

Accenture plc
Form 10-Q
March 23, 2012
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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 29, 2012

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
*(State or other jurisdiction of
incorporation or organization)*

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

98-0627530
*(I.R.S. Employer
Identification No.)*

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(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 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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(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 ordinary shares, par value \$0.0000225 per share, outstanding as of March 16, 2012 was 644,451,431 (which number does not include 93,905,384 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 March 16, 2012 was 47,135,687.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ACCENTURE PLC****CONSOLIDATED BALANCE SHEETS**

February 29, 2012 and August 31, 2011

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

	February 29, 2012 (Unaudited)	August 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,568,746	\$ 5,701,078
Short-term investments	3,107	4,929
Receivables from clients, net	3,355,991	3,236,059
Unbilled services, net	1,418,767	1,385,733
Deferred income taxes, net	584,149	556,160
Other current assets	623,920	587,224
Total current assets	11,554,680	11,471,183
NON-CURRENT ASSETS:		
Unbilled services, net	12,111	49,192
Investments	39,376	40,365
Property and equipment, net	775,871	785,231
Goodwill	1,232,474	1,131,991
Deferred contract costs	557,641	559,794
Deferred income taxes, net	791,365	756,079
Other non-current assets	844,578	937,675
Total non-current assets	4,253,416	4,260,327
TOTAL ASSETS	\$ 15,808,096	\$ 15,731,510
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and bank borrowings	\$ 4,653	\$ 4,419
Accounts payable	892,436	949,250
Deferred revenues	2,370,869	2,219,270
Accrued payroll and related benefits	2,888,991	3,259,252
Accrued consumption taxes	321,471	348,540
Income taxes payable	238,567	238,003
Deferred income taxes, net	30,557	32,647
Other accrued liabilities	790,307	855,208
Total current liabilities	7,537,851	7,906,589
NON-CURRENT LIABILITIES:		

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Long-term debt	1,201	
Deferred revenues relating to contract costs	541,137	553,440
Retirement obligation	991,717	995,695
Deferred income taxes, net	60,698	72,257
Income taxes payable	1,437,393	1,619,076
Other non-current liabilities	244,954	233,581
Total non-current liabilities	3,277,100	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 February 29, 2012 and August 31, 2011	57	57
Class A ordinary shares, par value \$0.0000225 per share, 20,000,000,000 shares authorized, 738,118,052 and 727,795,770 shares issued as of February 29, 2012 and August 31, 2011, respectively	16	16
Class X ordinary shares, par value \$0.0000225 per share, 1,000,000,000 shares authorized, 47,135,687 and 49,365,379 issued and outstanding as of February 29, 2012 and August 31, 2011, respectively	1	1
Restricted share units	714,192	784,277
Additional paid-in capital	1,032,438	525,037
Treasury shares, at cost: Ordinary, 40,000 shares as of February 29, 2012 and August 31, 2011, respectively; Class A ordinary, 94,026,785 and 86,361,763 shares as of February 29, 2012 and August 31, 2011, respectively	(4,109,064)	(3,577,574)
Retained earnings	7,113,037	6,281,517
Accumulated other comprehensive loss	(282,124)	(134,380)
Total Accenture plc shareholders equity	4,468,553	3,878,951
Noncontrolling interests	524,592	471,921
Total shareholders equity	4,993,145	4,350,872
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 15,808,096	\$ 15,731,510

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

Table of Contents**ACCENTURE PLC****CONSOLIDATED INCOME STATEMENTS**

For the Three and Six Months Ended February 29, 2012 and February 28, 2011

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

(Unaudited)

