				4,173			(131,516)	171,136	91,773	2,796			131,393	8,554	139
redemption of ture SCA Class mon shares				1,075											
ends							23,470				(456,085)		(432,615)	(42,281)	(474
net								3,410			104		3,514	(1,769)	1
ce as of nber 30, 2011	$ 57	40	$ 16	733,044	$ 1	47,885	$ 768,239	$ 722,931	$ (3,740,023)	(88,413)	$ 6,467,622	$ (452,483)	$ 3,766,360	$ 452,824	$ 4,219

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

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ACCENTURE PLC

CONSOLIDATED CASH FLOWS STATEMENTS

For the Three Months Ended November 30, 2011 and 2010

(In thousands of U.S. dollars)

(Unaudited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 711,757	$ 605,556
Adjustments to reconcile Net income to Net cash provided by operating activities		
Depreciation, amortization and asset impairments	132,625	120,059
Reorganization costs, net	408	348
Share-based compensation expense	100,558	85,096
Deferred income taxes, net	(28,587)	(23,156)
Other, net	(17,358)	18,606
Change in assets and liabilities, net of acquisitions		
Receivables from clients, net	(214,629)	(291,295)
Unbilled services, current and non-current	(250,103)	(194,829)
Other current and non-current assets	(10,054)	(96,355)
Accounts payable	(74,357)	(49,985)
Deferred revenues, current and non-current	95,231	(18,032)
Accrued payroll and related benefits	(19,285)	(31,684)
Income taxes payable, current and non-current	(16,393)	(20,598)
Other current and non-current liabilities	65,445	2,668
Net cash provided by operating activities	475,258	106,399
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and sales of available-for-sale investments	3,623	19
Purchases of available-for-sale investments	(3,561)	(53)
Proceeds from sales of property and equipment	957	720
Purchases of property and equipment	(80,875)	(75,483)
Purchases of businesses and investments, net of cash acquired	(160,055)	(60,043)
Net cash used in investing activities	(239,911)	(134,840)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of ordinary shares	139,947	170,271
Purchases of shares	(285,105)	(619,720)
Repayments of long-term debt, net	(38)	(1,335)
Cash dividends paid	(474,896)	(320,650)
Excess tax benefits from share-based payment arrangements	31,989	70,125
Other, net	486	(2,298)
Net cash used in financing activities	(587,617)	(703,607)
Effect of exchange rate changes on cash and cash equivalents	(256,902)	54,208
NET DECREASE IN CASH AND CASH EQUIVALENTS	(609,172)	(677,840)
CASH AND CASH EQUIVALENTS, beginning of period	5,701,078	4,838,292

CASH AND CASH EQUIVALENTS, end of period	$ 5,091,906	$ 4,160,452

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

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ACCENTURE PLC

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 plc 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, 2011 included in the Company s Annual Report on Form 10-K filed with the SEC on October 21, 2011.

The accompanying unaudited interim Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which 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 the Company may undertake in the future, actual results may be different from those estimates. The Consolidated Financial Statements 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 months ended November 30, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2012.

The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, the Company is not aware of any events or transactions that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in its Consolidated Financial Statements.

Allowances for Client Receivables and Unbilled Services

As of November 30, 2011 and August 31, 2011, total allowances recorded for client receivables and unbilled services were $73,296.

Accumulated Depreciation

As of November 30, 2011 and August 31, 2011, total accumulated depreciation was $1,590,670 and $1,639,965, respectively.

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ACCENTURE PLC

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 were calculated as follows:

	Three Months Ended November 30, 2011	Three Months Ended November 30, 2010
Basic Earnings per share		
Net income attributable to Accenture plc	$ 642,086	$ 534,714
Basic weighted average Class A ordinary shares	644,285,298	637,298,491
Basic earnings per share	$ 1.00	$ 0.84
Diluted Earnings per share		
Net income attributable to Accenture plc	$ 642,086	$ 534,714
Net income attributable to noncontrolling interests in Accenture SCA and Accenture Canada Holdings Inc. (1)	61,956	64,674
Net income for diluted earnings per share calculation	$ 704,042	$ 599,388
Basic weighted average Class A ordinary shares	644,285,298	637,298,491
Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1)	62,152,896	77,066,192
Diluted effect of employee compensation related to Class A ordinary shares (2)	23,435,943	28,806,249
Diluted effect of share purchase plans related to Class A ordinary shares	240,210	324,333
Diluted weighted average Class A ordinary shares	730,114,347	743,495,265
Diluted earnings per share (2)	$ 0.96	$ 0.81

(1) Diluted earnings per share assumes the redemption of all Accenture SCA Class I common shares owned by holders of noncontrolling interests and the exchange of all Accenture Canada Holdings Inc. exchangeable shares for Accenture plc Class A ordinary shares, on a one-for-one basis. 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.

