

Accenture plc  
**2016 IRISH STATUTORY ACCOUNTS**

Accenture plc

**Directors' Report and Consolidated Financial Statements  
For the Year Ended August 31, 2016**

**ACCENTURE PLC**

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## **DIRECTORS' REPORT**

### **For the Year Ended August 31, 2016**

The directors present their annual report and audited Consolidated and Parent Company Financial Statements and related Notes of Accenture plc for the year ended August 31, 2016.

The directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with US accounting standards ("US GAAP"), as defined in section 279 (1) of the Companies Act 2014, to the extent that the use of those standards in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

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

#### **Basis of Presentation**

The accompanying Consolidated Financial Statements include the accounts of Accenture plc, an Irish company, and its controlled subsidiary companies (collectively, the "Company"). In this Directors' Report, we use the terms "Accenture," "we," the "Company," "our" and "us" to refer to Accenture plc and its subsidiaries.

All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31. For example, a reference to "fiscal 2016" means the 12-month period that ended on August 31, 2016. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year.

The Consolidated Financial Statements include the Consolidated Balance Sheets of Accenture plc and its subsidiaries as of August 31, 2016 and 2015, and the related Consolidated Statements of Profit and Loss, Comprehensive Income, Shareholders' Equity and Cash Flows for the twelve months ended August 31, 2016, 2015 and 2014. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2016 filed with the U.S. Securities and Exchange Commission on October 28, 2016.

#### **Principal Activities**

Accenture is one of the world's leading professional services companies with approximately 384,000 people serving clients in a broad range of industries and in three geographic regions: North America, Europe and Growth Markets (Asia Pacific, Latin America, Africa, the Middle East, Russia and Turkey). Our five operating groups, organized by industry, bring together expertise from across the organization to deliver services and solutions in strategy, consulting, digital, technology including application services, and operations to our clients. Digital-, cloud- and security-related services are increasingly important components of the services we provide. For fiscal 2016, our revenues before reimbursements ("net revenues") were \$32.9 billion.

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

In fiscal 2016, we continued to implement a strategy focused on industry and technology differentiation, leveraging our global organization to serve clients in locally relevant ways. We continued to make significant investments—in strategic acquisitions, in assets and offerings, in branding and thought leadership, and in attracting and developing talent—to further enhance our differentiation and competitiveness.

## Operating Groups

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

The following table shows the current organization of our five operating groups and their 13 industry groups. We do not allocate total assets by operating group, although our operating groups do manage and control certain assets. For certain historical financial information regarding our operating groups (including certain asset information), as well as financial information by geography (including long-lived asset information), see Note 16 (Segment Reporting) to our Consolidated Financial Statements.

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

## Services and Solutions

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

## Global Delivery Model

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

Our Global Delivery Network continues to be a competitive differentiator for us. As of August 31, 2016, we had approximately 285,000 professionals in our network globally in more than 50 delivery centers around the world, as well as Accenture offices and client locations.

## Research and Innovation

We are committed to developing leading-edge ideas. Research and innovation, which is a component of our overall investment in our business, have been major factors in our success, and we believe they will help us continue to grow in the future. We use our investment in research and development—on which we spent \$643 million, \$626 million and \$640 million in fiscal 2016, 2015 and 2014, respectively—to help create, commercialize and disseminate innovative business strategies and technology solutions. We spend a significant portion of our research and development investment to develop market-ready solutions for our clients.

Our research and innovation program is designed to generate early insights into how knowledge can be harnessed to create innovative business solutions for our clients and to develop business strategies with significant value. Our innovation capabilities include research and thought leadership to identify market and technology trends. We also partner with and invest in growth-stage companies that create innovative enterprise technologies. Our Accenture Labs incubate and prototype new concepts through applied research and development projects. In addition, our studios, innovation centers and delivery centers build, scale and industrialize the delivery of our innovations.

## **Organizational Structure**

Accenture plc is an Irish public limited company with no material assets other than ordinary and deferred shares in its subsidiary, Accenture Holdings plc, an Irish public limited company. Accenture plc owns a majority voting interest in Accenture Holdings plc, and Accenture plc's only business is to hold these shares. As a result, Accenture plc controls Accenture Holdings plc's management and operations and consolidates Accenture Holdings plc's results in its Consolidated Financial Statements. We operate our business through subsidiaries of Accenture Holdings plc. Accenture Holdings plc generally reimburses Accenture plc for its expenses but does not pay Accenture plc any fees.

## **History**

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

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

On April 10, 2015, Accenture Holdings plc was incorporated in Ireland, as a public limited company, in order to further consolidate Accenture's presence in Ireland. On August 26, 2015, Accenture SCA merged with and into Accenture Holdings plc, with Accenture Holdings plc as the surviving entity. This merger was a transaction between entities under common control and had no effect on the Company's Consolidated or Parent Company Financial Statements.

All references to Accenture Holdings plc included in this report with respect to periods prior to August 26, 2015 reflect the activity and/or balances of Accenture SCA (the predecessor of Accenture Holdings plc). The Consolidated Financial Statements reflect the ownership interests in Accenture Holdings plc and Accenture Canada Holdings Inc. held by certain current and former members of Accenture Leadership as noncontrolling interests. "Accenture Leadership" is comprised of members of our global management committee (the Company's primary management and leadership team, which consists of approximately 20 of our most senior leaders), senior managing directors and managing directors. The noncontrolling ownership interests percentage was 4% as of August 31, 2016.

## **Accenture plc Class A and Class X Ordinary Shares**

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

Under its memorandum and articles of association, Accenture plc may redeem, at its option, any Class X ordinary share for a redemption price equal to the nominal value of the Class X ordinary share, or \$0.0000225 per share. Accenture plc, as successor to Accenture Ltd, has separately agreed with the original holders of Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares not to redeem any Class X ordinary share of such holder if the redemption would reduce the number of Class X ordinary shares held by that holder to a number that is less than the number of Accenture Holdings plc ordinary shares or Accenture Canada Holdings Inc. exchangeable shares owned by that holder. Accenture plc will redeem Class X ordinary shares upon the redemption or exchange of Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares so that the aggregate number of Class X ordinary shares outstanding at any time does not exceed the aggregate number

of Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

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

### ***Accenture Holdings plc Ordinary and Deferred Shares***

Only Accenture plc, Accenture Holdings plc, Accenture International S.à.r.l. and certain current and former members of Accenture Leadership and their permitted transferees hold Accenture Holdings plc ordinary shares. Each ordinary share entitles its holder to one vote on all matters submitted to the shareholders of Accenture Holdings plc and entitles its holder to dividends and liquidation payments. As of October 14, 2016, Accenture plc holds a voting interest of approximately 96% of the aggregate outstanding Accenture Holdings plc ordinary shares entitled to vote, with the remaining 4% of the voting interest held by certain current and former members of Accenture Leadership and their permitted transferees.

Only Accenture plc beneficially holds Accenture Holdings plc deferred shares. The deferred shares were issued solely to ensure that Accenture Holdings plc satisfies Irish law minimum share capital requirements for public limited companies at all times and carry no voting rights or income rights and have only limited rights on a return of capital equal to the nominal value of those shares.

Holders of ordinary shares of Accenture Holdings plc have the ability, subject to the restrictions on redemption contained in Accenture Holdings plc's articles of association and the Companies Act 2014 of Ireland (the "Companies Act") and any contractual restrictions on redemption that may be applicable to a holder, to require that Accenture Holdings plc redeem all or a portion of such holder's ordinary shares of Accenture Holdings plc. In that case, Accenture Holdings plc is obligated, subject to the availability of distributable reserves, to redeem any such ordinary shares of Accenture Holdings plc. The redemption price per share generally equals the average of the high and low sale prices of a Class A ordinary share of Accenture plc as reported on the New York Stock Exchange on the trading day on which Accenture Holdings plc receives an irrevocable notice of redemption from a holder of ordinary shares of Accenture Holdings plc if received prior to close of trading for that day, or on the following trading day if Accenture Holdings plc receives the irrevocable notice of redemption later than the close of trading on that day. Accenture Holdings plc may, at its option, pay the redemption price in cash or by instructing Accenture plc to deliver Class A ordinary shares on a one-for-one basis, subject to adjustment for dividends and share splits. In order to maintain Accenture plc's economic interest in Accenture Holdings plc, Accenture plc generally will acquire additional Accenture Holdings plc ordinary shares each time additional Accenture plc Class A ordinary shares are issued.

Except in the case of a redemption of Accenture Holdings plc ordinary shares or a transfer of Accenture Holdings plc ordinary shares to Accenture plc or one of its subsidiaries, Accenture Holdings plc's articles of association provide that Accenture Holdings plc ordinary shares may be transferred only with the consent of the Board of Directors of Accenture Holdings plc. In addition, all holders of ordinary shares (except Accenture plc) are precluded from having their shares redeemed by Accenture Holdings plc or transferred to Accenture Holdings plc, Accenture plc or a subsidiary of Accenture plc at any time or during any period when Accenture Holdings plc determines, based on the advice of counsel, that there is material non-public information that may affect the average price per share of Accenture plc Class A ordinary shares, if the redemption would be prohibited by applicable law or regulation, or during the period from the announcement of a tender offer by Accenture Holdings plc or its affiliates for Accenture Holdings plc ordinary shares, or any securities convertible into, or exchangeable or exercisable for, ordinary shares, until the expiration of ten business days after the termination of the tender offer (other than to tender the holder's Accenture Holdings plc ordinary shares in the tender offer).

### ***Accenture Canada Holdings Inc. Exchangeable Shares***

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



## Principal Risks and Uncertainties

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

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

Global macroeconomic conditions affect our clients' businesses and the markets they serve. Volatile, negative or uncertain economic conditions in our significant markets have undermined and could in the future undermine business confidence in our significant markets or in other markets, which are increasingly interdependent, and cause our clients to reduce or defer their spending on new initiatives and technologies, or may result in clients reducing, delaying or eliminating spending under existing contracts with us, which would negatively affect our business. Growth in the markets we serve could be at a slow rate, or could stagnate or contract, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate and the industries we serve have affected and may in the future affect demand for our services and solutions. A material portion of our revenues and profitability is derived from our clients in North America and Europe. Weak demand in these markets could have a material adverse effect on our results of operations. In addition, because we operate globally and have significant businesses in markets outside of North America and Europe, an economic slowdown in one or more of those other markets could adversely affect our results of operations as well. Ongoing economic volatility and uncertainty and changing demand patterns affect our business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build our revenue and resource plans, particularly in consulting.

Economic volatility and uncertainty is particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in our business and results of operations. Changing demand patterns from economic volatility and uncertainty could have a significant negative impact on our results of operations.

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

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

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

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

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

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

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

Our success is dependent, in large part, on our ability to keep our supply of skills and resources in balance with client demand around the world and our ability to attract and retain personnel with the knowledge and skills to lead our business globally. Experienced personnel in our industry are in high demand, and competition for talent is intense. We must hire, retain and motivate appropriate numbers of talented people with diverse skills in order to serve clients across the globe, respond quickly to rapid and ongoing technology, industry and macroeconomic developments and grow and manage our business. For example, if we are unable to hire or continually train our employees to keep pace with the rapid and continuing changes in technology and the industries we serve or changes in the types of services and solutions clients are demanding, we may not be able to develop and deliver new services and solutions to fulfill client demand. As we expand our services and solutions, we must also hire and retain an increasing number of professionals with different skills and professional expectations than those of the professionals we have historically hired and retained. Additionally, if we are unable to successfully integrate, motivate and retain these professionals, our ability to continue to secure work in those industries and for our services and solutions may suffer.

We are particularly dependent on retaining members of Accenture Leadership and other experienced managers, and if we are unable to do so, our ability to develop new business and effectively manage our current contracts and client relationships could be jeopardized. We depend on identifying, developing and retaining key employees to provide leadership and direction for our businesses. This includes developing talent and leadership capabilities in emerging markets, where the depth of skilled employees is often limited and competition for these resources is intense. Our ability to expand geographically depends, in large part, on our ability to attract, retain and integrate both leaders for the local business and people with the appropriate skills.

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



placed on the number of visas granted, limitations on the type of work performed or location in which the work can be performed, and new or higher minimum salary requirements, it could be more difficult to staff our employees on client engagements and could increase our costs.

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

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

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

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

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

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

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

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

***We could have liability or our reputation could be damaged if we fail to protect client and/or Accenture data from security breaches or cyberattacks.***

We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations around the world and with our clients, alliance partners and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the use of mobile technologies, social media and cloud-based services, the potential risk of security breaches and cyberattacks increases. Such breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of sensitive or confidential information, including personal data.

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

We are subject to numerous laws and regulations designed to protect this information, such as the national laws implementing the European Union Directive on Data Protection (which will be replaced by the European Union General Data Protection Regulation from 2018 onwards), various U.S. federal and state laws governing the protection of health or other personally identifiable information and data privacy and cybersecurity laws in other regions. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict among the various countries in which we operate. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or Accenture data, or otherwise mismanages or misappropriates that data, we could be subject to significant litigation, monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. These monetary damages might not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages and could be significant. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

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

Our profitability is highly dependent on a variety of factors and could be materially impacted by any of the following:

*Our results of operations could materially suffer if we are not able to obtain sufficient pricing to meet our profitability expectations.* If we are not able to obtain favorable pricing for our services and solutions, our revenues and profitability could materially suffer. The rates we are able to charge for our services and solutions are affected by a number of factors, including:

- general economic and political conditions;
- our clients' desire to reduce their costs;
- the competitive environment in our industry;
- our ability to accurately estimate our service delivery costs, upon which our pricing is sometimes determined, includes our ability to estimate the impact of inflation and foreign exchange on our service delivery costs over long-term contracts; and
- the procurement practices of clients and their use of third-party advisors.

*Our profitability could suffer if we are not able to remain competitive.* The competitive environment in our industry affects our ability to secure new contracts at our target economics in a number of ways, any of which could have a material negative impact on our results of operations. The less we are able to differentiate our services and solutions and/or clearly convey the value of our services and solutions, the more risk we have in winning new work in sufficient volumes and at our target pricing and overall economics. In addition, the introduction of new services or products by competitors could reduce our ability to obtain favorable pricing and impact our overall economics for the services or solutions we offer. Competitors may be willing, at times, to price contracts lower than us in an effort to enter the market or increase market share.

*Our profitability could suffer if our cost-management strategies are unsuccessful, and we may not be able to improve our profitability to the degree we have done in the past.* Our ability to improve or maintain our profitability is dependent on our being able to successfully manage our costs. Our cost management strategies include maintaining appropriate alignment between the demand for our services and solutions and our resource capacity. We have also taken actions to reduce certain costs, and these initiatives include, without limitation, re-alignment of portions of our workforce to lower-cost locations and the use of involuntary terminations as a means to keep our supply of skills and resources in balance. These actions and our other cost-management efforts may not be successful, our efficiency may not be enhanced and we may not achieve desired levels of profitability. Because of the significant steps taken in the past to manage costs, it may become increasingly difficult to continue to manage our cost structure to the same degree as in the past. If we are not effective in managing our operating costs in response to changes in demand or pricing, or if we are unable to recover employee compensation increases through improved pricing, automation or the movement of work to lower-cost locations, we may not be able to continue to invest in our business in an amount necessary to achieve our planned rates of growth, we may not be able to reward our people in the manner we believe is necessary to attract or retain personnel at desired levels, and our results of operations could be materially adversely affected.

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

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

We are subject to taxes in numerous jurisdictions. We calculate and provide for taxes in each tax jurisdiction in which we operate. Tax accounting often involves complex matters and requires our judgment to determine our worldwide provision for income taxes and other tax liabilities. We are subject to ongoing audits, investigations and tax proceedings in various jurisdictions. Tax authorities have disagreed, and may in the future disagree, with our judgments, or may take increasingly aggressive positions opposing the judgments we make, including with respect to our intercompany transactions. We regularly assess the likely outcomes of our audits, investigations and tax proceedings to determine the appropriateness of our tax liabilities. However, our judgments might not be sustained as a result of these audits, investigations and tax proceedings, and the amounts ultimately paid could be materially different from the amounts previously recorded. In addition, our effective tax rate in the future could be adversely affected by the expiration of current tax benefits, changes in the mix of earnings in countries with differing statutory tax rates, challenges to our intercompany transactions, changes in the valuation of deferred tax assets and liabilities and changes in tax laws or in their interpretation or enforcement. Tax rates in the jurisdictions in which we operate may change as a result of macroeconomic or other factors outside of our control. In addition, changes in tax laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position.

The overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty about taxation in many jurisdictions. For example, the European Commission has been conducting investigations, focusing on whether local country tax rulings or tax legislation provide preferential tax treatment that violates European Union state aid rules. In addition, the Organization for Economic Co-operation and Development,

which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting project, which is focused on a number of issues, including the shifting of profits among affiliated entities located in different tax jurisdictions. Furthermore, a number of countries where we do business, including the United States and many countries in the European Union, are considering changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to multinational corporations. The increasingly complex global tax environment could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

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

***Our results of operations could be materially adversely affected by fluctuations in foreign currency exchange rates.***

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

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

As we continue to leverage our global delivery model, more of our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies, such as the Indian rupee or Philippine peso, against the currencies in which our revenue is recorded could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in local currency. Our contractual provisions or cost management efforts might not be able to offset their impact, and our currency hedging activities, which are designed to partially offset this impact, might not be successful. This could result in a decrease in the profitability of our contracts that are utilizing delivery center resources. Conversely, a decrease in the value of certain currencies, such as the Indian rupee or Philippine peso, against the currencies in which our revenue is recorded could place us at a competitive disadvantage compared to service providers that benefit to a greater degree from such a decrease and can, as a result, deliver services at a lower cost. In addition, our currency hedging activities are themselves subject to risk. These include risks related to counterparty performance under hedging contracts, risks related to ineffective hedges and risks related to currency fluctuations. We also face risks that extreme economic conditions, political instability, or hostilities or disasters of the type described below could impact or perhaps eliminate the underlying exposures that we are hedging. Such an event could lead to losses being recognized on the currency hedges then in place that are not offset by anticipated changes in the underlying hedge exposure.

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

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



For example, we could be subject to significant legal liability and litigation expense if we fail to meet our contractual obligations, contribute to internal control deficiencies of a client or otherwise breach obligations to third parties, including clients, alliance partners, employees and former employees, and other parties with whom we conduct business, or if our subcontractors breach or dispute the terms of our agreements with them and impede our ability to meet our obligations to our clients. We may enter into agreements with non-standard terms because we perceive an important economic opportunity or because our personnel did not adequately follow our contracting guidelines. In addition, the contracting practices of competitors, along with the demands of increasingly sophisticated clients, may cause contract terms and conditions that are unfavorable to us to become new standards in the marketplace. We may find ourselves committed to providing services or solutions that we are unable to deliver or whose delivery will reduce our profitability or cause us financial loss. If we cannot or do not meet our contractual obligations and if our potential liability is not adequately limited through the terms of our agreements, liability limitations are not enforced or a third party alleges fraud or other wrongdoing to prevent us from relying upon those contractual protections, we might face significant legal liability and litigation expense and our results of operations could be materially adversely affected. In addition, as we expand our services and solutions into new areas, such as taking over the operation of certain portions of our clients' businesses, which increasingly include the operation of functions and systems that are critical to the core businesses of our clients, we may be exposed to additional operational, regulatory or other risks specific to these new areas, including risks related to data security. A failure of a client's system based on our services or solutions could also subject us to a claim for significant damages that could materially adversely affect our results of operations.

While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if they prevail, the amount of our recovery.

***Our work with government clients exposes us to additional risks inherent in the government contracting environment.***

Our clients include national, provincial, state and local governmental entities. Our government work carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

- Government entities, particularly in the United States, often reserve the right to audit our contract costs and conduct inquiries and investigations of our business practices and compliance with government contract requirements. U.S. government agencies, including the Defense Contract Audit Agency, routinely audit our contract costs, including allocated indirect costs, for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts. Negative findings from existing and future audits, investigations or inquiries could affect our future sales and profitability by preventing us, by operation of law or in practice, from receiving new government contracts for some period of time. In addition, if the U.S. government concludes that certain costs are not reimbursable, have not been properly determined or are based on outdated estimates of our work, then we will not be allowed to bill for such costs, may have to refund money that has already been paid to us or could be required to retroactively and prospectively adjust previously agreed to billing or pricing rates for our work. Negative findings from existing and future audits of our business systems, including our accounting system, may result in the U.S. government preventing us from billing, at least temporarily, a percentage of our costs. As a result of prior negative findings in connection with audits, investigations and inquiries, we have from time to time experienced some of the adverse consequences described above and may in the future experience further adverse consequences, which could materially adversely affect our future results of operations.
- If a government client discovers improper or illegal activities in the course of audits or investigations, we may become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act, and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities.
- U.S. government contracting regulations impose strict compliance and disclosure obligations. Disclosure is required if certain company personnel have knowledge of "credible evidence" of a violation of federal criminal laws involving fraud, conflict of interest, bribery or improper gratuity, a violation of the civil U.S. False Claims Act or receipt of a significant overpayment from the government. Failure to make required disclosures could be a basis for suspension and/or debarment from federal government contracting in addition to breach of the specific contract and could also impact contracting beyond the U.S. federal level. Reported matters also could lead to audits or investigations and other civil, criminal or administrative sanctions.

- Government contracts are subject to heightened reputational and contractual risks compared to contracts with commercial clients. For example, government contracts and the proceedings surrounding them are often subject to more extensive scrutiny and publicity. Negative publicity, including an allegation of improper or illegal activity, regardless of its accuracy, may adversely affect our reputation.
- Terms and conditions of government contracts also tend to be more onerous and are often more difficult to negotiate. For example, these contracts often contain high or unlimited liability for breaches and feature less favorable payment terms and sometimes require us to take on liability for the performance of third parties.
- Government entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions or other debt constraints could result in our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. Furthermore, if insufficient funding is appropriated to the government entity to cover termination costs, we may not be able to fully recover our investments.
- Political and economic factors such as pending elections, the outcome of recent elections, changes in leadership among key executive or legislative decision makers, revisions to governmental tax or other policies and reduced tax revenues can affect the number and terms of new government contracts signed or the speed at which new contracts are signed, decrease future levels of spending and authorizations for programs that we bid, shift spending priorities to programs in areas for which we do not provide services and/or lead to changes in enforcement or how compliance with relevant rules or laws is assessed.
- Legislative and executive proposals remain under consideration or could be proposed in the future, which, if enacted, could limit or even prohibit our eligibility to be awarded state or federal government contracts in the United States in the future or could include requirements that would otherwise affect our results of operations. Various U.S. federal and state legislative proposals have been introduced and/or enacted in recent years that deny government contracts to certain U.S. companies that reincorporate or have reincorporated outside the United States. While Accenture was not a U.S. company that reincorporated outside the United States, it is possible that these contract bans and other legislative proposals could be applied in a way that negatively affects Accenture.

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

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

We expect to continue pursuing strategic and targeted acquisitions, investments and joint ventures to enhance or add to our skills and capabilities or offerings of services and solutions, or to enable us to expand in certain geographic and other markets. Depending on the opportunities available, we may increase the amount of capital invested in such opportunities. We may not successfully identify suitable investment opportunities. We also might not succeed in completing targeted transactions or achieve desired results of operations. Furthermore, we face risks in successfully integrating any businesses we might acquire or create through a joint venture. Ongoing business may be disrupted, and our management's attention may be diverted by acquisition, investment, transition or integration activities. In addition, we might need to dedicate additional management and other resources, and our organizational structure could make it difficult for us to efficiently integrate acquired businesses into our ongoing operations and assimilate and retain employees of those businesses into our culture and operations. Acquisitions or joint ventures may result in significant costs and expenses, including those related to retention payments, equity compensation, severance pay, early retirement costs, intangible asset amortization and asset impairment charges, assumed litigation and other liabilities, and legal, accounting and financial advisory fees, which could negatively affect our profitability. We may have difficulties as a result of entering into new markets where we have limited or no direct prior experience or where competitors may have stronger market positions.

We might fail to realize the expected benefits or strategic objectives of any acquisition, investment or joint venture we undertake. We might not achieve our expected return on investment or may lose money. We may be adversely impacted by liabilities that we assume from a company we acquire or in which we invest, including from that company's known and unknown obligations, intellectual property or other assets, terminated employees, current or former clients or other third parties. In addition, we may fail to identify or adequately assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring, investing in or partnering with a company, including potential



exposure to regulatory sanctions or liabilities resulting from an acquisition target's previous activities. If any of these circumstances occurs, they could result in unexpected legal or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes or other adverse effects on our business. In addition, we have a lesser degree of control over the business operations of the joint ventures and businesses in which we have made minority investments. This lesser degree of control may expose us to additional reputational, financial, legal, compliance or operational risks. Litigation, indemnification claims and other unforeseen claims and liabilities may arise from the acquisition or operation of acquired businesses. For example, we may face litigation or other claims as a result of certain terms and conditions of the acquisition agreement, such as earnout payments or closing net asset adjustments. Alternatively, shareholder litigation may arise as a result of proposed acquisitions. If we are unable to complete the number and kind of investments for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability or competitive position in specific markets or services.

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

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

Our business model is dependent on our Global Delivery Network, which includes Accenture personnel based at more than 50 delivery centers around the world. While these delivery centers are located throughout the world, we have based large portions of our delivery network in India, where we have the largest number of people in our delivery network located, and the Philippines, where we have the second largest number of people located. Concentrating our Global Delivery Network in these locations presents a number of operational risks, many of which are beyond our control. For example, natural disasters of the type described below, some of which India and the Philippines have experienced and other countries may experience, could impair the ability of our people to safely travel to and work in our facilities and disrupt our ability to perform work through our delivery centers. Additionally, both India and the Philippines have experienced, and other countries may experience, political instability, worker strikes, civil unrest and hostilities with neighboring countries. Military activity or civil hostilities in the future, as well as terrorist activities and other conditions, which are described more fully below, could significantly disrupt our ability to perform work through our delivery centers. Our business continuity and disaster recovery plans may not be effective, particularly if catastrophic events occur. If any of these circumstances occurs, we have a greater risk that the interruptions in communications with our clients and other Accenture locations and personnel, and any down-time in important processes we operate for clients, could result in a material adverse effect on our results of operations and our reputation in the marketplace.

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

We have offices and operations in more than 200 cities in 55 countries around the world. One aspect of our growth strategy is to continue to expand in key markets around the world. Our growth strategy might not be successful. If we are unable to manage the risks of our global operations and geographic expansion strategy, including international hostilities, terrorist activities, natural disasters, security breaches, failure to maintain compliance with our clients' control requirements and multiple legal and regulatory systems, our results of operations and ability to grow could be materially adversely affected. In addition, emerging markets generally involve greater financial and operational risks, such as those described below, than our more mature markets. Negative or uncertain political climates in countries or geographies where we operate could also adversely affect us.

*International hostilities, terrorist activities, natural disasters, pandemics and infrastructure disruptions could prevent us from effectively serving our clients and thus adversely affect our results of operations.* Acts of terrorist violence; political unrest; armed regional and international hostilities and international responses to these hostilities; natural disasters, volcanic eruptions, floods and other severe weather conditions; health emergencies or pandemics or the threat of or perceived potential for these events; and other acts of god could have a negative impact on us. These events could adversely affect our clients' levels of business activity and precipitate sudden and significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our alliance partners

or clients. By disrupting communications and travel and increasing the difficulty of obtaining and retaining highly skilled and qualified personnel, these events could make it difficult or impossible for us to deliver our services and solutions to our clients. Extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients. We might be unable to protect our people, facilities and systems against all such occurrences. We generally do not have insurance for losses and interruptions caused by terrorist attacks, conflicts and wars. If these disruptions prevent us from effectively serving our clients, our results of operations could be adversely affected.

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

*Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business.* We are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as anticorruption, import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-competition, anti-money-laundering, data privacy and protection, wage-and-hour standards, and employment and labor relations. The global nature of our operations, including emerging markets where legal systems may be less developed or understood by us, and the diverse nature of our operations across a number of regulated industries, further increase the difficulty of compliance. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, criminal sanctions against us and/or our employees, prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our clients also could result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage and restrictions on our ability to effectively carry out our contractual obligations and thereby expose us to potential claims from our clients. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights.

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

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

***Adverse changes to our relationships with key alliance partners or in the business of our key alliance partners could adversely affect our results of operations.***

We have alliances with companies whose capabilities complement our own. A very significant portion of our services and solutions are based on technology or software provided by a few major providers that are our alliance partners. See “Business—Alliances.” The priorities and objectives of our alliance partners may differ from ours. As most of our alliance relationships are non-exclusive, our alliance partners are not prohibited from competing with us or forming closer or preferred arrangements with our competitors. One or more of our key alliance partners may be acquired by a competitor, or key alliance partners might merge with each other, either of which could reduce our access over time to the technology or software provided by those partners. In addition, our alliance partners could experience reduced demand for their technology or software, including, for example, in response to changes in technology, which

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

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

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

***If we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties, our business could be adversely affected.***

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

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

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

could also reduce the value and effectiveness of the Accenture brand name and could reduce investor confidence in us, materially adversely affecting our share price.

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

As of August 31, 2016, we had approximately 384,000 employees worldwide. Our size and scale present significant management and organizational challenges. It might become increasingly difficult to maintain effective standards across a large enterprise and effectively institutionalize our knowledge. It might also become more difficult to maintain our culture, effectively manage and monitor our personnel and operations and effectively communicate our core values, policies and procedures, strategies and goals, particularly given our world-wide operations. The size and scope of our operations increase the possibility that we will have employees who engage in unlawful or fraudulent activity, or otherwise expose us to unacceptable business risks, despite our efforts to train them and maintain internal controls to prevent such instances. For example, employee misconduct could involve the improper use of our clients' sensitive or confidential information or the failure to comply with legislation or regulations regarding the protection of sensitive or confidential information. Furthermore, the inappropriate use of social networking sites by our employees could result in breaches of confidentiality, unauthorized disclosure of non-public company information or damage to our reputation. If we do not continue to develop and implement the right processes and tools to manage our enterprise and instill our culture and core values into all of our employees, our ability to compete successfully and achieve our business objectives could be impaired. In addition, from time to time, we have made, and may continue to make, changes to our operating model, including how we are organized, as the needs and size of our business change, and if we do not successfully implement the changes, our business and results of operation may be negatively impacted.

***We make estimates and assumptions in connection with the preparation of our consolidated financial statements, and any changes to those estimates and assumptions could adversely affect our financial results.***

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The application of generally accepted accounting principles requires us to make estimates and assumptions about certain items and future events that affect our reported financial condition, and our accompanying disclosure with respect to, among other things, revenue recognition and income taxes. We base our estimates on historical experience, contractual commitments and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. These estimates and assumptions involve the use of judgment and are subject to significant uncertainties, some of which are beyond our control. If our estimates, or the assumptions underlying such estimates, are not correct, actual results may differ materially from our estimates, and we may need to, among other things, adjust revenues or accrue additional charges that could adversely affect our results of operations.

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

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

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

The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our shareholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, incur



incremental compliance costs, fail to meet our public reporting requirements on a timely basis, be unable to properly report on our business and our results of operations, or be required to restate our financial statements, and our results of operations, our share price and our ability to obtain new business could be materially adversely affected.

***We 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.***

We are organized under the laws of Ireland, and a significant portion of our assets are located outside the United States. A shareholder who obtains a court judgment based on the civil liability provisions of U.S. federal or state securities laws may be unable to enforce the judgment against us in Ireland or in countries other than the United States where we have assets. In addition, there is some doubt as to whether the courts of Ireland and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. We have been advised that the United States and Ireland do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. The laws of Ireland do, however, as a general rule, provide that the judgments of the courts of the United States have the same validity in Ireland as if rendered by Irish Courts. Certain important requirements must be satisfied before the Irish Courts will recognize a U.S. judgment. The originating court must have been a court of competent jurisdiction, the judgment must be final and conclusive and the judgment may not be recognized if it was obtained by fraud or its recognition would be contrary to Irish public policy. Any judgment obtained in contravention of the rules of natural justice or that is irreconcilable with an earlier foreign judgment would not be enforced in Ireland. Similarly, judgments might not be enforceable in countries other than the United States where we have assets.

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

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

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

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

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

***We might be unable to access additional capital on favorable terms or at all. If we raise equity capital, it may dilute our shareholders' ownership interest in us.***

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

- take advantage of opportunities, including more rapid expansion;

- acquire other businesses or assets;
- repurchase shares from our shareholders;
- develop new services and solutions; or
- respond to competitive pressures.

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

## **Review of the Development and Performance of the Business**

### **Overview**

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

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

Revenues before reimbursements ("net revenues") for the fourth quarter of fiscal 2016 increased 8% in U.S. dollars and 9% in local currency compared to the fourth quarter of fiscal 2015. Net revenues for fiscal 2016 increased 6% in U.S. dollars and 10% in local currency compared to fiscal 2015. Demand for our services and solutions continued to be strong, resulting in growth across all areas of our business. During the fourth quarter of fiscal 2016, revenue growth in local currency was significant in Products and strong in Health & Public Service and Financial Services. Communications, Media & Technology revenue growth in local currency was solid, while Resources was flat. Revenue growth in local currency was very strong in consulting and solid in outsourcing during the fourth quarter of fiscal 2016. While the business environment remained competitive, we experienced pricing improvement in several areas of our business in fiscal 2016. We use the term "pricing" to mean the contract profitability or margin on the work that we sell.