	Three Months Ended		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
REVENUES:				
Revenues before reimbursements (Net revenues)	\$ 6,797,250	\$ 6,053,621	\$ 13,871,747	\$ 12,099,271
Reimbursements	462,578	442,672	977,189	875,215
Revenues	7,259,828	6,496,293	14,848,936	12,974,486
OPERATING EXPENSES:				
Cost of services:				
Cost of services before reimbursable expenses	4,680,884	4,136,397	9,503,841	8,237,567
Reimbursable expenses	462,578	442,672	977,189	875,215
Cost of services	5,143,462	4,579,069	10,481,030	9,112,782
Sales and marketing	772,338	709,779	1,609,815	1,441,250
General and administrative costs	454,314	435,499	886,831	821,225
Reorganization costs, net	415	369	823	717
Total operating expenses	6,370,529	5,724,716	12,978,499	11,375,974
OPERATING INCOME	889,299	771,577	1,870,437	1,598,512
Gain (loss) on investments, net	47	(868)	(8)	(919)
Interest income	9,246	9,893	19,758	19,286
Interest expense	(4,220)	(3,507)	(8,378)	(8,243)
Other income (expense), net	4,168	(2,948)	9,758	10,139
INCOME BEFORE INCOME TAXES	898,540	774,147	1,891,567	1,618,775
Provision for income taxes	184,350	208,397	465,620	447,469
NET INCOME	714,190	565,750	1,425,947	1,171,306
Net income attributable to noncontrolling interests in Accenture SCA and Accenture Canada Holdings Inc.	(60,588)	(54,590)	(122,544)	(119,264)
Net income attributable to noncontrolling interests other	(9,679)	(8,143)	(17,394)	(14,311)
NET INCOME ATTRIBUTABLE TO ACCENTURE PLC	\$ 643,923	\$ 503,017	\$ 1,286,009	\$ 1,037,731
Weighted average Class A ordinary shares:				
Basic	646,452,990	646,292,241	645,390,718	641,779,811
Diluted	729,036,633	743,505,338	729,608,665	743,505,732
Earnings per Class A ordinary share:				
Basic	\$ 1.00	\$ 0.78	\$ 1.99	\$ 1.62
Diluted	\$ 0.97	\$ 0.75	\$ 1.93	\$ 1.56
Cash dividends per share	\$	\$	\$ 0.675	\$ 0.45

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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 Six Months Ended February 29, 2012

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

(Unaudited)

	Ordinary Shares		Class A Ordinary Shares		Class X Ordinary Shares		Restricted Share Units	Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Accenture plc Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
	No. Shares	\$	No. Shares	\$	No. Shares	\$			No. Shares	\$					
As of February 29, 2012	40	\$ 57	727,796	\$ 16	49,365	\$ 1	\$ 784,277	\$ 525,037	(86,402)	\$ (3,577,574)	\$ 6,281,517	\$ (134,380)	\$ 3,878,951	\$ 471,921	\$ 4,350,872
Net income											1,286,009		1,286,009	139,938	1,425,947
Other comprehensive income (loss):															
Realized losses on foreign currency translation												(4,325)	(4,325)	(404)	(4,729)
Realized gains on available securities, reclassification												221	221	21	242
Change in currency translation adjustments, net of tax												(152,413)	(152,413)	(16,110)	(168,523)
Change in defined benefit plans, net of tax												8,773	8,773	820	9,593
Other comprehensive income												(147,744)	(147,744)	(15,673)	(163,417)
Net change in comprehensive income															
Income tax benefit on deferred tax assets															
Termination expense on deferred tax assets								113,667							113,667
Change in deferred tax assets of Class A ordinary shares								54,292	(701,620)	(13,095)			(647,328)	(54,292)	(701,620)
Termination expense on deferred tax assets								241,254	20,263						261,517
Change in deferred tax assets/redemptions of Class A ordinary shares															
Change in deferred tax assets of Accenture plc common shares															
Change in deferred tax assets of Accenture plc Class X ordinary shares															
Change in deferred tax assets of Class A ordinary shares:															
Class A ordinary shares															
Class X ordinary shares															
Class A ordinary shares															
Class X ordinary shares															
Class A ordinary shares															
Class X ordinary shares															

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Free share																			
ns	8,760		(333,737)	380,860	170,130	5,430						217,253	11,626	22					
edemption of																			
ure SCA Class																			
on shares	1,562																		
nds			22,398							(455,013)		(432,615)	(42,281)	(47					
net				(17,338)						524		(16,814)	17,469						
e as of																			
y 29, 2012	\$ 57	40	\$ 16	738,118	\$ 1	47,136	\$ 714,192	\$ 1,032,438	\$ (4,109,064)	(94,067)	\$ 7,113,037	\$ (282,124)	\$ 4,468,553	\$ 524,592	\$ 4,99				