(2)

Fiscal 2011 diluted weighted average Accenture plc Class A ordinary shares and earnings per share amounts have been restated to reflect the impact of the issuance of additional restricted share units to holders of restricted share units in connection with the payment of cash dividends. This did not result in a change to previously reported Diluted earnings per share.

3. INCOME TAXES

Effective Tax Rate

The Company s effective tax rate for each of the three months ended November 30, 2011 and 2010 was 28.3%.

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(Unaudited)

4. REORGANIZATION COSTS, NET

In fiscal 2001, the Company accrued reorganization liabilities in connection with its transition to a corporate structure. These liabilities included certain non-income tax liabilities, such as stamp taxes, as well as liabilities for certain individual income tax exposures related to the transfer of interests in certain entities to the Company as part of the reorganization. These primarily represent unusual and disproportionate individual income tax exposures assumed by certain, but not all, of the Company s shareholders and partners in certain tax jurisdictions specifically related to the transfer of their partnership interests in certain entities to the Company as part of the reorganization. (Prior to fiscal 2005, the Company referred to its highest-level employees with the partner title and the Company continues to use the term partner to refer to these persons in certain situations related to its reorganization and the period prior to its incorporation.) The Company identified certain shareholders and partners who may incur such unusual and disproportionate financial damage in certain jurisdictions. These include shareholders and partners who were subject to tax in their jurisdiction on items of income arising from the reorganization transaction that were not taxable for most other shareholders and partners. In addition, certain other shareholders and partners were subject to a different rate or amount of tax than other shareholders or partners in the same jurisdiction. When additional taxes are assessed on these shareholders or partners in connection with these transfers, the Company has made and intends to make payments, and in one country has contractually committed, to reimburse certain costs associated with the assessment either to the shareholder or partner, or to the taxing authority. The Company has recorded reorganization expense and the related liability where such liabilities are probable. Interest accruals are made to cover reimbursement of interest on such tax assessments.

The Company s reorganization activity was as follows:

	Three Months Ended November 30,	
	2011	**2010**
Reorganization liability, beginning of period	$ 307,286	$ 271,907
Interest expense accrued	408	348
Foreign currency translation adjustments	(23,229)	9,526
Reorganization liability, end of period	$ 284,465	$ 281,781

As of November 30, 2011, reorganization liabilities of $272,231 were included in Other accrued liabilities because expirations of statutes of limitations or other final determinations could occur within 12 months, and reorganization liabilities of $12,234 were included in Other non-current liabilities. Timing of the resolution of tax audits or the initiation of additional litigation and/or criminal tax proceedings may delay final resolution. Final resolution, through settlement, conclusion of legal proceedings or a tax authority s decision not to pursue a claim, will result in payment by the Company of amounts in settlement or judgment of these matters and/or recording of a reorganization benefit or cost in the Company s Consolidated Income Statement. It is possible the aggregate amount of such payments in connection with resolution of all such proceedings could exceed the currently recorded amounts. As of November 30, 2011, only a small number of jurisdictions remain that have active audits/investigations or open statutes of limitations, and only one is significant (which is the country referenced above). In that country, current and former partners, and the Company, are engaged in disputes with tax authorities in connection with the corporate reorganization in 2001, some of which have resulted, and others of which are expected to result, in litigation. These individuals and the Company intend to vigorously defend their positions.

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ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(Unaudited)

5. BUSINESS COMBINATIONS AND GOODWILL

During the three months ended November 30, 2011, the Company acquired the net assets of a provider of residential and commercial mortgage processing services. In addition, the Company completed three individually immaterial acquisitions. The total consideration for all acquisitions was $160,055. In connection with these acquisitions, the Company recorded goodwill of $119,303, which was allocated among the reportable operating segments. Goodwill also included immaterial adjustments related to recent acquisitions. The Company also recorded $51,466 in intangible assets, primarily related to customer relationships. The intangible assets are being amortized over a period of three to seven years. The pro forma effects on the Company s operations were not material.