In our consulting business, net revenues for the fourth quarter of fiscal 2016 increased 11% in U.S. dollars and 13% in local currency compared to the fourth quarter of fiscal 2015. Net consulting revenues for fiscal 2016 increased 10% in U.S. dollars and 15% in local currency compared to fiscal 2015. Consulting revenue growth in local currency in the fourth quarter of fiscal 2016 was led by very significant growth in Products, as well as strong growth in Financial Services, Health & Public Service and Communications, Media & Technology, while Resources had a slight decline. We continue to experience growing demand for digital-related services and assisting clients with the adoption of new technologies. In addition, clients continued to be focused on initiatives designed to deliver cost savings and operational efficiency, as well as projects to integrate their global operations and grow and transform their businesses. Compared to fiscal 2015, we continued to provide a greater proportion of systems integration consulting through use of lower cost resources in our Global Delivery Network. This trend has resulted in work volume growing faster than revenue in our systems integration business, and we expect this trend to continue.

In our outsourcing business, net revenues for the fourth quarter of fiscal 2016 increased 4% in U.S. dollars and 6% in local currency compared to the fourth quarter of fiscal 2015. Net outsourcing revenues for fiscal 2016 increased 1% in U.S. dollars and 6% in local currency compared to fiscal 2015. Outsourcing revenue growth in local currency in the fourth quarter of fiscal 2016 was driven by very strong growth in Health & Public Service as well as solid growth in Products and Financial Services. We are experiencing growing demand to assist clients with cloud enablement and the operation and maintenance of digital-related services. In addition, clients continue to be focused on transforming their operations to improve effectiveness and save costs. Compared to fiscal 2015, we continued to provide 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 strengthens against other currencies, resulting in unfavorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be lower. If the U.S. dollar weakens against other currencies, resulting in favorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be higher. When compared to the same periods in fiscal 2015, the U.S. dollar strengthened against many currencies during the fourth quarter and fiscal year ended August 31, 2016,



resulting in unfavorable currency translation and U.S. dollar revenue growth that was approximately 2% and 5% lower, respectively, than our revenue growth in local currency. Assuming that exchange rates stay within recent ranges for fiscal 2017, we estimate that our full fiscal 2017 revenue growth in U.S. dollars will be approximately equal to our revenue growth in local currency.

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

Utilization for the fourth quarter of fiscal 2016 was 92%, up from 91% in the third quarter of fiscal 2016 and 90% in the fourth quarter of fiscal 2015. We continue to hire to meet current and projected future demand. We proactively plan and manage the size and composition of our workforce and take actions as needed to address changes in the anticipated demand for our services and solutions, given that compensation costs are the most significant portion of our operating expenses. Based on current and projected future demand, we have increased our headcount, the majority of which serve our clients, to approximately 384,000 as of August 31, 2016, compared to approximately 358,000 as of August 31, 2015. The year-over-year increase in our headcount reflects an overall increase in demand for our services and solutions, as well as headcount added in connection with acquisitions. Annualized attrition, excluding involuntary terminations, for the fourth quarter of fiscal 2016 was 16%, up from 15% in the third quarter of fiscal 2016 and 14% in the fourth quarter of fiscal 2015. We evaluate voluntary attrition, adjust levels of new hiring and use involuntary terminations as means to keep our supply of skills and resources in balance with changes in client demand. In addition, we adjust compensation in certain skill sets and geographies in order to attract and retain appropriate numbers of qualified employees. For the majority of our personnel, compensation increases for fiscal 2016 became effective December 1, 2015. We strive to adjust pricing and/or the mix of resources to reduce the impact of compensation increases on our gross margin. Our ability to grow our revenues and maintain or increase our margin could be adversely affected if we are unable to: keep our supply of skills and resources in balance with changes in the types or amounts of services and solutions clients are demanding; recover increases in compensation; deploy our employees globally on a timely basis; manage attrition; and/or effectively assimilate and utilize new employees.

Gross margin (Net revenues less Cost of services before reimbursable expenses as a percentage of Net revenues) for the fourth quarter of fiscal 2016 was 31.3%, compared with 31.7% for the fourth quarter of fiscal 2015. Gross margin for fiscal 2016 was 31.3%, compared with 31.6% for fiscal 2015. The reduction in gross margin for fiscal 2016 was principally due to higher labor costs and higher costs associated with acquisition activities compared to fiscal 2015.

Sales and marketing and General and administrative costs as a percentage of net revenues were 17.2% for the fourth quarter of fiscal 2016, compared with 17.9% for the fourth quarter of fiscal 2015. Sales and marketing and General and administrative costs as a percentage of net revenues were 16.6% for fiscal 2016, compared with 17.1% for fiscal 2015. We continuously monitor these costs and implement cost-management actions, as appropriate. For fiscal 2016 compared to fiscal 2015, Sales and marketing costs as a percentage of net revenues decreased 40 basis points principally due to improved operational efficiency in our business development activities, and General and administrative costs as a percentage of net revenues decreased 10 basis points.

Operating expenses in fiscal 2015 included a Pension settlement charge of \$64 million related to lump sum cash payments made from our U.S. defined benefit pension plan to former employees who elected to receive such payments. For additional information, see Note 10 (Retirement and Profit Sharing Plans) to our Consolidated Financial Statements.

Operating margin (Operating income as a percentage of Net revenues) for the fourth quarter of fiscal 2016 was 14.1%, compared with 13.9% for the fourth quarter of fiscal 2015. Operating margin for fiscal 2016 was 14.6%, compared with 14.3% for fiscal 2015. The Pension settlement charge of \$64 million recorded in fiscal 2015 decreased operating margin by 20 basis points for fiscal 2015. Excluding the effect of the Pension settlement charge, operating margin for fiscal 2015 would have been 14.5%.

During fiscal 2016, we recorded a \$548 million gain on sale of business and \$56 million in taxes related to the divestiture of our Navitaire business, as well as a \$301 million gain on sale of business and \$48 million in taxes related to the partial divestiture of our Duck Creek business. For additional information, see Note 5 (Business Combinations and Divestitures) to our Consolidated Financial Statements.

The effective tax rate for fiscal 2016 was 22.4%, compared with 25.8% for fiscal 2015. Absent the \$849 million Gain on sale of businesses and related \$104 million in taxes recorded during fiscal 2016, our effective tax rate for fiscal

2016 would have been 24.2%. Absent the \$64 million Pension settlement charge and related \$25 million in taxes recorded during fiscal 2015, our effective tax rate for fiscal 2015 would have been 26.0%.

Diluted earnings per share were \$6.45 for fiscal 2016, compared with \$4.76 for fiscal 2015. The Gain on sale of businesses, net of taxes, recorded during fiscal 2016 increased Diluted earnings per share by \$1.11 in fiscal 2016. The Pension settlement charge, net of taxes, recorded during fiscal 2015 decreased Diluted earnings per share by \$0.06 in fiscal 2015. Excluding these impacts, Diluted earnings per share would have been \$5.34 and \$4.82 for fiscal 2016 and 2015, respectively.

We have presented Operating income, operating margin, effective tax rate and Diluted earnings per share excluding the impacts of the fiscal 2016 Gain on sale of businesses and the fiscal 2015 Pension settlement charge, as we believe doing so facilitates understanding as to both the impacts of these items and our operating performance in comparison to the prior period.

Our Operating income and Diluted earnings per share are affected by currency exchange rate fluctuations on revenues and costs. Most of our costs are incurred in the same currency as the related net revenues. Where practical, we seek to manage foreign currency exposure for costs not incurred in the same currency as the related net revenues, such as the cost of our Global Delivery Network, by using currency protection provisions in our customer contracts and through our hedging programs. We seek to manage our costs, taking into consideration the residual positive and negative effects of changes in foreign exchange rates on those costs. For more information on our hedging programs, see Note 7 (Derivative Financial Instruments) to our Consolidated Financial Statements.

### ***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. Revenue for our services is a function of the nature of each service to be provided, the skills required and the outcome sought, as well as estimated cost, risk, contract terms and other factors.

## Results of Operations for Fiscal 2016 Compared to Fiscal 2015

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

|                                    | Fiscal                        |           | Percent Increase<br>(Decrease)<br>U.S.<br>Dollars | Percent Increase<br>Local<br>Currency | Percent of Total<br>Net Revenues<br>for Fiscal |      |
|------------------------------------|-------------------------------|-----------|---|---------------------------------------|--|------|
|                                    | 2016                          | 2015      |   |                                       | 2016   | 2015 |
|                                    | (in millions of U.S. dollars) |           |   |                                       |  |      |
| OPERATING GROUPS                   |                               |           |   |                                       |  |      |
| Communications, Media & Technology | \$ 6,616                      | \$ 6,349  | 4%  | 9%                                    | 20%  | 20%  |
| Financial Services                 | 7,031                         | 6,635     | 6   | 11                                    | 21   | 21   |
| Health & Public Service            | 5,987                         | 5,463     | 10  | 12                                    | 18   | 18   |
| Products                           | 8,395                         | 7,596     | 11  | 15                                    | 26   | 25   |
| Resources                          | 4,839                         | 4,989     | (3)   | 3                                     | 15   | 16   |
| Other                              | 15                            | 17        | n/m   | n/m                                   | —  | —    |
| TOTAL NET REVENUES                 | 32,883                        | 31,048    | 6%  | 10%                                   | 100%   | 100% |
| Reimbursements                     | 1,915                         | 1,866     | 3   |                                       |  |      |
| TOTAL REVENUES                     | \$ 34,798                     | \$ 32,914 | 6%  |                                       |  |      |
| GEOGRAPHIC REGIONS                 |                               |           |   |                                       |  |      |
| North America                      | \$ 15,653                     | \$ 14,209 | 10%   | 11%                                   | 48%  | 46%  |
| Europe                             | 11,448                        | 10,930    | 5   | 11                                    | 35   | 35   |
| Growth Markets                     | 5,781                         | 5,909     | (2)   | 8                                     | 17   | 19   |
| TOTAL NET REVENUES                 | \$ 32,883                     | \$ 31,048 | 6%  | 10%                                   | 100%   | 100% |
| TYPE OF WORK                       |                               |           |   |                                       |  |      |
| Consulting                         | \$ 17,868                     | \$ 16,204 | 10%   | 15%                                   | 54%  | 52%  |
| Outsourcing                        | 15,015                        | 14,844    | 1   | 6                                     | 46   | 48   |
| TOTAL NET REVENUES                 | \$ 32,883                     | \$ 31,048 | 6%  | 10%                                   | 100%   | 100% |

n/m = not meaningful

Amounts in table may not total due to rounding.

### Net Revenues

The following net revenues commentary discusses local currency net revenue changes for fiscal 2016 compared to fiscal 2015:

#### Operating Groups

- Communications, Media & Technology net revenues increased 9% in local currency. Net revenues reflected strong growth, driven by growth across all industry groups in North America and Growth Markets, as well as Media & Entertainment in Europe.
- Financial Services net revenues increased 11% in local currency. Net revenues reflected very strong growth, driven by growth in both industry groups across all geographic regions, led by Banking & Capital Markets in Europe.
- Health & Public Service net revenues increased 12% in local currency. Net revenues reflected very strong growth, driven by growth in both industry groups across all geographic regions, led by Public Service and Health in North America.
- Products net revenues increased 15% in local currency. Net revenues reflected very strong growth, driven by growth across all industry groups and geographic regions, led by Consumer Goods, Retail & Travel Services, as well as Industrial in Europe and Life Sciences in North America.
- Resources net revenues increased 3% in local currency. Net revenues reflected modest growth, as significant growth in Utilities across all geographic regions was largely offset by declines in Chemicals & Natural Resources in Growth Markets and North America and Energy in Europe and Growth Markets. We have experienced lower

or negative revenue growth in Chemicals & Natural Resources and Energy, principally due to economic challenges in these industries, and we expect this trend to continue in the near term.

### **Geographic Regions**

- North America net revenues increased 11% in local currency, driven by the United States.
- Europe net revenues increased 11% in local currency, driven by the United Kingdom, Italy, Switzerland, Spain, Germany and France.
- Growth Markets net revenues increased 8% in local currency, led by Japan, as well as China, India, South Africa and Mexico.

### **Operating Income and Operating Margin**

Operating income for fiscal 2016 increased \$375 million, or 8%, over fiscal 2015. During fiscal 2015, we recorded a Pension settlement charge of \$64 million, which decreased operating margin by 20 basis points. Excluding the effect of the fiscal 2015 Pension settlement charge, operating margin for fiscal 2016 increased 10 basis points compared with fiscal 2015.

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

|                                    | Fiscal                        |                     |                     |                     |
|------------------------------------|-------------------------------|---------------------|---------------------|---------------------|
|                                    | 2016                          |                     | 2015                |                     |
|                                    | Operating<br>Income           | Operating<br>Margin | Operating<br>Income | Operating<br>Margin |
|                                    | (in millions of U.S. dollars) |                     |                     |                     |
| Communications, Media & Technology | \$ 966                        | 15%                 | \$ 871              | 14%                 |
| Financial Services                 | 1,128                         | 16                  | 1,079               | 16                  |
| Health & Public Service            | 807                           | 13                  | 701                 | 13                  |
| Products                           | 1,282                         | 15                  | 1,082               | 14                  |
| Resources                          | 628                           | 13                  | 702                 | 14                  |
| Total                              | <u>\$ 4,810</u>               | 14.6%               | <u>\$ 4,436</u>     | 14.3%               |

Amounts in table may not total due to rounding.

**Operating Income and Operating Margin Excluding Fiscal 2015 Pension Settlement Charge (Non-GAAP)**

|                                    | Fiscal   |                  |  |                               |                             |                             |                     |
|------------------------------------|--|------------------|--|-------------------------------|-----------------------------|-----------------------------|---------------------|
|                                    | 2016   |                  | 2015   |                               |                             |                             |                     |
|                                    | Operating Income and Operating Margin as Reported (GAAP) |                  | Operating Income and Operating Margin Excluding Pension Settlement Charge (Non-GAAP) |                               |                             |                             |                     |
|                                    | Operating Income   | Operating Margin | Operating Income (GAAP)  | Pension Settlement Charge (1) | Operating Income (Adjusted) | Operating Margin (Adjusted) | Increase (Decrease) |
|                                    | (in millions of U.S. dollars)                            |                  |  |                               |                             |                             |                     |
| Communications, Media & Technology | \$ 966   | 15%              | \$ 871   | \$ 13                         | \$ 884                      | 14%                         | \$ 82               |
| Financial Services                 | 1,128  | 16               | 1,079  | 13                            | 1,093                       | 16                          | 35                  |
| Health & Public Service            | 807  | 13               | 701  | 12                            | 713                         | 13                          | 94                  |
| Products                           | 1,282  | 15               | 1,082  | 16                            | 1,098                       | 14                          | 184                 |
| Resources                          | 628  | 13               | 702  | 11                            | 713                         | 14                          | (85)                |
| Total                              | <u>\$ 4,810</u>  | <u>14.6%</u>     | <u>\$ 4,436</u>  | <u>\$ 64</u>                  | <u>\$ 4,500</u>             | <u>14.5%</u>                | <u>\$ 310</u>       |

Amounts in table may not total due to rounding.

- (1) Represents Pension settlement charge related to lump sum cash payment from plan assets offered to eligible former employees.

We estimate that the aggregate percentage impact of foreign currency exchange rates on our Operating income during fiscal 2016 was similar to that disclosed for Net revenue. In addition, during fiscal 2016, each operating group experienced higher costs associated with acquisition activity. The commentary below provides insight into other factors affecting operating group performance and operating margin for fiscal 2016 compared with fiscal 2015, exclusive of the Pension settlement charge recorded in fiscal 2015:

- Communications, Media & Technology operating income increased primarily due to higher contract profitability and consulting revenue growth.
- Financial Services operating income increased primarily due to consulting revenue growth.
- Health & Public Service operating income increased due to revenue growth and higher contract profitability.
- Products operating income increased due to very significant consulting revenue growth and lower sales and marketing costs as a percentage of net revenues.
- Resources operating income decreased due to lower outsourcing contract profitability, partially offset by lower sales and marketing costs as a percentage of net revenues.

**Capitalization and Acquisition of Own Shares**

The Board of Directors of Accenture plc has authorized funding for our publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares and for purchases and redemptions of Accenture plc Class A ordinary shares, Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares held by current and former members of Accenture Leadership and their permitted transferees. As of August 31, 2016, our aggregate available authorization was \$5,387 million for our publicly announced open-market share purchase and these other share purchase programs.



Our share purchase activity during fiscal 2016 was as follows:

|   | Accenture plc Class A Ordinary |          | Accenture Holdings plc Ordinary and Accenture Canada Holdings Inc. Exchangeable |        |
|---|--------------------------------|----------|---|--------|
|   | Shares                         | Amount   | Shares  | Amount |
| (in millions of U.S. dollars, except share amounts) |                                |          |   |        |
| Open-market share purchases (1)                     | 19,989,726                     | \$ 2,122 | —   | \$ —   |
| Other share purchase programs                       | —                              | —        | 653,222   | 72     |
| Other purchases (2)                                 | 3,857,795                      | 411      | —   | —      |
| Total   | 23,847,521                     | \$ 2,533 | 653,222   | \$ 72  |

- (1) We conduct a publicly announced open-market share purchase program for Accenture plc Class A ordinary shares. These shares are held as treasury shares by Accenture plc and may be utilized to provide for select employee benefits, such as equity awards to our employees.
- (2) During fiscal 2016, as authorized under our various employee equity share plans, we acquired Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former employees in connection with the delivery of Accenture plc Class A ordinary shares under those plans. These purchases of shares in connection with employee share plans do not affect our aggregate available authorization for our publicly announced open-market share purchase and the other share purchase programs.