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

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	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,425,947	\$ 1,171,306
Adjustments to reconcile Net income to Net cash provided by operating activities		
Depreciation, amortization and asset impairments	279,635	241,143
Reorganization costs, net	823	717
Share-based compensation expense	261,517	218,188
Deferred income taxes, net	(61,535)	(43,212)
Other, net	12,402	50,188
Change in assets and liabilities, net of acquisitions		
Receivables from clients, net	(192,300)	(419,387)
Unbilled services, current and non-current	(72,101)	(152,125)
Other current and non-current assets	(112,141)	(255,683)
Accounts payable	(96,897)	(20,006)
Deferred revenues, current and non-current	248,782	244,788
Accrued payroll and related benefits	(242,201)	(280,638)
Income taxes payable, current and non-current	(110,161)	16,309
Other current and non-current liabilities	(8,699)	(64,085)
Net cash provided by operating activities	1,333,071	707,503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and sales of available-for-sale investments	6,748	691
Purchases of available-for-sale investments	(6,726)	(726)
Proceeds from sales of property and equipment	1,906	1,930
Purchases of property and equipment	(166,254)	(154,058)
Purchases of businesses and investments, net of cash acquired	(162,876)	(118,262)
Net cash used in investing activities	(327,202)	(270,425)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of ordinary shares	228,879	282,035
Purchases of shares	(750,079)	(797,212)
Repayments of long-term debt, net	(929)	(1,260)
Cash dividends paid	(474,896)	(320,650)
Excess tax benefits from share-based payment arrangements	57,975	105,798
Other, net	(26,849)	(19,210)
Net cash used in financing activities	(965,899)	(750,499)
Effect of exchange rate changes on cash and cash equivalents	(172,302)	152,673
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132,332)	(160,748)
CASH AND CASH EQUIVALENTS, beginning of period	5,701,078	4,838,292

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CASH AND CASH EQUIVALENTS , end of period	\$ 5,568,746	\$ 4,677,544
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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 and six months ended February 29, 2012 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 February 29, 2012 and August 31, 2011, total allowances recorded for client receivables and unbilled services were \$72,117 and \$73,296, respectively.

Accumulated Depreciation

As of February 29, 2012 and August 31, 2011, total accumulated depreciation was \$1,683,964 and \$1,639,965, respectively.

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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		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Basic Earnings per share				
Net income attributable to Accenture plc	\$ 643,923	\$ 503,017	\$ 1,286,009	\$ 1,037,731
Basic weighted average Class A ordinary shares	646,452,990	646,292,241	645,390,718	641,779,811
Basic earnings per share	\$ 1.00	\$ 0.78	\$ 1.99	\$ 1.62
Diluted Earnings per share				
Net income attributable to Accenture plc	\$ 643,923	\$ 503,017	\$ 1,286,009	\$ 1,037,731
Net income attributable to noncontrolling interests in				
Accenture SCA and Accenture Canada Holdings Inc. (1)	60,588	54,590	122,544	119,264
Net income for diluted earnings per share calculation	\$ 704,511	\$ 557,607	\$ 1,408,553	\$ 1,156,995
Basic weighted average Class A ordinary shares	646,452,990	646,292,241	645,390,718	641,779,811
Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1)	60,849,809	70,114,266	61,501,352	73,609,433
Diluted effect of employee compensation related to Class A ordinary shares (2)	21,591,452	26,969,144	22,571,471	28,059,362
Diluted effect of share purchase plans related to Class A ordinary shares	142,382	129,687	145,124	57,126
Diluted weighted average Class A ordinary shares	729,036,633	743,505,338	729,608,665	743,505,732
Diluted earnings per share (2)	\$ 0.97	\$ 0.75	\$ 1.93	\$ 1.56

- (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.

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- (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 rates for the three months ended February 29, 2012 and February 28, 2011 were 20.5% and 26.9%, respectively. The Company's effective tax rates for the six months ended February 29, 2012 and February 28, 2011 were 24.6% and 27.6%, respectively. The effective tax rates for the three and six months ended February 29, 2012 were lower than the effective tax rates for the three and six months ended February 28, 2011, primarily as a result of higher benefits related to final determinations of tax liabilities for prior years, partially offset by increases in tax reserves.

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)****(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		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Reorganization liability, beginning of period	\$ 284,465	\$ 281,781	\$ 307,286	\$ 271,907
Interest expense accrued	415	369	823	717
Foreign currency translation adjustments	3,033	14,019	(20,196)	23,545
Reorganization liability, end of period	\$ 287,913	\$ 296,169	\$ 287,913	\$ 296,169

As of February 29, 2012, reorganization liabilities of \$276,990 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 \$10,923 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 February 29, 2012, 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.