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

	August 31, 2011	Additions/ Adjustments	Foreign Currency Translation Adjustments	November 30, 2011
Communications, Media & Technology (1)	$ 173,867	$ 191	$ (6,315)	$ 167,743
Financial Services	304,720	118,322	(6,741)	416,301
Health & Public Service	286,158	687	(2,043)	284,802
Products	278,929	3,307	(10,081)	272,155
Resources	88,317	936	(4,956)	84,297
Total	$ 1,131,991	$ 123,443	$ (30,136)	$ 1,225,298

(1) On September 1, 2011, the Company renamed the Communications & High Tech operating group to Communications, Media & Technology. No amounts have been reclassified in any period in connection with this name change.

6. SHAREHOLDERS EQUITY

Comprehensive Income

Comprehensive income was as follows:

	Three months ended November 30, 2011	2010
Comprehensive income attributable to Accenture plc	$ 323,983	$ 591,756
Comprehensive income attributable to noncontrolling interests	38,891	79,808
Total comprehensive income	$ 362,874	$ 671,564

Dividends

The Company s dividend activity during the three months ended November 30, 2011 was as follows:

		Accenture plc Class A Ordinary Shares		Accenture SCA Class I Common Shares and Accenture Canada Holdings Inc. Exchangeable Shares		
Dividend Payment Date	**Dividend Per Share**	**Record Date**	**Cash Outlay**	**Record Date**	**Cash Outlay**	**Total Cash Outlay**
November 15, 2011	$ 0.675	October 14, 2011	$ 432,615	October 11, 2011	$ 42,281	$ 474,896

The payment of the cash dividends also resulted in the issuance of additional restricted share units to holders of restricted share units. Diluted weighted average Accenture plc Class A ordinary share amounts have been restated for all periods presented to reflect this issuance.

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ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(Unaudited)

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage foreign currency exchange rate risk. The Company s derivative financial instruments consist of deliverable and non-deliverable foreign currency forward contracts.

The activity related to the change in net unrealized (losses) gains on cash flow hedges, net of tax, in Accumulated other comprehensive loss was as follows:

	Three Months Ended November 30, 2011	2010
Net unrealized gains on cash flow hedges, net of tax, beginning of period	$ 32,354	$ 4,340
Change in fair value, net of tax	(80,101)	17,575
Reclassification adjustments into Cost of services, net of tax	5,885	(3,569)
Portion attributable to Noncontrolling interests, net of tax	6,420	(1,417)
Net unrealized (losses) gains on cash flow hedges, net of tax, end of period	$ (35,442)	$ 16,929

As of November 30, 2011, $(28,362) of the net unrealized losses on cash flow hedges is expected to be reclassified into earnings in the next 12 months. The ineffective portion of the change in fair value of a cash flow hedge is recognized immediately in Other income, net in the Consolidated Income Statement and, for the three months ended November 30, 2011, was not material. In addition, the Company did not discontinue any cash flow hedges during the three months ended November 30, 2011.

Realized gains or losses and changes in the estimated fair value of foreign currency forward contracts that have not been designated as hedges were a net loss of $(138,778) and a net gain of $39,529 for the three months ended November 30, 2011 and 2010, respectively. Net losses are offset by net foreign currency gains, including net gains related to the underlying balance sheet exposures and are recorded in Other income, net in the Consolidated Income Statement.

Fair Value of Derivative Instruments

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

	November 30, 2011	August 31, 2011
Assets		
Cash Flow Hedges		
Other current assets	$ 7,725	$ 21,714
Other non-current assets	11,310	43,666
Other Derivatives		
Other current assets	6,472	13,863

Total assets	$ 25,507	$ 79,243
Liabilities		
Cash Flow Hedges		
Other accrued liabilities	$ 54,003	$ 4,649
Other non-current liabilities	23,244	698
Other Derivatives		
Other accrued liabilities	14,822	15,223
Total liabilities	$ 92,069	$ 20,570
Total fair value	$ (66,562)	$ 58,673
Total notional value	$ 4,041,297	$ 4,127,456

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ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(Unaudited)

8. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has the right to purchase or may also be required to purchase substantially all of the remaining outstanding shares of its Avanade Inc. subsidiary (Avanade) not owned by the Company at fair value if certain events occur. Certain holders of Avanade common stock and options to purchase the stock have put rights that, under certain circumstances and conditions, would require Avanade to redeem shares of its stock at fair value. As of November 30, 2011 and August 31, 2011, the Company has reflected the fair value of $113,039 and $113,143, respectively, related to Avanade s redeemable common stock and the intrinsic value of the options on redeemable common stock in Other accrued liabilities on the Consolidated Balance Sheet.