We intend to continue to use a significant portion of cash generated from operations for share repurchases during fiscal 2017. The number of shares ultimately repurchased under our open-market share purchase program may vary depending on numerous factors, including, without limitation, share price and other market conditions, our ongoing capital allocation planning, the levels of cash and debt balances, other demands for cash, such as acquisition activity, general economic and/or business conditions, and board and management discretion. Additionally, as these factors may change over the course of the year, the amount of share repurchase activity during any particular period cannot be predicted and may fluctuate from time to time. Share repurchases may be made from time to time through open-market purchases, in respect of purchases and redemptions of Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares, through the use of Rule 10b5-1 plans and/or by other means. The repurchase program may be accelerated, suspended, delayed or discontinued at any time, without notice.

### **Other Share Redemptions**

During fiscal 2016, we issued 775,023 Accenture plc Class A ordinary shares upon redemptions of an equivalent number of Accenture Holdings plc ordinary shares pursuant to our registration statement on Form S-3 (the “registration statement”). The registration statement allows us, at our option, to issue freely tradable Accenture plc Class A ordinary shares in lieu of cash upon redemptions of Accenture Holdings plc ordinary shares held by current and former members of Accenture Leadership and their permitted transferees.

### **Dividends**

On November 17, 2014, May 15, 2015, November 13, 2015 and May 13, 2016, Accenture plc paid a semi-annual cash dividend of \$1.02, \$1.02, \$1.10 and \$1.10 per share, respectively, on our Class A ordinary shares, and Accenture Holdings plc paid a semi-annual cash dividend of \$1.02, \$1.02, \$1.10 and \$1.10 per share, respectively, on its ordinary shares.

On September 27, 2016, the Board of Directors of Accenture plc declared a semi-annual cash dividend of \$1.21 per share on our Class A ordinary shares for shareholders of record at the close of business on October 21, 2016. On September 28, 2016, the Board of Directors of Accenture Holdings plc declared a semi-annual cash dividend of \$1.21 per share on its ordinary shares for shareholders of record at the close of business on October 18, 2016. Both dividends are payable on November 15, 2016. 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.

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

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

## **Financial Risk Management**

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

## **Foreign Currency Risk**

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

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

For designated cash flow hedges, gains and losses currently recorded in Accumulated other comprehensive loss will be reclassified into earnings at the time when certain anticipated intercompany charges are accrued as Cost of services. As of August 31, 2016, it was anticipated that approximately \$61 million of net gains, net of tax, currently recorded in Accumulated other comprehensive loss will be reclassified into Cost of services within the next 12 months.

We use sensitivity analysis to determine the effects that market foreign currency exchange rate fluctuations may have on the fair value of our hedge portfolio. The sensitivity of the hedge portfolio is computed based on the market value of future cash flows as affected by changes in exchange rates. This sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the offsetting gain or loss on the underlying exposure. A 10% change in the levels of foreign currency exchange rates against the U.S. dollar (or other base currency of the hedge if not a U.S. dollar hedge) with all other variables held constant would have resulted in a change in the fair value of our hedge instruments of approximately \$328 million and \$305 million as of August 31, 2016 and 2015, respectively.

## **Interest Rate Risk**

The interest rate risk associated with our borrowing and investing activities as of August 31, 2016 is not material in relation to our consolidated financial position, results of operations or cash flows. While we may do so in the future, we have not used derivative financial instruments to alter the interest rate characteristics of our investment holdings or debt instruments.

## **Other Market Risk**

The privately held companies in which we invest are often in a start-up or development stage, which is inherently risky. The technologies or products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of a substantial part of our investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies. We have minimal exposure on our long-term investments in privately held companies as these investments were insignificant as of August 31, 2016.

## **Equity Price Risk**

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

## **Future Developments**

The directors do not anticipate that the activities of the Company and its subsidiaries will materially change in the foreseeable future.

## **Company Accounting Records**

The directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by engaging the services of a fellow group undertaking which employs accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are located at its registered office.

## **Directors Compliance Statement**

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The directors further confirm that a "compliance policy statement" (as defined in section 225(3)(a)) has been drawn up, that appropriate arrangements and structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations have been put in place and that a review of those arrangements and structures has been conducted in the financial year to which this report relates.

## **Audit Committee**

As required by section 167(3) of the Companies Act 2014, the directors confirm that the Company has established an audit committee.

## **Relevant Audit Information**

As required by section 330 of the Companies Act 2014, each of the persons who are directors at the time this report is approved confirm that:

- a) so far as the director is aware, there is no relevant audit information, within the meaning of that section, of which the Company's statutory auditors are unaware; and
- b) the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

## **Political Donations**

No political contributions that require disclosure under s26(1) Electoral Act 1997 (as amended) were made during fiscal 2016.

## **Subsidiaries**

Information regarding subsidiaries is provided in Note 20 (Subsidiaries) to the Consolidated Financial Statements and the business conducted by these subsidiaries is described above. See "Directors' Report—Principal Activities."

## **Significant Events Since Year End**

This report was issued on October 28, 2016. 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 (other than those disclosed in Note 13 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements) that occurred subsequent to the balance sheet date but prior to October 28, 2016 that would require recognition or disclosure in its Consolidated and Parent Company Financial Statements.

## Directors' and Secretary's Interest in Shares

The directors and secretary of the Company as of August 31, 2016 are listed in the table below and, except as noted below, have served from the period of September 1, 2015 through August 31, 2016 and through the date of this report. Nancy McKinstry and Arun Sarin became directors of the Company on July 13, 2016, and October 30, 2015, respectively.

No director, the company secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary except Accenture Holdings plc. Directors' remuneration is set forth in Note 18 (Directors' Remuneration) to the Consolidated Financial Statements. The interests of the current directors and secretary of the Company in the ordinary share capital of Accenture plc and Accenture Holdings plc as of August 31, 2016 and as of September 1, 2015, or the date when they first became directors or secretary of the Company (if such appointment occurred later than September 1, 2015), as required to be stated pursuant to section 329 of the Companies Act 2014, are presented in the table below.

|  | Accenture plc Class A<br>ordinary shares |         | Accenture plc Class X<br>ordinary shares |         | Accenture Holdings plc<br>ordinary shares |         |
|--|--|---------|--|---------|---|---------|
|  | Shares                                   | Options | Shares                                   | Options | Shares                                    | Options |
| <b>As of August 31, 2016</b>                                     |  |         |  |         |   |         |
| <b>Directors</b>   |  |         |  |         |   |         |
| Pierre Nanterme  | 207,051                                  | —       | 91,597                                   | —       | 91,597                                    | —       |
| Jaime Ardila   | 7,182                                    | —       | —  | —       | —   | —       |
| Dina Dublon  | 44,461                                   | —       | —  | —       | —   | —       |
| Charles Giancarlo  | 18,391                                   | —       | —  | —       | —   | —       |
| William L. Kimsey  | 13,111                                   | —       | —  | —       | —   | —       |
| Marjorie Magner  | 17,364                                   | —       | —  | —       | —   | —       |
| Blythe J. McGarvie   | 18,593                                   | —       | —  | —       | —   | —       |
| Nancy McKinstry  | —  | —       | —  | —       | —   | —       |
| Gilles C. Péllisson  | 8,827                                    | —       | —  | —       | —   | —       |
| Paula A. Price   | 3,148                                    | —       | —  | —       | —   | —       |
| Arun Sarin   | 1,170                                    | —       | —  | —       | —   | —       |
| Wulf von Schimmelmann  | 15,951                                   | —       | —  | —       | —   | —       |
| Frank K. Tang  | 3,052                                    | —       | —  | —       | —   | —       |
| <b>Secretary</b>   |  |         |  |         |   |         |
| Joel Unruch  | 10,268                                   | —       | —  | —       | —   | —       |
| <b>As of September 1, 2015 or Date of Appointment (if later)</b> |  |         |  |         |   |         |
| <b>Directors</b>   |  |         |  |         |   |         |
| Pierre Nanterme  | 216,891                                  | —       | 91,597                                   | —       | 91,597                                    | —       |
| Jaime Ardila   | 5,107                                    | —       | —  | —       | —   | —       |
| Dina Dublon  | 43,091                                   | —       | —  | —       | —   | —       |
| Charles Giancarlo  | 16,512                                   | —       | —  | —       | —   | —       |
| William L. Kimsey  | 11,640                                   | —       | —  | —       | —   | —       |
| Marjorie Magner  | 18,994                                   | —       | —  | —       | —   | —       |
| Blythe J. McGarvie   | 17,223                                   | —       | —  | —       | —   | —       |
| Nancy McKinstry  | —  | —       | —  | —       | —   | —       |
| Gilles C. Péllisson  | 6,951                                    | —       | —  | —       | —   | —       |
| Paula A. Price   | 1,778                                    | —       | —  | —       | —   | —       |
| Arun Sarin   | 1,170                                    | —       | —  | —       | —   | —       |
| Wulf von Schimmelmann  | 21,839                                   | —       | —  | —       | —   | —       |
| Frank K. Tang  | 1,639                                    | —       | —  | —       | —   | —       |
| <b>Secretary</b>   |  |         |  |         |   |         |
| Joel Unruch  | 4,554                                    | —       | —  | —       | —   | —       |

## **Auditors**

KPMG, Chartered Accountants, will continue in office in accordance with section 383(2) of the Companies Act 2014.

On behalf of the Directors



**Pierre Nanterme**  
*Director*



**William L. Kimsey**  
*Director*

October 28, 2016

## **ACCENTURE PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Consolidated Financial Statements for each financial period which give a true and fair view of the state of affairs of the parent company and group and of the profit or loss of the group for the period there ended. Under that law, the directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with U.S. accounting standards ("U.S. GAAP"), as defined in section 279 (1) of the Companies Act 2014, to the extent that the use of those standards in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014. The directors have elected to prepare the Financial Statements of the parent company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied under the Companies Act 2014. Under company law the directors must not approve the group and company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the group and parent company and of the group's profit or loss for that year. In preparing each of the group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which will enable, at any time, the assets, liabilities, financial position and profit or loss of the group and company to be determined with reasonable accuracy, and which will enable them to ensure that the Financial Statements comply with the Companies Act. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act. The directors are responsible for the maintenance and integrity of the Irish Financials included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCENTURE PLC**

We have audited the Group and Company financial statements ("financial statements") of Accenture plc for the year ended 31 August 2016 which comprise the Consolidated Balance Sheets and Company Statement of Financial Position, the Consolidated Profit and Loss Account, the Consolidated Statements of Comprehensive Income, the Consolidated Shareholders' Equity Statements and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is Irish law and US generally accepted accounting practice (US GAAP), and, as regards the parent company financial statements, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the European Union, both as applied in accordance with the provisions of the Companies Act 2014.

### **Opinions and conclusions arising from our audit**

#### ***1 Our opinion on the financial statements is unmodified***

In our opinion:

- the Group financial statements give a true and fair view, in accordance with US GAAP, of the assets, liabilities and financial position of the Group as at 31 August 2016 and of the Group's profit for the year then ended;
- the Company Statements of Financial Position gives a true and fair view, in accordance with IFRS, of the assets, liabilities and financial position of the Parent Company as at 31 August 2016;
- the Group financial statements have been properly prepared in accordance with US GAAP and the Parent Company financial statements have been properly prepared in accordance with IFRS as applied in accordance with the provisions of the Companies Act, 2014; and
- the Group and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### ***2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below***

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

#### ***3 We have nothing to report in respect of matters on which we are required to report by exception***

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

### **Basis of our report, responsibilities and restrictions on use**

As explained more fully in the Statement of Directors' Responsibilities set out on page 32 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Michael Gibbons*  
**for and on behalf of**  
**KPMG**  
**Chartered Accountants, Statutory Audit Firm**  
**1 Stokes Place, St. Stephens Green**  
**Dublin 2, Ireland**  
*October 28, 2016*

**Accenture plc**  
**Consolidated Balance Sheets**  
**August 31, 2016 and 2015**  
(In thousands of U.S. dollars)

|  | Note     | 2016<br>\$        | 2015<br>\$        |
|--|----------|-------------------|-------------------|
| <b>Fixed assets</b>  |          |                   |                   |
| <b>Intangible Assets</b>                                       |          |                   |                   |
| Goodwill   | 1, 6     | 3,609,437         | 2,929,833         |
| Other intangible assets, net                                   | 6        | 510,151           | 464,907           |
| <b>Tangible Assets</b>   |          |                   |                   |
| Property and equipment, net                                    | 1, 4     | 956,542           | 801,884           |
| <b>Financial Assets</b>  |          |                   |                   |
| Investments  | 1        | 198,633           | 45,027            |
|  |          | <b>5,274,763</b>  | <b>4,241,651</b>  |
| <b>Current assets</b>  |          |                   |                   |
| <b>Debtors</b>   |          |                   |                   |
| Other current assets   |          | 845,339           | 611,436           |
| Receivables from clients, net                                  | 1        | 4,072,180         | 3,840,920         |
| Unbilled services, net   | 1        | 2,150,219         | 1,884,504         |
| <b>Investments</b>   | <b>1</b> | <b>2,875</b>      | <b>2,448</b>      |
| <b>Cash and cash equivalents</b>                               | <b>1</b> | <b>4,905,609</b>  | <b>4,360,766</b>  |
|  |          | <b>11,976,222</b> | <b>10,700,074</b> |
| <b>Creditors: Amounts falling due within one year</b>          |          |                   |                   |
| Current portion of long-term debt and bank borrowings          |          | 2,773             | 1,848             |
| Accounts payable   |          | 1,280,821         | 1,151,464         |
| Deferred revenues  |          | 2,364,728         | 2,251,617         |
| Accrued payroll and related benefits                           |          | 4,040,751         | 3,687,468         |
| Accrued consumption taxes                                      |          | 358,359           | 319,350           |
| Income taxes payable   | 1, 9     | 362,963           | 516,827           |
| Other accrued liabilities                                      |          | 468,529           | 562,432           |
|  |          | <b>8,878,924</b>  | <b>8,491,006</b>  |
| <b>Net current assets</b>                                      |          | <b>3,097,298</b>  | <b>2,209,068</b>  |
| <b>Debtors: Amounts falling due after more than one year</b>   |          |                   |                   |
| Unbilled services, net   |          | 68,145            | 15,501            |
| Deferred contract costs  |          | 733,219           | 655,482           |
| Deferred income taxes, net                                     | 1, 9     | 2,077,312         | 2,089,928         |
| Other non-current assets                                       |          | 479,343           | 500,011           |
|  |          | <b>3,358,019</b>  | <b>3,260,922</b>  |
| <b>Total assets less current liabilities</b>                   |          | <b>11,730,080</b> | <b>9,711,641</b>  |
| <b>Creditors: Amounts falling due after more than one year</b> |          |                   |                   |
| Long-term debt   |          | 24,457            | 25,587            |
| Deferred revenues  |          | 754,812           | 524,455           |
| Income taxes payable   | 1, 9     | 850,709           | 996,077           |
| Other non-current liabilities                                  |          | 304,917           | 317,956           |
|  |          | <b>1,934,895</b>  | <b>1,864,075</b>  |
| <b>Net assets excluding provisions for liabilities</b>         |          | <b>9,795,185</b>  | <b>7,847,566</b>  |
| <b>Provisions for liabilities</b>                              |          |                   |                   |
| Retirement obligation  | 10       | 1,494,789         | 1,108,623         |
| Non-current deferred income taxes, net                         | 9        | 111,020           | 91,372            |
|  |          | <b>1,605,809</b>  | <b>1,199,995</b>  |
| <b>Net assets including provisions for liabilities</b>         |          | <b>8,189,376</b>  | <b>6,647,571</b>  |
| <b>Shareholders' Equity:</b>                                   |          |                   |                   |
| Ordinary shares  | 12       | 72                | 76                |
| Restricted share units   | 12       | 1,004,128         | 1,031,203         |
| Additional paid-in capital                                     | 12       | 2,924,729         | 4,516,810         |
| Treasury shares  | 12       | (2,591,907)       | (11,472,400)      |
| Retained earnings  | 12       | 7,879,960         | 13,470,008        |
| Accumulated other comprehensive loss                           | 3        | (1,661,720)       | (1,411,972)       |
| <b>Total Accenture plc shareholders' equity</b>                |          | <b>7,555,262</b>  | <b>6,133,725</b>  |
| <b>Noncontrolling interests</b>                                |          | <b>634,114</b>    | <b>513,846</b>    |
| <b>Total shareholders' equity</b>                              |          | <b>8,189,376</b>  | <b>6,647,571</b>  |

Approved by the Board of Directors on October 28, 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P. Nanterme', written over a horizontal line.

**Pierre Nanterme**  
*Director*

A handwritten signature in black ink, appearing to be 'W. Kimsey', written over a horizontal line.