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)

(Unaudited)

5. BUSINESS COMBINATIONS AND GOODWILL

During the six months ended February 29, 2012, 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 \$162,876. In connection with these acquisitions, the Company recorded goodwill of \$116,277, which was allocated among the reportable operating segments. Goodwill also included immaterial adjustments related to recent acquisitions. The Company also recorded \$51,000 in intangible assets, primarily related to customer relationships. The intangible assets are being amortized over 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	February 29, 2012
Communications, Media & Technology (1)	\$ 173,867	\$ 73	\$ (4,983)	\$ 168,957
Financial Services	304,720	113,875	(1,514)	417,081
Health & Public Service	286,158	593	(1,304)	285,447
Products	278,929	3,060	(7,138)	274,851
Resources	88,317	868	(3,047)	86,138
Total	\$ 1,131,991	\$ 118,469	\$ (17,986)	\$ 1,232,474

(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		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Comprehensive income attributable to Accenture plc	\$ 814,282	\$ 592,786	\$ 1,138,265	\$ 1,184,542
Comprehensive income attributable to noncontrolling interests	85,374	73,788	124,265	153,596
Total comprehensive income	\$ 899,656	\$ 666,574	\$ 1,262,530	\$ 1,338,138

Dividends

The Company's dividend activity during the six months ended February 29, 2012 was as follows:

Dividend Payment Date	Dividend Per Share	Accenture plc Class A Ordinary Shares		Accenture SCA Class I Common Shares and Accenture Canada Holdings Inc. Exchangeable Shares		Total Cash Outlay
		Record Date	Cash Outlay	Record Date	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.

Subsequent Event

On March 21, 2012, the Board of Directors of Accenture plc declared a semi-annual cash dividend of \$0.675 per share on our Class A ordinary shares for shareholders of record at the close of business on April 13, 2012. Accenture plc will cause Accenture SCA to declare a semi-annual cash dividend of \$0.675 per share on its Class I common shares for shareholders of record at the close of business on April 10, 2012. Both dividends are payable on May 15, 2012. 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.

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)****(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 gains on cash flow hedges, net of tax, in Accumulated other comprehensive loss was as follows:

	Six Months Ended	
	February 29, 2012	February 28, 2011
Net unrealized gains on cash flow hedges, net of tax, beginning of period	\$ 32,354	\$ 4,340
Change in fair value, net of tax	(17,272)	33,468
Reclassification adjustments into Cost of services, net of tax	12,543	(6,189)
Portion attributable to Noncontrolling interests, net of tax	404	(2,559)
Net unrealized gains on cash flow hedges, net of tax, end of period	\$ 28,029	\$ 29,060

As of February 29, 2012, \$3,630 of the net unrealized gains 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 (expense), net in the Consolidated Income Statement and, for the three and six months ended February 29, 2012, was not material. In addition, the Company did not discontinue any cash flow hedges during the three and six months ended February 29, 2012.

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 gain of \$53,918 and a net loss of \$(84,860) for the three and six months ended February 29, 2012, respectively. 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 gain of \$27,449 and \$66,978 for the three and six months ended February 28, 2011, 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 (expense), net in the Consolidated Income Statement.

Fair Value of Derivative Instruments

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

	February 29, 2012	August 31, 2011
Assets		
Cash Flow Hedges		
Other current assets	\$ 21,922	\$ 21,714
Other non-current assets	46,796	43,666
Other Derivatives		

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Other current assets		14,962	13,863
Total assets		\$ 83,680	\$ 79,243
Liabilities			
Cash Flow Hedges			
Other accrued liabilities		\$ 15,072	\$ 4,649
Other non-current liabilities		3,256	698
Other Derivatives			
Other accrued liabilities		4,434	15,223
Total liabilities		\$ 22,762	\$ 20,570
Total fair value		\$ 60,918	\$ 58,673
Total notional value		\$ 3,791,318	\$ 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 February 29, 2012 and August 31, 2011, the Company has reflected the fair value of \$86,759 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 February 29, 2012 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 \$988,000 and \$976,000, respectively, of which all but approximately \$294,000 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 February 29, 2012, 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.

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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)

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:

	\$,00000000	\$,00000000	\$,00000000	\$,00000000
	Three Months Ended			
	February 29, 2012		February 28, 2011	
	Net Revenues	Operating Income	Net Revenues	Operating Income
Communications, Media & Technology (1)	\$ 1,481,378	\$ 203,406	\$ 1,274,449	\$ 150,445
Financial Services	1,376,619	142,714	1,265,620	204,214
Health & Public Service	1,055,879	99,593	964,612	89,569
Products	1,584,596	184,257	1,373,646	125,785
Resources	1,293,201	259,329	1,171,016	201,564
Other	5,577		4,278	
Total	\$ 6,797,250	\$ 889,299	\$ 6,053,621	\$ 771,577

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