Indemnifications and Guarantees

In the normal course of business and in conjunction with certain client engagements, the Company has entered into contractual arrangements through which it may be obligated to indemnify clients with respect to certain matters. 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 November 30, 2011 and August 31, 2011, the Company s aggregate potential liability to its clients for expressly limited guarantees involving the performance of third parties was approximately $891,000 and $976,000, respectively, of which all but approximately $244,000 and $256,000, respectively, may be recovered from the other third parties if the Company is obligated to make payments to the indemnified parties that are the consequence of a performance default by the other third parties. For arrangements with unspecified limitations, the Company 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, the Company has not been required to make any significant payment under any of the arrangements described above. The Company has assessed the current status of performance/payment risk related to arrangements with limited guarantees, unspecified limitations and/or indemnification provisions and believes that any potential payments would be immaterial to the Consolidated Financial Statements, as a whole.

Legal Contingencies

As of November 30, 2011, the Company or its present personnel had been named as a defendant in various litigation matters. The Company and/or its personnel also from time to time are involved in investigations by various regulatory or legal authorities concerning matters arising in the course of its 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 the Company s results of operations or financial condition.

9. SEGMENT REPORTING

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

	Three Months Ended November 30,

	2011		2010	
	Net Revenues	**Operating Income**	**Net Revenues**	**Operating Income**
Communications, Media & Technology (1)	$ 1,535,186	$ 228,527	$ 1,284,476	$ 193,241
Financial Services	1,483,839	214,855	1,301,118	244,581
Health & Public Service	1,054,302	112,834	931,600	57,783
Products	1,669,553	218,775	1,396,041	157,261
Resources	1,326,875	206,147	1,128,317	174,069
Other	4,742		4,098	
Total	$ 7,074,497	$ 981,138	$ 6,045,650	$ 826,935

(1) On September 1, 2011, the Company renamed the Communications & High Tech operating group to Communications, Media & Technology. No amounts have been reclassified in any period in connection with this name change.

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ITEM 2. 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 Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended August 31, 2011, and with the information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended August 31, 2011.

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 2012 means the 12-month period that will end on August 31, 2012. 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.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 and similar expressions are used to identify these forward-looking statements. These statements a 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:

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

- Our business depends on generating and maintaining ongoing, profitable client demand for our services and solutions, and a significant reduction in such demand could materially affect our results of operations.

- 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.

- The consulting and outsourcing markets are highly competitive, and we might not be able to compete effectively.

- Our results of operations (including our net revenues and operating income) and the value of balance-sheet items originally denominated in other currencies could be materially adversely affected by unfavorable fluctuations in foreign currency exchange rates.

- We could have liability or our reputation could be damaged if we fail to protect client and Accenture data or information systems as obligated by law or contract or if our information systems are breached.

- Our Global Delivery Network is increasingly concentrated in India and the Philippines, which may expose us to operational risks.

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

Our results of operations could materially suffer if we are not able to obtain sufficient pricing to enable us to meet our profitability expectations.

If our pricing estimates do not accurately anticipate the cost, risk and complexity of performing our work or third parties upon which we rely do not meet their commitments, then our contracts could have delivery inefficiencies and be unprofitable.

Our work with government clients exposes us to additional risks inherent in the government contracting environment, including risks related to governmental budget and debt constraints.

Our business could be materially adversely affected if we incur legal liability in connection with providing our services and solutions.

Our results of operations and ability to grow could be materially negatively affected if we cannot adapt and expand our services and solutions in response to ongoing changes in technology and offerings by new entrants.

Outsourcing services subject us to different operational risks than our consulting and systems integration services.

Our services or solutions could infringe upon the intellectual property rights of others or we might lose our ability to utilize the intellectual property of others.

We have only a limited ability to protect our intellectual property rights, which are important to our success.

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

Our alliance relationships may not be successful or may change, which could adversely affect our results of operations.

We may not be successful at identifying, acquiring or integrating other businesses.

Our profitability could suffer if our cost-management strategies are unsuccessful, and we may not be able to improve our profitability through improvements to cost-management to the degree we have done in the past.

Many of our contracts include performance 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.

Changes in our level of taxes, and audits, investigations and tax proceedings, or changes in our treatment as an Irish company, could have a material adverse effect on our results of operations and financial condition.

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

If we are unable to collect our receivables or unbilled services, our results of operations, financial condition and cash flows could be adversely affected.

Our share price and results of operations could fluctuate and be difficult to predict.

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

We are incorporated in Ireland and a significant portion of our assets are 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.