**William L. Kimsey**  
*Director*

**Accenture plc**  
**Consolidated Profit and Loss Account**  
**For the Years Ended August 31, 2016, 2015 and 2014**  
(In thousands of U.S. dollars, except per share amounts)

|  | Note  | 2016<br>\$ | 2015<br>\$ | 2014<br>\$ |
|--|-------|------------|------------|------------|
| <b>Turnover before reimbursements ("Net turnover")</b>                         | 1, 16 | 32,882,723 | 31,047,931 | 30,002,394 |
| Reimbursements   | 1, 16 | 1,914,938  | 1,866,493  | 1,872,284  |
| <b>Turnover</b>  | 1, 16 | 34,797,661 | 32,914,424 | 31,874,678 |
| <b>Cost of services before reimbursable expenses</b>                           |       | 22,605,296 | 21,238,692 | 20,317,928 |
| Reimbursable expenses  |       | 1,914,938  | 1,866,493  | 1,872,284  |
| <b>Cost of services</b>  |       | 24,520,234 | 23,105,185 | 22,190,212 |
| <b>Gross profit</b>  |       | 10,277,427 | 9,809,239  | 9,684,466  |
| Sales and marketing  |       | 3,580,439  | 3,505,045  | 3,582,833  |
| General and administrative costs   |       | 1,886,543  | 1,803,943  | 1,819,136  |
| Pension settlement charge  | 10    | —          | 64,382     | —          |
| Reorganization benefits, net   |       | —          | —          | (18,015)   |
| <b>Operating profit</b>  |       | 4,810,445  | 4,435,869  | 4,300,512  |
| Interest receivable and similar income   |       | 30,484     | 33,991     | 30,370     |
| Interest payable and similar charges   |       | (16,258)   | (14,578)   | (17,621)   |
| Other expense, net   |       | (69,922)   | (44,752)   | (15,560)   |
| Gain on sale of businesses   | 5     | 848,823    | —          | —          |
| <b>Profit on ordinary activities before taxation</b>                           |       | 5,603,572  | 4,410,530  | 4,297,701  |
| <b>Taxation</b>  | 9     | 1,253,969  | 1,136,741  | 1,121,743  |
| <b>Profit after taxation</b>   |       | 4,349,603  | 3,273,789  | 3,175,958  |
| <b>Noncontrolling interests</b>  |       | (237,711)  | (220,208)  | (234,460)  |
| <b>Profit for the financial year</b>   |       | 4,111,892  | 3,053,581  | 2,941,498  |
| <b>Earnings per share attributable to Accenture plc ordinary shareholders:</b> |       |            |            |            |
| Basic  | 2     | \$ 6.58    | \$ 4.87    | \$ 4.64    |
| Diluted  | 2     | \$ 6.45    | \$ 4.76    | \$ 4.52    |

Approved by the Board of Directors on October 28, 2016 and signed on its behalf by:

  
**Pierre Nanterme**  
*Director*

  
**William L. Kimsey**  
*Director*



**Accenture plc**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended August 31, 2016, 2015 and 2014**  
(In thousands of U.S. dollars)

|  | Note | 2016<br>\$       | 2015<br>\$       | 2014<br>\$       |
|--|------|------------------|------------------|------------------|
| <b>Profit for the financial year</b>                                       |      | 4,349,603        | 3,273,789        | 3,175,958        |
| <b>Other comprehensive income (loss), net of taxation:</b>                 |      |                  |                  |                  |
| Foreign currency translation   | 3    | (66,459)         | (528,908)        | 89,805           |
| Defined benefit plans  | 3    | (285,885)        | 7,524            | (105,739)        |
| Cash flow hedges   | 3    | 101,299          | (17,079)         | 196,732          |
| Marketable securities  | 3    | 1,297            | (1,561)          | —                |
| <b>Other comprehensive income (loss) attributable to Accenture plc</b>     |      | (249,748)        | (540,024)        | 180,798          |
| Other comprehensive income (loss) attributable to noncontrolling interests |      | (7,881)          | 10,160           | 9,183            |
| <b>Comprehensive income</b>  |      | <u>4,091,974</u> | <u>2,743,925</u> | <u>3,365,939</u> |
| <b>Comprehensive income attributable to Accenture plc</b>                  |      | 3,862,144        | 2,513,557        | 3,122,296        |
| Comprehensive income attributable to noncontrolling interests              |      | 229,830          | 230,368          | 243,643          |
| <b>Comprehensive income</b>  |      | <u>4,091,974</u> | <u>2,743,925</u> | <u>3,365,939</u> |

**Accenture plc**  
**Consolidated Shareholders' Equity Statements**  
**For the Years Ended August 31, 2016, 2015 and 2014**  
(In thousands of U.S. dollars and share amounts)

| Ordinary Shares   |        |           |                            |                        |                 |                   |                                      |  |                          |                            |
|---|--------|-----------|----------------------------|------------------------|-----------------|-------------------|--------------------------------------|--|--------------------------|----------------------------|
|   | Amount | Shares    | Additional Paid-In Capital | Restricted Share Units | Treasury Shares | Retained Earnings | Accumulated Other Comprehensive Loss | Total Accenture plc Shareholders' Equity | Noncontrolling interests | Total Shareholders' Equity |
|   | \$     | Number    | \$                         | \$                     | \$              | \$                | \$                                   | \$                                       | \$                       | \$                         |
| Balance as of August 31, 2013   | \$ 75  | 801,654   | \$ 2,393,936               | \$ 875,156             | \$ (7,326,079)  | \$ 10,069,844     | \$ (1,052,746)                       | \$ 4,960,186                             | \$ 467,643               | \$ 5,427,829               |
| Profit for the financial year   |        |           |                            |                        |                 | 2,941,498         |                                      | 2,941,498                                | 234,460                  | 3,175,958                  |
| Other comprehensive income (loss)   |        |           |                            |                        |                 |                   | 180,798                              | 180,798                                  | 9,183                    | 189,981                    |
| Income tax benefit on share-based compensation  |        |           | 78,421                     |                        |                 |                   |                                      | 78,421                                   |                          | 78,421                     |
| Purchases of Class A ordinary shares  |        |           | 128,395                    |                        | (2,403,373)     |                   |                                      | (2,274,978)                              | (128,395)                | (2,403,373)                |
| Share-based compensation expense  |        |           | 45,509                     | 625,792                |                 |                   |                                      | 671,301                                  |                          | 671,301                    |
| Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares |        | (2,255)   | (147,278)                  |                        |                 |                   |                                      | (147,278)                                | (8,783)                  | (156,061)                  |
| Issuances of Class A ordinary shares:   |        |           |                            |                        |                 |                   |                                      |  |                          |                            |
| Employee share programs   | 1      | 14,325    | 858,012                    | (634,619)              | 306,250         |                   |                                      | 529,644                                  | 28,853                   | 558,497                    |
| Upon redemption of Accenture Holdings plc ordinary shares   |        | 1,242     | 5,784                      |                        |                 |                   |                                      | 5,784                                    | (5,784)                  | —                          |
| Dividends   |        |           |                            | 55,257                 |                 | (1,234,147)       |                                      | (1,178,890)                              | (76,026)                 | (1,254,916)                |
| Other, net  |        |           | (15,387)                   |                        |                 | (19,064)          |                                      | (34,451)                                 | 32,151                   | (2,300)                    |
| Balance as of August 31, 2014   | \$ 76  | 814,966   | \$ 3,347,392               | \$ 921,586             | \$ (9,423,202)  | \$ 11,758,131     | \$ (871,948)                         | \$ 5,732,035                             | \$ 553,302               | \$ 6,285,337               |
| Profit for the financial year   |        |           |                            |                        |                 | 3,053,581         |                                      | 3,053,581                                | 220,208                  | 3,273,789                  |
| Other comprehensive income (loss)   |        |           |                            |                        |                 |                   | (540,024)                            | (540,024)                                | 10,160                   | (529,864)                  |
| Income tax benefit on share-based compensation  |        |           | 202,868                    |                        |                 |                   |                                      | 202,868                                  |                          | 202,868                    |
| Purchases of Class A ordinary shares  |        |           | 112,476                    |                        | (2,273,933)     |                   |                                      | (2,161,457)                              | (112,476)                | (2,273,933)                |
| Share-based compensation expense  |        |           | 46,134                     | 634,195                |                 |                   |                                      | 680,329                                  |                          | 680,329                    |
| Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares |        | (4,722)   | (170,168)                  |                        |                 |                   |                                      | (170,168)                                | (8,888)                  | (179,056)                  |
| Issuances of Class A ordinary shares:   |        |           |                            |                        |                 |                   |                                      |  |                          |                            |
| Employee share programs   |        | 11,649    | 878,939                    | (575,979)              | 224,735         |                   |                                      | 527,695                                  | 26,454                   | 554,149                    |
| Upon redemption of Accenture Holdings plc ordinary shares   |        | 6,240     | 29,815                     |                        |                 |                   |                                      | 29,815                                   | (29,815)                 | —                          |
| Dividends   |        |           |                            | 51,401                 |                 | (1,328,188)       |                                      | (1,276,787)                              | (76,684)                 | (1,353,471)                |
| Other, net  |        |           | 69,354                     |                        |                 | (13,516)          |                                      | 55,838                                   | (68,415)                 | (12,577)                   |
| Balance as of August 31, 2015   | \$ 76  | 828,133   | \$ 4,516,810               | \$ 1,031,203           | \$ (11,472,400) | \$ 13,470,008     | \$ (1,411,972)                       | \$ 6,133,725                             | \$ 513,846               | \$ 6,647,571               |
| Profit for the financial year   |        |           |                            |                        |                 | 4,111,892         |                                      | 4,111,892                                | 237,711                  | 4,349,603                  |
| Other comprehensive income (loss)   |        |           |                            |                        |                 |                   | (249,748)                            | (249,748)                                | (7,881)                  | (257,629)                  |
| Income tax benefit on share-based compensation  |        |           | 112,562                    |                        |                 |                   |                                      | 112,562                                  |                          | 112,562                    |
| Purchases of Class A ordinary shares  |        |           | 103,760                    |                        | (2,532,796)     |                   |                                      | (2,429,036)                              | (103,760)                | (2,532,796)                |
| Cancellation of treasury shares   | (4)    | (163,016) | (2,923,579)                |                        | 11,199,016      | (8,275,433)       |                                      | —  | —                        | —                          |
| Share-based compensation expense  |        |           | 56,253                     | 701,923                |                 |                   |                                      | 758,176                                  |                          | 758,176                    |
| Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares | (1)    | (1,418)   | (68,481)                   |                        |                 |                   |                                      | (68,482)                                 | (3,711)                  | (72,193)                   |
| Issuances of Class A ordinary shares:   |        |           |                            |                        |                 |                   |                                      |  |                          |                            |
| Employee share programs   | 1      | 11,686    | 1,138,304                  | (785,141)              | 214,273         |                   |                                      | 567,437                                  | 23,920                   | 591,357                    |
| Upon redemption of Accenture Holdings plc ordinary shares   |        | 775       | 3,541                      |                        |                 |                   |                                      | 3,541                                    | (3,541)                  | —                          |
| Dividends   |        |           |                            | 51,137                 |                 | (1,423,316)       |                                      | (1,372,179)                              | (65,959)                 | (1,438,138)                |
| Other, net  |        |           | (14,441)                   | 5,006                  |                 | (3,191)           |                                      | (12,626)                                 | 43,489                   | 30,863                     |
| Balance as of August 31, 2016   | \$ 72  | 676,160   | \$ 2,924,729               | \$ 1,004,128           | \$ (2,591,907)  | \$ 7,879,960      | \$ (1,661,720)                       | \$ 7,555,262                             | \$ 634,114               | \$ 8,189,376               |

**Accenture plc**  
**Consolidated Cash Flows Statements**  
**For the Years Ended August 31, 2016, 2015 and 2014**  
(In thousands of U.S. dollars)

|  | 2016<br>\$       | 2015<br>\$       | 2014<br>\$       |
|--|------------------|------------------|------------------|
| <b>Cash flows from operating activities:</b>   |                  |                  |                  |
| Profit for the financial year  | 4,349,603        | 3,273,789        | 3,175,958        |
| Adjustments to reconcile Profit for the financial year to Net cash provided by operating activities— |                  |                  |                  |
| Depreciation, amortization and asset impairments   | 729,052          | 645,923          | 620,743          |
| Reorganization benefits, net   | —                | —                | (18,015)         |
| Share-based compensation expense   | 758,176          | 680,329          | 671,301          |
| Gain on sale of businesses   | (848,823)        | —                | —                |
| Deferred income taxes, net   | 65,940           | (459,109)        | (74,092)         |
| Other, net   | (53,706)         | (237,876)        | 104,950          |
| Change in assets and liabilities, net of acquisitions—   |                  |                  |                  |
| Receivables from clients, net  | (177,156)        | (158,990)        | (464,639)        |
| Unbilled services, current and non-current, net  | (192,912)        | (268,135)        | (239,893)        |
| Other current and non-current assets   | (655,876)        | (400,524)        | (343,392)        |
| Accounts payable   | 72,626           | 113,548          | 72,526           |
| Deferred revenues, current and non-current   | 302,738          | 182,836          | 93,927           |
| Accrued payroll and related benefits   | 386,018          | 586,548          | (138,618)        |
| Income taxes payable, current and non-current  | (251,255)        | 105,037          | 108,860          |
| Other current and non-current liabilities  | 90,690           | 28,761           | (83,531)         |
| Net cash provided by operating activities  | 4,575,115        | 4,092,137        | 3,486,085        |
| <b>Cash flows from investing activities:</b>   |                  |                  |                  |
| Proceeds from sales of property and equipment  | 4,220            | 5,784            | 5,526            |
| Purchases of property and equipment  | (496,566)        | (395,017)        | (321,870)        |
| Purchases of businesses and investments, net of cash acquired  | (932,542)        | (791,704)        | (740,067)        |
| Proceeds from the sale of businesses and investments, net of cash transferred                        | 814,538          | 10,553           | —                |
| Net cash used in investing activities  | (610,350)        | (1,170,384)      | (1,056,411)      |
| <b>Cash flows from financing activities:</b>   |                  |                  |                  |
| Proceeds from issuance of ordinary shares  | 591,357          | 554,149          | 558,497          |
| Purchases of shares  | (2,604,989)      | (2,452,989)      | (2,559,434)      |
| Proceeds from (repayments of) long-term debt, net  | (1,059)          | 701              | 543              |
| Cash dividends paid  | (1,438,138)      | (1,353,471)      | (1,254,916)      |
| Excess tax benefits from share-based payment arrangements  | 92,285           | 84,026           | 114,293          |
| Other, net   | (36,389)         | (34,712)         | (24,399)         |
| Net cash used in financing activities  | (3,396,933)      | (3,202,296)      | (3,165,416)      |
| Effect of exchange rate changes on cash and cash equivalents   | (22,989)         | (279,996)        | 25,162           |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>544,843</b>   | <b>(560,539)</b> | <b>(710,580)</b> |
| <b>Cash and cash equivalents, beginning of period</b>  | <b>4,360,766</b> | <b>4,921,305</b> | <b>5,631,885</b> |
| <b>Cash and cash equivalents, end of period</b>  | <b>4,905,609</b> | <b>4,360,766</b> | <b>4,921,305</b> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business**

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

**Basis of Presentation**

The Consolidated Financial Statements include the accounts of Accenture plc, an Irish company, and its controlled subsidiary companies (collectively, the "Company"). Accenture plc's only business is to hold ordinary and deferred shares in, and to act as the controlling shareholder of, its subsidiary, Accenture Holdings plc, an Irish public limited company. The Company operates its business through Accenture Holdings plc and subsidiaries of Accenture Holdings plc. Accenture plc controls Accenture Holdings plc's management and operations and consolidates Accenture Holdings plc's results in its Consolidated Financial Statements.

On April 10, 2015, Accenture Holdings plc was incorporated in Ireland, as a public limited company, in order to further consolidate Accenture's presence in Ireland. On August 26, 2015, Accenture SCA merged with and into Accenture Holdings plc, with Accenture Holdings plc as the surviving entity. This merger was a transaction between entities under common control and had no effect on the Company's Consolidated Financial Statements.

All references to Accenture Holdings plc included in this report with respect to periods prior to August 26, 2015 reflect the activity and/or balances of Accenture SCA (the predecessor of Accenture Holdings plc). The shares of Accenture Holdings plc and Accenture Canada Holdings Inc. held by persons other than the Company are treated as a noncontrolling interest in the Consolidated Financial Statements. The noncontrolling interest percentages were 4% and 5% as of August 31, 2016 and 2015, respectively.

The directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with U.S. GAAP, to the extent that the use of U.S. GAAP in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

The Consolidated Financial Statements are prepared in accordance with Irish Company Law, to present to the shareholders of Accenture plc and file with the Companies Registration Office in Ireland. Accordingly, these Consolidated Financial Statements include disclosures required by the Companies Act 2014 of Ireland in addition to those required under U.S. GAAP.