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

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.

For a more detailed discussion of these factors, see the information under the heading Risk Factors in our Annual Report on Form 10-K for the year ended August 31, 2011. We undertake no obligation to update or revise any forward-looking statements.

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Overview

Our results of operations can be affected by economic conditions, including macroeconomic conditions, credit market conditions and levels of business confidence. Revenues are driven by the ability of our executives to secure new contracts and to deliver solutions and services 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 service offerings and to deploy skilled teams of professionals quickly and on a global basis.

Revenues before reimbursements (net revenues) for the first quarter of fiscal 2012 were $7.07 billion, compared with $6.05 billion for the first quarter of fiscal 2011, an increase of 17% in U.S. dollars and 14% in local currency. All of our operating groups experienced double-digit year-over-year revenue growth in local currency in the first quarter of fiscal 2012, with very strong growth in Products, Communications, Media & Technology and Resources. Based on new contract bookings over the last several quarters, we expect growth to continue in many areas of our business. We also continue to expect the level of year-over-year growth will moderate in the second half of fiscal 2012, particularly in consulting, and vary across operating groups and geographic regions. There continues to be significant volatility in markets around the world, as well as economic and geopolitical uncertainty in many of the markets where we operate. Such volatility and uncertainty, should it continue, could adversely affect our clients and the levels of business activities in the industries and geographies where we operate. We continue to monitor our costs closely in order to respond to changing conditions and to manage any impact to our results of operations.

In our consulting business, net revenues for the first quarter of fiscal 2012 were $4.08 billion, compared with $3.57 billion for the first quarter of fiscal 2011, an increase of 14% in U.S. dollars and 11% in local currency. All five operating groups experienced year-over-year consulting revenue growth in local currency in the first quarter of fiscal 2012, led by very strong growth in Resources and Products. In our consulting business overall, clients are even more 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. Compared to fiscal 2011, we continued to provide a greater proportion of systems integration consulting through use of lower-cost resources in our Global Delivery Network, and we expect this trend to continue in the medium term. While the business environment remained competitive, pricing was relatively stable and we saw some improvement in certain areas of our business.

In our outsourcing business, net revenues for the first quarter of fiscal 2012 were $2.99 billion, compared with $2.48 billion for the first quarter of fiscal 2011, an increase of 21% in U.S. dollars and 18% in local currency. All five operating groups experienced year-over-year outsourcing revenue growth in local currency in the first quarter of fiscal 2012, led by significant growth in Communications, Media & Technology and Financial Services and very strong growth in Products. This strong demand for outsourcing services resulted in a shift in our mix of work toward outsourcing, particularly in Communications, Media & Technology and Financial Services, and this trend is expected to continue in the near term. Clients continue to be focused on projects that will improve operational effectiveness. Growth in outsourcing was driven by higher volumes, scope and geographic expansions and new work at existing clients, as well as services for new clients. As with systems integration consulting, compared to fiscal 2011, we provided a greater proportion of application outsourcing through use of lower-cost resources in our Global Delivery Network.

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 and revenue growth in U.S. dollars may be higher. If the U.S. dollar strengthens against other currencies, resulting in unfavorable currency translation, our revenues and revenue growth in U.S. dollars may be lower. When compared to the first quarter of fiscal 2011, the U.S. dollar weakened against many currencies during the first quarter of fiscal 2012. This resulted in favorable currency translation and U.S. dollar revenue results that were approximately 3% better than our results in local currency for the first quarter of fiscal 2012. Assuming that exchange rates stay within recent ranges for the remainder of fiscal 2012, we estimate the foreign-exchange impact to our full fiscal 2012 revenue growth will be approximately 1% lower growth in U.S. dollars than our 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 outsourcing costs. Cost of services as a percentage of revenues is driven by the prices we obtain for our solutions and services, the utilization of our client-service personnel and the level of non-payroll costs associated with new outsourcing contracts. Utilization primarily represents the percentage of our consulting professionals time spent on billable work. Utilization for the first quarter of fiscal 2012 was approximately 87% and within our target range. This level of utilization reflects continued strong demand for resources in our Global Delivery Network and in most countries. 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, given that payroll 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 more than 244,000 as of November 30, 2011, compared with approximately 236,000 as of August 31, 2011 and 211,000 as of November 30, 2010. The year-over-year increase in our headcount reflects an overall increase in demand for our services, including those delivered through our