All references to years, unless otherwise noted, refer to the Company's fiscal year, which ends on August 31. For example, a reference to "fiscal 2016" means the 12-month period that ended on August 31, 2016. All references to quarters, unless otherwise noted, refer to the quarters of the Company's fiscal year. All references to "net revenue", "gross margin", "operating income", "noncontrolling interest", "income taxes" and "net income attributable to Accenture plc" within this report should be read interchangeably with the following terms: "net turnover", "gross profit", "operating profit", "minority interest", "taxation" and "profit for the financial year", respectively.

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

The Consolidated Financial Statements include the Consolidated Balance Sheets of Accenture plc and its subsidiaries as of August 31, 2016 and 2015, and the related Consolidated Profit and Loss Account, Comprehensive Income, Shareholder's Equity and Cash Flows for the twelve months ended August 31, 2016, 2015 and 2014. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2016 filed with the U.S. Securities and Exchange Commission on October 28, 2016.

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

**Revenue Recognition**

Revenues from contracts for technology integration consulting services where the Company designs/redesigns, builds and implements new or enhanced systems applications and related processes for its clients are recognized on the percentage-of-completion method, which involves calculating the percentage of services provided during the reporting period compared to the total estimated services to be provided over the duration of the contract. Contracts for technology integration consulting services generally span six months to two years. Estimated revenues used in applying the percentage-of-completion method include estimated incentives for which achievement of defined goals is deemed probable. This method is followed where reasonably dependable estimates of revenues and costs can be made. Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and estimated costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenues and income and are reflected in the Consolidated Financial Statements in the periods in which they are first identified. If the Company's estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated total direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in Cost of services and classified in Other accrued liabilities.

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

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



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

Costs related to delivering outsourcing services are expensed as incurred with the exception of certain transition costs related to the set-up of processes, personnel and systems, which are deferred during the transition period and expensed evenly over the period outsourcing services are provided. The deferred costs are specific internal costs or incremental external costs directly related to transition or set-up activities necessary to enable the outsourced services. Generally, deferred amounts are protected in the event of early termination of the contract and are monitored regularly for impairment. Impairment losses are recorded when projected remaining undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of contract assets. Deferred transition costs were \$709,444 and \$630,420 as of August 31, 2016 and 2015, respectively, and are included in Deferred contract costs. Amounts billable to the client for transition or set-up activities are deferred and recognized as revenue evenly over the period outsourcing services are provided. Deferred transition revenues were \$604,674 and \$522,968 as of August 31, 2016 and 2015, respectively, and are included in non-current Deferred revenues. Contract acquisition and origination costs are expensed as incurred.

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

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

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

**Employee Share-Based Compensation Arrangements**

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

**Income Taxes**

The Company calculates and provides for income taxes in each of the tax jurisdictions in which it operates. Deferred tax assets and liabilities, measured using enacted tax rates, are recognized for the future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized. The Company establishes liabilities or reduces assets for uncertain tax positions when the Company believes those tax positions are not more likely than not of being sustained if challenged. Each fiscal quarter, the Company evaluates these uncertain tax positions and adjusts the related tax assets and liabilities in light of changing facts and circumstances.

**ACCENTURE PLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**Translation of Non-U.S. Currency Amounts**

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

**Cash and Cash Equivalents**

Cash and cash equivalents consist of all cash balances and liquid investments with original maturities of three months or less, including certificates of deposit and time deposits. Cash and cash equivalents also include restricted cash of \$45,478 and \$45,935 as of August 31, 2016 and 2015, respectively, which primarily relates to cash held to meet certain insurance requirements. As a result of certain subsidiaries' cash management systems, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are classified as Current portion of long term debt and bank borrowings.

**Client Receivables, Unbilled Services and Allowances**

The Company records its client receivables and unbilled services at their face amounts less allowances. On a periodic basis, the Company evaluates its receivables and unbilled services and establishes allowances based on historical experience and other currently available information. As of August 31, 2016 and 2015, total allowances recorded for client receivables and unbilled services were \$79,440 and \$70,165, respectively. The allowance reflects the Company's best estimate of collectibility risks on outstanding receivables and unbilled services. In limited circumstances, the Company agrees to extend financing to certain clients. The terms vary by contract, but generally payment for services is contractually linked to the achievement of specified performance milestones.

**Concentrations of Credit Risk**

The Company's financial instruments, consisting primarily of cash and cash equivalents, foreign currency exchange rate instruments, client receivables and unbilled services, are exposed to concentrations of credit risk. The Company places its cash and cash equivalents and foreign exchange instruments with highly-rated financial institutions, limits the amount of credit exposure with any one financial institution and conducts ongoing evaluations of the credit worthiness of the financial institutions with which it does business. Client receivables are dispersed across many different industries and countries; therefore, concentrations of credit risk are limited.

**Investments**

All liquid investments with an original maturity greater than three months but less than one year are considered to be short-term investments. Non-current investments are primarily non-marketable equity securities of privately held companies and are accounted for using either the equity or cost methods of accounting, in accordance with the requirements of Accounting Standards Codification 323, Investments—Equity Method and Joint Ventures. Marketable securities are classified as available-for-sale investments and reported at fair value with changes in unrealized gains and losses recorded as a separate component of Accumulated other comprehensive loss until realized. Interest and amortization of premiums and discounts for debt securities are included in Interest income.

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

## ACCENTURE PLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### Property and Equipment

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

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

#### Goodwill

Goodwill represents the excess of the purchase price of an acquired entity over the fair value of net assets acquired. The Company reviews the recoverability of goodwill by reportable operating segment annually, or more frequently when indicators of impairment exist. Based on the results of its annual impairment analysis, the Company determined that no impairment existed as of August 31, 2016 and 2015, as each reportable operating segment's estimated fair value substantially exceeded its carrying value.

#### Long-Lived Assets

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

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

#### Operating Expenses

Selected components of operating expenses were as follows:

|  | Fiscal     |            |            |
|--|------------|------------|------------|
|  | 2016       | 2015       | 2014       |
| Training costs                                   | \$ 940,509 | \$ 841,440 | \$ 786,517 |
| Research and development costs                   | 643,407    | 625,541    | 639,513    |
| Advertising costs                                | 80,601     | 79,899     | 87,559     |
| Provision for (release of) doubtful accounts (1) | 15,312     | (10,336)   | (12,867)   |

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

#### Recently Adopted Accounting Pronouncement

In August 2016, the Company early adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-17, Balance Sheet Classification of Deferred Taxes, which amends existing guidance on income taxes to require the classification of all deferred tax assets and liabilities as non-current on the balance sheet. The Company adopted this ASU using the retrospective method which required reclassification of current deferred taxes as previously reported on the Company's August 31, 2015 Consolidated Balance Sheets to non-current, resulting in an increase to non-current deferred tax assets of \$815,909 and a decrease to noncurrent deferred tax liabilities of \$22,218.

#### New Accounting Pronouncements

On March 31, 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies the accounting for share-based payment transactions. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled. In addition, the ASU includes provisions that impact the classification of awards as either equity or liabilities and the classification of excess tax benefits on the cash flow statements. The Company will early adopt the standard effective September 1, 2016. Following adoption, the primary impact on the Company's Consolidated Financial Statements will be the

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

recognition of excess tax benefits in the provision for income taxes rather than Additional paid-in capital, which will likely result in increased volatility in the reported amounts of income tax expense and net income. The Company estimates this change will reduce its fiscal 2017 effective tax rate by less than two percentage points. The actual impact of adopting this standard on the effective tax rate will vary depending on the Company's share price during fiscal 2017. Provisions of the new guidance related to changes to classification of excess tax benefits in the cash flow statements are expected to be adopted retrospectively. The Company is continuing to evaluate the impacts of the adoption of this guidance and its preliminary assessments are subject to change.

On March 15, 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting, which eliminates the requirement to retrospectively apply equity method accounting when an entity increases ownership or influence in a previously held investment. The ASU will be effective for the Company beginning September 1, 2017, including interim periods in its fiscal year 2018. The Company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases, which amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. The ASU will be effective for the Company beginning September 1, 2019, including interim periods in its fiscal year 2020, and allows for a modified retrospective method upon adoption. The Company is assessing the impact of this ASU on its Consolidated Financial Statements.

On January 5, 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU will be effective for the Company beginning September 1, 2018, including interim periods in its fiscal year 2019. The Company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

On May 28, 2014, the FASB issued ASU No. 2014-09 (Accounting Standard Codification 606), Revenue from Contracts with Customers, which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for the Company beginning September 1, 2018, including interim periods in its fiscal year 2019, and allows for both retrospective and modified retrospective methods of adoption. The Company will adopt the guidance on September 1, 2018 and apply the modified retrospective method. The Company is assessing the impact of this ASU on its Consolidated Financial Statements.

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 2. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

|  | Fiscal       |              |              |
|--|--------------|--------------|--------------|
|  | 2016         | 2015         | 2014         |
| Basic Earnings per share   |              |              |              |
| Net income attributable to Accenture plc   | \$ 4,111,892 | \$ 3,053,581 | \$ 2,941,498 |
| Basic weighted average Class A ordinary shares   | 624,797,820  | 626,799,586  | 634,216,250  |
| Basic earnings per share   | \$ 6.58      | \$ 4.87      | \$ 4.64      |
| Diluted Earnings per share   |              |              |              |
| Net income attributable to Accenture plc   | \$ 4,111,892 | \$ 3,053,581 | \$ 2,941,498 |
| Net income attributable to noncontrolling interests in Accenture Holdings plc and Accenture Canada Holdings Inc. (1) | 195,560      | 178,925      | 187,107      |
| Net income for diluted earnings per share calculation  | \$ 4,307,452 | \$ 3,232,506 | \$ 3,128,605 |
| Basic weighted average Class A ordinary shares   | 624,797,820  | 626,799,586  | 634,216,250  |
| Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1)                            | 29,712,982   | 36,693,816   | 40,333,904   |
| Diluted effect of employee compensation related to Class A ordinary shares   | 13,105,585   | 15,094,672   | 17,689,942   |
| Diluted effect of share purchase plans related to Class A ordinary shares  | 153,887      | 168,996      | 149,870      |
| Diluted weighted average Class A ordinary shares   | 667,770,274  | 678,757,070  | 692,389,966  |
| Diluted earnings per share   | \$ 6.45      | \$ 4.76      | \$ 4.52      |

- (1) Diluted earnings per share assumes the redemption of all Accenture Holdings plc ordinary 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.



**ACCENTURE PLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**3. ACCUMULATED OTHER COMPREHENSIVE LOSS**

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

|   | Fiscal                |                       |                     |
|---|-----------------------|-----------------------|---------------------|
|   | 2016                  | 2015                  | 2014                |
| Foreign currency translation  |                       |                       |                     |
| Beginning balance   | \$ (853,504)          | \$ (324,596)          | \$ (414,401)        |
| Foreign currency translation  | (67,884)              | (524,729)             | 91,170              |
| Income tax benefit  | 2,120                 | 6,520                 | 2,236               |
| Portion attributable to noncontrolling interests                        | (695)                 | (10,699)              | (3,601)             |
| Foreign currency translation, net of tax                                | (66,459)              | (528,908)             | 89,805              |
| Ending balance  | (919,963)             | (853,504)             | (324,596)           |
| Defined benefit plans   |                       |                       |                     |
| Beginning balance   | (523,619)             | (531,143)             | (425,404)           |
| Actuarial losses  | (481,331)             | (77,228)              | (177,243)           |
| Pension settlement  | —                     | 64,382                | —                   |
| Prior service costs arising during the period                           | 1,561                 | (79)                  | (468)               |
| Reclassifications into net periodic pension and post-retirement expense | 26,639                | 27,538                | 20,026              |
| Income tax benefit (expense)  | 153,869               | (6,725)               | 45,459              |
| Portion attributable to noncontrolling interests                        | 13,377                | (364)                 | 6,487               |
| Defined benefit plans, net of tax                                       | (285,885)             | 7,524                 | (105,739)           |
| Ending balance (1)  | (809,504)             | (523,619)             | (531,143)           |
| Cash flow hedges  |                       |                       |                     |
| Beginning balance   | (33,288)              | (16,209)              | (212,941)           |
| Unrealized gains (losses)   | 180,196               | (17,207)              | 222,100             |
| Reclassification adjustments into Cost of services                      | (23,004)              | (15,207)              | 101,026             |
| Income tax (expense) benefit  | (51,153)              | 14,508                | (114,325)           |
| Portion attributable to noncontrolling interests                        | (4,740)               | 827                   | (12,069)            |
| Cash flow hedges, net of tax  | 101,299               | (17,079)              | 196,732             |
| Ending balance (2)  | 68,011                | (33,288)              | (16,209)            |
| Marketable securities   |                       |                       |                     |
| Beginning balance   | (1,561)               | —                     | —                   |
| Unrealized gain (loss)  | 2,231                 | (2,693)               | —                   |
| Income tax (expense) benefit  | (873)                 | 1,056                 | —                   |
| Portion attributable to noncontrolling interests                        | (61)                  | 76                    | —                   |
| Marketable securities, net of tax                                       | 1,297                 | (1,561)               | —                   |
| Ending balance  | (264)                 | (1,561)               | —                   |
| Accumulated other comprehensive loss                                    | <u>\$ (1,661,720)</u> | <u>\$ (1,411,972)</u> | <u>\$ (871,948)</u> |

- (1) As of August 31, 2016, \$50,410 of net losses is expected to be reclassified into net periodic pension expense recognized in Cost of services, Sales and marketing and General and administrative costs in the next twelve months.
- (2) As of August 31, 2016, \$61,135 of net unrealized gains related to derivatives designated as cash flow hedges is expected to be reclassified into Cost of services in the next twelve months.

## ACCENTURE PLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### 4. PROPERTY AND EQUIPMENT

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

|   | August 31, 2016   | August 31, 2015   |
|---|-------------------|-------------------|
| Buildings and land                        | \$ 2,914          | \$ 2,939          |
| Computers, related equipment and software | 1,428,134         | 1,386,226         |
| Furniture and fixtures                    | 354,523           | 310,971           |
| Leasehold improvements                    | 900,996           | 750,716           |
| Property and equipment, gross             | 2,686,567         | 2,450,852         |
| Total accumulated depreciation            | (1,730,025)       | (1,648,968)       |
| Property and equipment, net               | <u>\$ 956,542</u> | <u>\$ 801,884</u> |

#### 5. BUSINESS COMBINATIONS AND DIVESTITURES

##### Fiscal 2016

##### Business Combinations

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

During fiscal 2016, the Company also completed other individually immaterial acquisitions for total consideration of \$458,892, net of cash acquired. These acquisitions were completed primarily to expand the Company's services and solutions offerings. In connection with these acquisitions, the Company recorded goodwill of \$382,326, which was allocated among the reportable operating segments, and intangible assets of \$109,981, primarily consisting of customer-related and technology intangibles. The goodwill is partially deductible for U.S. federal income tax purposes. The intangible assets are being amortized over one to ten years. The pro forma effects of these acquisitions on the Company's operations were not material.

##### Divestiture

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

##### Joint Venture

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

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

to the completion of certain post-closing matters may be recorded in subsequent periods. Approximately 1,000 employees moved to Duck Creek as a part of this transaction.

**Fiscal 2015 Acquisitions**

On March 25, 2015, the Company acquired Agilex Technologies, Inc., a provider of digital solutions for the U.S. federal government, for \$264,444, net of cash acquired. This acquisition enhanced Accenture's digital capabilities in analytics, cloud and mobility for federal agencies and resulted in approximately 730 employees joining the Company. In connection with this acquisition, the Company recorded goodwill of \$206,123, which was allocated to the Health & Public Service operating segment, and intangible assets of \$50,800, primarily consisting of customer-related intangibles. The goodwill is non-deductible for U.S. federal income tax purposes. The intangible assets are being amortized over one to eight years. The pro forma effects of this acquisition on the Company's operations were not material.

During fiscal 2015, the Company also completed other individually immaterial acquisitions for total consideration of \$510,236, net of cash acquired. These acquisitions were completed primarily to expand the Company's services and solutions offerings. In connection with these acquisitions, the Company recorded goodwill of \$427,435, which was allocated among the reportable operating segments, and intangible assets of \$120,970, primarily consisting of customer-related and technology intangibles. The goodwill is partially deductible for U.S. federal income tax purposes. The intangible assets are being amortized over one to eleven years. The pro forma effects of these acquisitions on the Company's operations were not material.

**Fiscal 2014 Acquisitions**

On December 4, 2013, the Company acquired Procurian Inc. ("Procurian"), a provider of procurement business process solutions, for \$386,407, net of cash acquired. This acquisition enhanced Accenture's capabilities in procurement business process outsourcing across a range of industries and resulted in approximately 780 employees joining Accenture. In connection with this acquisition, the Company recorded goodwill of \$305,627, which was allocated to all five reportable operating segments, and intangible assets of \$60,514, primarily consisting of customer-related and technology intangibles. The goodwill is substantially non-deductible for U.S. federal income tax purposes. The intangible assets are being amortized over one to twelve years. The pro forma effects of this acquisition on the Company's operations were not material.

During fiscal 2014, the Company also completed other individually immaterial acquisitions for total consideration of \$320,225, net of cash acquired. These acquisitions were completed primarily to expand the Company's services and solutions offerings. In connection with these acquisitions, the Company recorded goodwill of \$256,704, which was allocated among the reportable operating segments, and intangible assets of \$80,305, primarily consisting of customer-related and technology intangibles. The goodwill is partially deductible for U.S. federal income tax purposes. The intangible assets are being amortized over one to twelve years. The pro forma effects of these acquisitions on the Company's operations were not material.

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 6. GOODWILL AND INTANGIBLE ASSETS

#### Goodwill

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

|                                    | August 31,<br>2014 | Additions/<br>Adjustments | Foreign<br>Currency<br>Translation | August 31,<br>2015 | Additions/<br>Adjustments | Foreign<br>Currency<br>Translation | August 31,<br>2016 |
|------------------------------------|--------------------|---------------------------|------------------------------------|--------------------|---------------------------|------------------------------------|--------------------|
| Communications, Media & Technology | \$ 338,855         | \$ 42,797                 | \$ (16,828)                        | \$ 364,824         | \$ 194,365                | \$ (12,623)                        | \$ 546,566         |
| Financial Services                 | 707,093            | 35,060                    | (28,723)                           | 713,430            | 149,811                   | (8,865)                            | 854,376            |
| Health & Public Service            | 375,052            | 218,461                   | (4,620)                            | 588,893            | 130,787                   | (3,831)                            | 715,849            |
| Products                           | 836,858            | 198,274                   | (33,364)                           | 1,001,768          | 134,607                   | (23,384)                           | 1,112,991          |
| Resources                          | 138,036            | 144,844                   | (21,962)                           | 260,918            | 123,613                   | (4,876)                            | 379,655            |
| Total                              | <u>\$2,395,894</u> | <u>\$ 639,436</u>         | <u>\$ (105,497)</u>                | <u>\$2,929,833</u> | <u>\$ 733,183</u>         | <u>\$ (53,579)</u>                 | <u>\$3,609,437</u> |

Goodwill includes immaterial adjustments related to divestitures and prior period acquisitions.

#### Intangible Assets

The Company's definite-lived intangible assets by major asset class were as follows:

| Intangible Asset Class | August 31, 2016             |                             |                           | August 31, 2015             |                             |                           |
|------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
|                        | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
| Customer-related       | \$ 532,753                  | \$ (159,774)                | \$ 372,979                | \$ 449,219                  | \$ (120,841)                | \$ 328,378                |
| Technology             | 100,363                     | (48,270)                    | 52,093                    | 104,824                     | (44,988)                    | 59,836                    |
| Patents                | 118,906                     | (57,951)                    | 60,955                    | 114,979                     | (54,064)                    | 60,915                    |
| Other                  | 43,804                      | (19,680)                    | 24,124                    | 31,480                      | (15,702)                    | 15,778                    |
| Total                  | <u>\$ 795,826</u>           | <u>\$ (285,675)</u>         | <u>\$ 510,151</u>         | <u>\$ 700,502</u>           | <u>\$ (235,595)</u>         | <u>\$ 464,907</u>         |

Total amortization related to the Company's intangible assets was \$117,882, \$99,633 and \$75,232 for fiscal 2016, 2015 and 2014, respectively. Estimated future amortization related to intangible assets held at August 31, 2016 is as follows:

| Fiscal Year | Estimated<br>Amortization |
|-------------|---------------------------|
| 2017        | \$ 107,291                |
| 2018        | 92,066                    |
| 2019        | 74,617                    |
| 2020        | 65,658                    |
| 2021        | 45,747                    |
| Thereafter  | 124,772                   |
| Total       | <u>\$ 510,151</u>         |

**ACCENTURE PLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****7. DERIVATIVE FINANCIAL INSTRUMENTS**

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

Certain derivatives also give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to the Company, and the maximum amount of loss due to credit risk, based on the gross fair value of all of the Company's derivative financial instruments, was \$129,603 as of August 31, 2016.

The Company also utilizes standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. These provisions may reduce the Company's potential overall loss resulting from the insolvency of a counterparty and reduce a counterparty's potential overall loss resulting from the insolvency of the Company. Additionally, these agreements contain early termination provisions triggered by adverse changes in a counterparty's credit rating, thereby enabling the Company to accelerate settlement of a transaction prior to its contractual maturity and potentially decrease the Company's realized loss on an open transaction. Similarly, a decrement in the Company's credit rating could trigger a counterparty's early termination rights, thereby enabling a counterparty to accelerate settlement of a transaction prior to its contractual maturity and potentially increase the Company's realized loss on an open transaction. The aggregate fair value of the Company's derivative instruments with credit-risk-related contingent features that are in a liability position as of August 31, 2016 was \$33,774.

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

**Cash Flow Hedges**

Certain of the Company's subsidiaries are exposed to currency risk through their use of resources supplied by the Company's Global Delivery Network. To mitigate this risk, the Company uses foreign currency forward contracts to hedge the foreign exchange risk of the forecasted intercompany expenses denominated in foreign currencies for up to three years in the future. The Company has designated these derivatives as cash flow hedges. As of August 31, 2016 and 2015, the Company held no derivatives that were designated as fair value or net investment hedges.

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges using the Hypothetical Derivative Method, which measures hedge ineffectiveness based on a comparison of the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a hypothetical derivative. The hypothetical derivative would have terms that identically match the critical terms of the hedged item. The Company measures and records hedge ineffectiveness at the end of each fiscal quarter.

For a cash flow hedge, the effective portion of the change in estimated fair value of a hedging instrument is recorded in Accumulated other comprehensive loss as a separate component of Shareholders' Equity and is reclassified into Cost of services in the Consolidated Income Statement during the period in which the hedged transaction is recognized. The amounts related to derivatives designated as cash flow hedges that were reclassified into Cost of services were a net gain of \$23,004 and \$15,207 during fiscal 2016 and 2015, respectively, and a net loss of \$101,026 during fiscal 2014. The ineffective portion of the change in fair value of a cash flow hedge is recognized immediately



# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

in Other expense, net in the Consolidated Income Statement and for fiscal 2016, 2015 and 2014, was not material. In addition, the Company did not discontinue any cash flow hedges during fiscal 2016 and 2015 or 2014.

### Other Derivatives

The Company also uses foreign currency forward contracts, which have not been designated as hedges, to hedge balance sheet exposures, such as intercompany loans. These instruments are generally short-term in nature, with typical maturities of less than one year, and are subject to fluctuations in foreign exchange rates. Realized gains or losses and changes in the estimated fair value of these derivatives were a net loss of \$84,293 and \$257,783 for fiscal 2016 and 2015, respectively, and a net gain of \$78,446 for fiscal 2014. Gains and losses on these contracts are recorded in Other expense, net in the Consolidated Income Statement and are offset by gains and losses on the related hedged items.

### Fair Value of Derivative Instruments

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

|                               | August 31,<br>2016  | August 31,<br>2015  |
|-------------------------------|---------------------|---------------------|
| <b>Assets</b>                 |                     |                     |
| Cash Flow Hedges              |                     |                     |
| Other current assets          | \$ 71,955           | \$ 28,282           |
| Other non-current assets      | 45,683              | 13,503              |
| Other Derivatives             |                     |                     |
| Other current assets          | 11,965              | 18,233              |
| <b>Total assets</b>           | <b>\$ 129,603</b>   | <b>\$ 60,018</b>    |
| <b>Liabilities</b>            |                     |                     |
| Cash Flow Hedges              |                     |                     |
| Other accrued liabilities     | \$ 10,820           | \$ 48,683           |
| Other non-current liabilities | 5,547               | 48,746              |
| Other Derivatives             |                     |                     |
| Other accrued liabilities     | 17,407              | 31,862              |
| <b>Total liabilities</b>      | <b>\$ 33,774</b>    | <b>\$ 129,291</b>   |
| <b>Total fair value</b>       | <b>\$ 95,829</b>    | <b>\$ (69,273)</b>  |
| <b>Total notional value</b>   | <b>\$ 7,604,486</b> | <b>\$ 6,363,110</b> |

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

|                            | August 31,<br>2016 | August 31,<br>2015 |
|----------------------------|--------------------|--------------------|
| Net derivative assets      | \$ 114,785         | \$ 36,661          |
| Net derivative liabilities | 18,956             | 105,934            |
| <b>Total fair value</b>    | <b>\$ 95,829</b>   | <b>\$ (69,273)</b> |

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 8. BORROWINGS AND INDEBTEDNESS

As of August 31, 2016, the Company had the following borrowing facilities, including the issuance of letters of credit, to support general working capital purposes:

|  | Facility<br>Amount  | Borrowings<br>Under<br>Facilities |
|--|---------------------|-----------------------------------|
| Syndicated loan facility (1)   | \$ 1,000,000        | \$ —                              |
| Separate, uncommitted, unsecured multicurrency revolving credit facilities (2) | 515,873             | —                                 |
| Local guaranteed and non-guaranteed lines of credit (3)                        | 164,692             | —                                 |
| Total  | <u>\$ 1,680,565</u> | <u>\$ —</u>                       |

- (1) On December 22, 2015, the Company replaced its \$1,000,000 syndicated loan facility maturing on October 31, 2016 with a \$1,000,000 syndicated loan facility maturing on December 22, 2020. This facility provides unsecured, revolving borrowing capacity for general working capital purposes, including the issuance of letters of credit. Financing is provided under this facility at the prime rate or at the London Interbank Offered Rate plus a spread. This facility requires the Company to: (1) limit liens placed on its assets to (a) liens incurred in the ordinary course of business (subject to certain qualifications) and (b) other liens securing obligations not to exceed 30% of its consolidated assets; and (2) maintain an Adjusted Indebtedness-to-EBITDA ratio not exceeding 1.75 to 1.00. The Company continues to be in compliance with relevant covenant terms. The facility is subject to annual commitment fees. As of August 31, 2016 and 2015, the Company had no borrowings under either the current or the prior loan facility.
- (2) The Company maintains separate, uncommitted and unsecured multicurrency revolving credit facilities. These facilities provide local currency financing for the majority of the Company's operations. Interest rate terms on the revolving facilities are at market rates prevailing in the relevant local markets. As of August 31, 2016 and 2015, the Company had no borrowings under these facilities.
- (3) The Company also maintains local guaranteed and non-guaranteed lines of credit for those locations that cannot access the Company's global facilities. As of August 31, 2016 and 2015, the Company had no borrowings under these various facilities.

Under the borrowing facilities described above, the Company had an aggregate of \$168,663 and \$166,506 of letters of credit outstanding as of August 31, 2016 and 2015, respectively. In addition, the Company had total outstanding debt of \$27,230 and \$27,435 as of August 31, 2016 and 2015, respectively.

### 9. INCOME TAXES

|                                | Fiscal              |                     |                     |
|--------------------------------|---------------------|---------------------|---------------------|
|                                | 2016                | 2015                | 2014                |
| Current tax expense            | \$ 1,188,029        | \$ 1,595,850        | \$ 1,195,835        |
| Deferred tax expense (benefit) | 65,940              | (459,109)           | (74,092)            |
| Total                          | <u>\$ 1,253,969</u> | <u>\$ 1,136,741</u> | <u>\$ 1,121,743</u> |

Income tax expense attributable to income from continuing operations was \$1,253,969 and \$1,136,741 for the years ended August 31, 2016 and 2015, respectively. This is different from the amount computed by applying the Company's relevant income tax rates to pre-tax income from continuing operations due to the Company's global operations being taxed at different rates around the world and benefits related to the sale of businesses. The effect on deferred tax assets and liabilities of enacted changes in tax laws and tax rates did not have a material impact on the Company's income tax expense.

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

During fiscal 2015, the Company concluded that substantially all of the undistributed earnings of its U.S. subsidiaries would no longer be considered indefinitely reinvested and recorded an estimated tax liability of \$247,097 for withholding taxes payable on the distribution of these earnings. These earnings were distributed in the form of a U.S. dividend declared and paid on August 26, 2015. The Company intends to indefinitely reinvest any future U.S. earnings. As of August 31, 2016, the Company had not recognized a deferred tax liability on \$1,297,932 of undistributed earnings for certain foreign subsidiaries, because these earnings are intended to be indefinitely reinvested. If such earnings were distributed, some countries may impose additional taxes. The unrecognized deferred tax liability (the amount payable if distributed) is approximately \$116,000.

The components of the Company's deferred tax assets and liabilities included the following:

|   | August 31,<br>2016  | August 31,<br>2015  |
|---|---------------------|---------------------|
| Deferred tax assets                           |                     |                     |
| Pensions                                      | \$ 306,776          | \$ 278,944          |
| Revenue recognition                           | 113,890             | 112,113             |
| Compensation and benefits                     | 797,707             | 558,127             |
| Share-based compensation                      | 262,508             | 262,040             |
| Tax credit carryforwards                      | 1,161,084           | 1,179,988           |
| Net operating loss carryforwards              | 131,018             | 119,463             |
| Depreciation and amortization                 | 97,015              | 97,218              |
| Deferred amortization deductions              | 687,351             | 687,406             |
| Indirect effects of unrecognized tax benefits | 354,544             | 357,031             |
| Other   | 139,105             | 157,449             |
|   | <u>4,050,998</u>    | <u>3,809,779</u>    |
| Valuation allowance                           | (1,243,207)         | (1,229,146)         |
| Total deferred tax assets                     | <u>2,807,791</u>    | <u>2,580,633</u>    |
| Deferred tax liabilities                      |                     |                     |
| Revenue recognition                           | (109,749)           | (75,352)            |
| Depreciation and amortization                 | (205,431)           | (167,467)           |
| Investments in subsidiaries                   | (330,673)           | (213,351)           |
| Other   | (195,646)           | (125,907)           |
| Total deferred tax liabilities                | <u>(841,499)</u>    | <u>(582,077)</u>    |
| Net deferred tax assets                       | <u>\$ 1,966,292</u> | <u>\$ 1,998,556</u> |

The Company recorded valuation allowances of \$1,243,207 and \$1,229,146 as of August 31, 2016 and 2015, respectively, against deferred tax assets principally associated with certain tax credit and tax net operating loss carryforwards, as the Company believes it is more likely than not that these assets will not be realized. For all other deferred tax assets, the Company believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize these deferred tax assets. During fiscal 2016, the Company recorded a net increase of \$14,061 in the valuation allowance. The majority of this change related to valuation allowances on certain tax net operating loss carryforwards, as the Company believes it is more likely than not that these assets will not be realized.

The Company had tax credit carryforwards as of August 31, 2016 of \$1,161,084, of which \$30,288 will expire between 2017 and 2026, \$828 will expire between 2027 and 2036, and \$1,129,968 has an indefinite carryforward period. The Company had net operating loss carryforwards as of August 31, 2016 of \$518,475. Of this amount, \$254,978 expires between 2017 and 2026, \$2,130 expires between 2027 and 2036, and \$261,367 has an indefinite carryforward period.

**ACCENTURE PLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

The Company recognizes interest and penalties related to unrecognized tax benefits in the Provision for income taxes. During fiscal 2016, 2015 and 2014, the Company recognized expense (benefit) of \$8,681, \$(17,373) and \$16,370 in interest and penalties, respectively. Accrued interest and penalties related to unrecognized tax benefits of \$109,269 (\$95,057, net of tax benefits) and \$101,843 (\$84,530, net of tax benefits) were reflected on the Company's Consolidated Balance Sheets as of August 31, 2016 and 2015, respectively.

The Company is participating in the U.S. Internal Revenue Service ("IRS") Compliance Assurance Program ("CAP") beginning with the 2016 fiscal year. As part of CAP, tax years are audited on a contemporaneous basis so that all or most issues are resolved prior to the filing of the tax return. The Company is currently under audit by the IRS for fiscal 2013 and 2014. The Company is also currently under audit in numerous state and non-U.S. tax jurisdictions. Although the outcome of tax audits is always uncertain and could result in significant cash tax payments, the Company does not believe the outcome of these audits will have a material adverse effect on the Company's consolidated financial position or results of operations. With limited exceptions, the Company is no longer subject to income tax audits by taxing authorities for the years before 2007. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by approximately \$562,000 or increase by approximately \$169,000 in the next 12 months as a result of settlements, lapses of statutes of limitations and other adjustments. The majority of these amounts relate to transfer pricing matters in both U.S. and non-U.S. tax jurisdictions.