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Global Delivery Network in lower-cost locations. Annualized attrition, excluding involuntary terminations, for the first quarter of fiscal 2012 was 12%, compared with 14% in the fourth quarter of fiscal 2011 and 15% in the first quarter of fiscal 2011. We adjust levels of new hiring, evaluate voluntary attrition and use involuntary terminations as means to keep our supply of skills and resources in balance with client demand. In addition, we also adjust compensation in certain skill sets and geographies in order to attract and retain appropriate numbers of qualified employees, and we may need to continue to adjust compensation in the future. For the majority of our personnel, compensation increases for fiscal 2012 became effective September 1, 2011. As in prior fiscal years, 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 increase our margins could be adversely affected if we are unable to keep our supply of skills and resources in balance with client demand, mobilize our employees globally on a timely basis, manage attrition, recover increases in compensation 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 the first quarter of fiscal 2012 was 31.8%, compared with 32.2% for the first quarter of fiscal 2011. Gross margin for the first quarter of fiscal 2012 was lower than the first quarter of fiscal 2011, principally due to higher payroll costs in the first quarter of fiscal 2012, partially offset by lower non-payroll costs and a favorable foreign-exchange impact.

Sales and marketing and general and administrative costs as a percentage of net revenues were 18.0% for the first quarter of fiscal 2012, compared with 18.5% for the first quarter of fiscal 2011. Sales and marketing costs are driven primarily by compensation costs for business-development activities, investment in offerings, and marketing- and advertising-related activities. General and administrative costs primarily include costs for non-client-facing personnel, information systems and office space. We continuously monitor these costs and implement cost-management actions, as appropriate, to maintain or lower these costs as a percentage of revenues. These actions include performing a greater proportion of general and administrative activities in lower-cost locations. For the first quarter of fiscal 2012 compared to the first quarter of fiscal 2011, both sales and marketing and general and administrative costs decreased approximately 0.3% as a percentage of net revenues. The decreases were due to growth of these costs at a rate lower than that of net revenues. In addition, in the first quarter of fiscal 2011, we recorded a reduction in the allowance for client receivables and unbilled services due to better than expected bad debt experience. We continue to expect the reduction in general and administrative costs as a percentage of net revenues to moderate in fiscal 2012. Our margins could be adversely affected if our cost-management actions are not sufficient to maintain sales and marketing and general and administrative costs at or below current levels as a percentage of net revenues.

Operating income for the first quarter of fiscal 2012 was $981 million, compared with $827 million for the first quarter of fiscal 2011. Operating margin (Operating income as a percentage of Net revenues) for the first quarter of fiscal 2012 was 13.9%, compared with 13.7% for the first quarter of fiscal 2011.

Our Operating income and Earnings per share are also 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 also seek to manage foreign currency exposure for costs not incurred in the same currency as the related net revenues by using currency protection provisions in our customer contracts and through our hedging programs. We estimate that the aggregate percentage impact of foreign exchange rates on our operating expenses is similar to that disclosed for net revenues.

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Bookings and Backlog

New contract bookings for the first quarter of fiscal 2012 were $7.79 billion, with consulting bookings of $4.24 billion and outsourcing bookings of $3.55 billion.

We provide information regarding our new contract bookings because we believe doing so provides useful trend information regarding changes in the volume of our new business over time. However, 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. Clients continue to seek flexibility by using a phased approach to contracting consulting work, which is resulting in smaller initial total contract values than in the past. Information regarding our new bookings is not comparable to, nor should it be substituted for, an analysis of our revenues over time. There are no third-party standards or requirements governing the calculation of bookings. New contract bookings involve estimates and judgments regarding new contracts as well as renewals, extensions and changes to existing contracts. We do not update our new bookings for material subsequent terminations or reductions related to bookings originally recorded in prior fiscal years. New contract 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.

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. Operating groups are managed on the basis of net revenues because our management believes net revenues are a better indicator of operating group performance than revenues. 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 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. Pricing for our services is a function of the nature of each service to be provided, the skills required and outcome sought, as well as estimated cost, risk, contract terms and other factors.

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Results of Operations for the Three Months Ended November 30, 2011 Compared to the Three Months Ended November 30, 2010

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

	Three Months Ended November 30,		Percent Increase U.S. Dollars	Percent Increase Local Currency	Percent of Total Net Revenues for the Three Months Ended November 30,	
	2011	2010			2011	2010
	(in millions of U.S. dollars)					
OPERATING GROUPS						
Communications, Media & Technology (1)	$ 1,535	$ 1,284	20%	16%	22%	21%
Financial Services	1,484	1,301	14	11		