**10. RETIREMENT AND PROFIT SHARING PLANS**
**Defined Benefit Pension and Postretirement Plans**

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

**Assumptions**

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

|  | Pension Plans   |                |                 |                |                 |                | Postretirement Plans    |                         |                         |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|-------------------------|-------------------------|-------------------------|
|  | August 31, 2016 |                | August 31, 2015 |                | August 31, 2014 |                | August 31, 2016         | August 31, 2015         | August 31, 2014         |
|  | U.S. Plans      | Non-U.S. Plans | U.S. Plans      | Non-U.S. Plans | U.S. Plans      | Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Discount rate for determining projected benefit obligation                           | 3.50%           | 2.40%          | 4.50%           | 3.47%          | 4.25%           | 3.53%          | 3.51%                   | 4.46%                   | 4.25%                   |
| Discount rate for determining net periodic pension expense                           | 4.50%           | 3.47%          | 4.25%           | 3.53%          | 5.00%           | 4.18%          | 4.46%                   | 4.25%                   | 4.96%                   |
| Long term rate of return on plan assets  | 4.75%           | 3.99%          | 5.50%           | 4.55%          | 5.50%           | 4.79%          | 4.54%                   | 5.05%                   | 4.87%                   |
| Rate of increase in future compensation for determining projected benefit obligation | 2.57%           | 3.47%          | 3.65%           | 3.56%          | 3.65%           | 3.75%          | N/A                     | N/A                     | N/A                     |
| Rate of increase in future compensation for determining net periodic pension expense | 3.60%           | 3.56%          | 3.65%           | 3.75%          | 3.60%           | 3.79%          | N/A                     | N/A                     | N/A                     |

Beginning in fiscal 2016, the Company changed the method it uses to estimate the service and interest cost components of net periodic pension expense. Historically, the Company selected a discount rate for the U.S. plans by matching the plans' cash flows to that of the average of two yield curves that provide the equivalent yields on zero-coupon corporate bonds for each maturity. The discount rate assumption for the non-U.S. Plans primarily reflected the market rate for high-quality, fixed-income debt instruments. Beginning in fiscal 2016, the Company utilized a full yield

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

curve approach to estimate these components by applying specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. This change does not affect the measurement of the Company's total benefit obligations. The Company accounted for this change as a change in estimate and, accordingly, recognized its effect prospectively beginning in fiscal 2016.

The discount rate assumptions are based on the expected duration of the benefit payments for each of the Company's defined benefit pension and postretirement plans as of the annual measurement date and are subject to change each year.

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

**Assumed U.S. Health Care Cost Trend**

The Company's U.S. postretirement plan assumed annual rate of increase in the per capita cost of health care benefits is 6.8% for the plan year ending June 30, 2017. The rate is assumed to decrease on a straight-line basis to 4.5% for the plan year ending June 30, 2027 and remain at that level thereafter. A one percentage point increase in the assumed health care cost trend rates would increase the benefit obligation by \$81,422, while a one percentage point decrease would reduce the benefit obligation by \$62,615.

**U.S. Defined Benefit Pension Plan Settlement Charge**

During fiscal 2015, the Company offered a voluntary one-time lump sum payment option to certain eligible former employees who had vested benefits under the Company's U.S. pension plan that, if accepted, would settle the Company's pension obligations to them.

This resulted in lump sum payments from plan assets of \$279,571 during fiscal 2015. As a result of this settlement and the adoption of the new U.S. mortality tables released by the Society of Actuaries, the Company remeasured the assets and liabilities of the U.S. pension plan, which in aggregate resulted in a net reduction to the projected benefit obligation of \$179,938 as well as a non-cash settlement charge of \$64,382, pre-tax, during fiscal 2015.

**Pension and Postretirement Expense**

Pension expense for fiscal 2016, 2015 and 2014 was \$94,827, \$143,968 (including the above noted settlement charge) and \$87,422, respectively. Postretirement expense for fiscal 2016, 2015 and 2014 was not material to the Company's Consolidated Financial Statements.

**ACCENTURE PLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**Benefit Obligation, Plan Assets and Funded Status**

Selected information regarding pension and postretirement benefit plans as of August 31, 2016 and 2015 were as follows:

|   | Pension Plans       |                     |                    |                     | Postretirement Plans    |                         |
|---|---------------------|---------------------|--------------------|---------------------|-------------------------|-------------------------|
|   | August 31, 2016     |                     | August 31, 2015    |                     | August 31, 2016         | August 31, 2015         |
|   | U.S. Plans          | Non-U.S. Plans      | U.S. Plans         | Non-U.S. Plans      | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Benefit obligation, end of year                       | \$ 2,030,006        | \$ 1,758,110        | \$ 1,635,744       | \$ 1,439,225        | \$ 500,964              | \$ 403,095              |
| Fair value of plan assets, end of year                | 1,801,435           | 1,081,154           | 1,596,186          | 982,471             | 27,130                  | 24,643                  |
| Funded status, end of year                            | <u>\$ (228,571)</u> | <u>\$ (676,956)</u> | <u>\$ (39,558)</u> | <u>\$ (456,754)</u> | <u>\$ (473,834)</u>     | <u>\$ (378,452)</u>     |
| Amounts recognized in the Consolidated Balance Sheets |                     |                     |                    |                     |                         |                         |
| Non-current assets                                    | \$ —                | \$ 59,335           | \$ 102,686         | \$ 64,690           | \$ —                    | \$ —                    |
| Current liabilities                                   | (11,091)            | (16,691)            | (11,148)           | (10,287)            | (1,579)                 | (1,416)                 |
| Non-current liabilities                               | (217,480)           | (719,600)           | (131,096)          | (511,157)           | (472,255)               | (377,036)               |
| Funded status, end of year                            | <u>\$ (228,571)</u> | <u>\$ (676,956)</u> | <u>\$ (39,558)</u> | <u>\$ (456,754)</u> | <u>\$ (473,834)</u>     | <u>\$ (378,452)</u>     |

The employer contributions, participant contributions and benefits paid for fiscal 2016 and 2015 were as follows:

|                           | Fiscal     |                |            |                |
|---------------------------|------------|----------------|------------|----------------|
|                           | 2016       |                | 2015       |                |
|                           | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Employer contributions    | \$ 10,944  | \$ 71,046      | \$ 11,114  | \$ 52,033      |
| Participant contributions | —          | 9,857          | —          | 6,081          |
| Benefits paid             | (47,807)   | (52,549)       | (44,726)   | (39,685)       |

**Accumulated Other Comprehensive Loss**

The pre-tax accumulated net loss and prior service (credit) cost recognized in Accumulated other comprehensive loss as of August 31, 2016 and 2015 was as follows:

|   | Pension Plans     |                   |                   |                   | Postretirement Plans    |                         |
|---|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------------|
|   | August 31, 2016   |                   | August 31, 2015   |                   | August 31, 2016         | August 31, 2015         |
|   | U.S. Plans        | Non-U.S. Plans    | U.S. Plans        | Non-U.S. Plans    | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Net loss                                      | \$ 592,873        | \$ 480,408        | \$ 397,065        | \$ 295,098        | \$ 143,777              | \$ 75,224               |
| Prior service (credit) cost                   | —                 | (6,860)           | —                 | (7,281)           | 31,569                  | 35,173                  |
| Accumulated other comprehensive loss, pre-tax | <u>\$ 592,873</u> | <u>\$ 473,548</u> | <u>\$ 397,065</u> | <u>\$ 287,817</u> | <u>\$ 175,346</u>       | <u>\$ 110,397</u>       |



**ACCENTURE PLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**Funded Status for Defined Benefit Plans**

The accumulated benefit obligation for defined benefit pension plans as of August 31, 2016 and 2015 was as follows:

|                                | August 31,<br>2016 |                | August 31,<br>2015 |                |
|--------------------------------|--------------------|----------------|--------------------|----------------|
|                                | U.S. Plans         | Non-U.S. Plans | U.S. Plans         | Non-U.S. Plans |
| Accumulated benefit obligation | \$ 2,017,437       | \$ 1,592,598   | \$ 1,626,972       | \$ 1,313,946   |

The following information is provided for defined benefit pension plans and postretirement plans with projected benefit obligations in excess of plan assets and for defined benefit pension plans with accumulated benefit obligations in excess of plan assets as of August 31, 2016 and 2015:

|   | Pension Plans      |                |                    |                | Postretirement Plans    |                         |
|---|--------------------|----------------|--------------------|----------------|-------------------------|-------------------------|
|   | August 31,<br>2016 |                | August 31,<br>2015 |                | August 31,<br>2016      | August 31,<br>2015      |
|   | U.S. Plans         | Non-U.S. Plans | U.S. Plans         | Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Projected benefit obligation in excess of plan assets |                    |                |                    |                |                         |                         |
| Projected benefit obligation                          | \$ 2,030,006       | \$ 1,400,510   | \$ 142,244         | \$ 757,741     | \$ 500,964              | \$ 403,095              |
| Fair value of plan assets                             | 1,801,435          | 664,220        | —                  | 236,297        | 27,130                  | 24,643                  |

|   | August 31,<br>2016 |                | August 31,<br>2015 |                |
|---|--------------------|----------------|--------------------|----------------|
|   | U.S. Plans         | Non-U.S. Plans | U.S. Plans         | Non-U.S. Plans |
| Accumulated benefit obligation in excess of plan assets |                    |                |                    |                |
| Accumulated benefit obligation                          | \$ 2,017,437       | \$ 1,233,952   | \$ 142,244         | \$ 629,524     |
| Fair value of plan assets                               | 1,801,435          | 627,738        | —                  | 204,076        |

**Investment Strategies**
**U.S. Pension Plans**

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

**Non-U.S. Pension Plans**

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

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

bonds, with a smaller proportion in equities. Also, certain plan assets are entirely invested in contracts held with the plan insurer, which determines the strategy. Defined benefit pension plans in certain countries are unfunded.

### Risk Management

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

### Plan Assets

The Company's target allocation for fiscal 2017 and weighted-average plan assets allocations as of August 31, 2016 and 2015 by asset category for defined benefit pension plans were as follows:

| Asset Category                  | 2017 Target Allocation |                | 2016       |                | 2015       |                |
|---------------------------------|------------------------|----------------|------------|----------------|------------|----------------|
|                                 | U.S. Plans             | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Equity securities               | —%                     | 36%            | —%         | 29%            | 10%        | 30%            |
| Debt securities                 | 77                     | 51             | 75         | 58             | 87         | 56             |
| Cash and short-term investments | 23                     | 3              | 25         | 2              | 3          | 3              |
| Insurance contracts             | —                      | 7              | —          | 7              | —          | 6              |
| Other                           | —                      | 3              | —          | 4              | —          | 5              |
| Total                           | 100%                   | 100%           | 100%       | 100%           | 100%       | 100%           |

**ACCENTURE PLC**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**Fair Value Measurements**

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

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

- Level 1—Quoted prices for identical instruments in active markets;
  - Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
  - Level 3—Valuations derived from valuation techniques in which one or more significant inputs are unobservable.
- The fair values of defined benefit pension and postretirement plan assets as of August 31, 2016 were as follows:

*U.S. Plans*

|  | Level 1           | Level 2             | Level 3     | Total               |
|--|-------------------|---------------------|-------------|---------------------|
| Fixed Income                                     |                   |                     |             |                     |
| U.S. government, state and local debt securities | —                 | 359,583             | —           | 359,583             |
| Non-U.S. government debt securities              | —                 | 38,232              | —           | 38,232              |
| U.S. corporate debt securities                   | —                 | 614,136             | —           | 614,136             |
| Non-U.S. corporate debt securities               | —                 | 79,124              | —           | 79,124              |
| Mutual fund debt securities                      | 286,360           | —                   | —           | 286,360             |
| Cash and short-term investments                  | —                 | 451,130             | —           | 451,130             |
| Total  | <u>\$ 286,360</u> | <u>\$ 1,542,205</u> | <u>\$ —</u> | <u>\$ 1,828,565</u> |

*Non-U.S. Plans*

|                                     | Level 1           | Level 2           | Level 3     | Total               |
|-------------------------------------|-------------------|-------------------|-------------|---------------------|
| Equity                              |                   |                   |             |                     |
| Mutual fund equity securities       | \$ —              | \$ 311,324        | \$ —        | \$ 311,324          |
| Fixed Income                        |                   |                   |             |                     |
| Non-U.S. government debt securities | 91,745            | —                 | —           | 91,745              |
| Mutual fund debt securities         | 15,608            | 524,472           | —           | 540,080             |
| Cash and short-term investments     | 19,382            | 4,048             | —           | 23,430              |
| Insurance contracts                 | —                 | 72,525            | —           | 72,525              |
| Other                               | —                 | 42,050            | —           | 42,050              |
| Total                               | <u>\$ 126,735</u> | <u>\$ 954,419</u> | <u>\$ —</u> | <u>\$ 1,081,154</u> |

There were no transfers between Levels 1 and 2 during fiscal 2016.

## ACCENTURE PLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### Expected Contributions

Generally, annual contributions are made at such times and in amounts as required by law and may, from time to time, exceed minimum funding requirements. The Company estimates it will pay approximately \$80,077 in fiscal 2017 related to contributions to its U.S. and non-U.S. defined benefit pension plans and benefit payments related to the unfunded frozen plan for former pre-incorporation partners. The Company has not determined whether it will make additional voluntary contributions for its defined benefit pension plans. The Company's postretirement plan contributions in fiscal 2017 are not expected to be material to the Company's Consolidated Financial Statements.

#### Estimated Future Benefit Payments

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

|           | Pension Plans  |                | Postretirement Plans    |
|-----------|----------------|----------------|-------------------------|
|           | U.S. Plans (1) | Non-U.S. Plans | U.S. and Non-U.S. Plans |
| 2017      | \$ 46,881      | \$ 44,537      | \$ 10,259               |
| 2018      | 49,865         | 50,094         | 11,469                  |
| 2019      | 53,277         | 55,964         | 12,598                  |
| 2020      | 56,950         | 66,225         | 13,942                  |
| 2021      | 61,361         | 75,166         | 15,830                  |
| 2022-2026 | 373,921        | 416,507        | 110,756                 |

(1) Excludes the impact of the anticipated U.S. pension plan termination noted below.

#### U.S. Pension Plan Termination

On March 18, 2016, Accenture plc's Board of Directors approved an amendment to terminate the Company's U.S. pension plan, effective May 30, 2016, for all active and former employees who are no longer accruing benefits in the pension plan (approximately 16,200 people). The amendment also provides for the creation of a separate defined benefit plan with substantially the same terms for approximately 600 active employees who are currently eligible to accrue benefits. The U.S. pension plan is expected to be settled in 12 to 18 months from the termination effective date, subject to receipt of customary regulatory approvals.

The Company's ultimate settlement obligation will depend upon both the nature and timing of participant settlements and prevailing market conditions. Upon settlement, the Company expects to recognize additional expense, consisting of unrecognized actuarial losses included in Accumulated other comprehensive loss that totaled approximately \$467,000 as of August 31, 2016, adjusted for the difference between the ultimate settlement obligation and the Company's accrued pension obligation. The Company does not expect the settlement of the U.S. pension plan obligations to have a material impact on its cash position.

#### Defined Contribution Plans

In the United States and certain other countries, the Company maintains and administers defined contribution plans for certain current, retired and resigned employees. Total expenses recorded for defined contribution plans were \$419,932, \$397,123 and \$331,801 in fiscal 2016, 2015 and 2014, respectively.

## ACCENTURE PLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### 11. SHARE-BASED COMPENSATION

##### Share Incentive Plans

The Amended and Restated Accenture plc 2010 Share Incentive Plan, as amended and approved by the Company's shareholders in 2016 (the "Amended 2010 SIP"), is administered by the Compensation Committee of the Board of Directors of Accenture and provides for the grant of nonqualified share options, incentive stock options, restricted share units and other share-based awards. A maximum of 83,000,000 Accenture plc Class A ordinary shares are currently authorized for awards under the Amended 2010 SIP. As of August 31, 2016, there were 23,167,880 shares available for future grants. Accenture plc Class A ordinary shares covered by awards that terminate, lapse or are cancelled may again be used to satisfy awards under the Amended 2010 SIP. The Company issues new Accenture plc Class A ordinary shares and shares from treasury for shares delivered under the Amended 2010 SIP.

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

|   | Fiscal     |            |            |
|---|------------|------------|------------|
|   | 2016       | 2015       | 2014       |
| Total share-based compensation expense included in Net income                 | \$ 758,176 | \$ 680,329 | \$ 671,301 |
| Income tax benefit related to share-based compensation included in Net income | 236,423    | 212,019    | 206,007    |

##### Restricted Share Units

Under the Amended 2010 SIP, participants may be, and previously under the predecessor 2001 Share Incentive Plan were, granted restricted share units, each of which represent an unfunded, unsecured right to receive an Accenture plc Class A ordinary share on the date specified in the participant's award agreement. The fair value of the awards is based on the Company's stock price on the date of grant. The restricted share units granted under these plans are subject to cliff or graded vesting, generally ranging from two to seven years. For awards with graded vesting, compensation expense is recognized over the vesting term of each separately vesting portion. Compensation expense is recognized on a straight-line basis for awards with cliff vesting. Restricted share unit activity during fiscal 2016 was as follows:

|   | Number of Restricted<br>Share Units | Weighted Average<br>Grant-Date Fair Value |
|---|-------------------------------------|---|
| Nonvested balance as of August 31, 2015 | 24,733,581                          | \$ 71.83                                  |
| Granted (1)                             | 9,699,688                           | 105.16                                    |
| Vested (2)                              | (10,987,988)                        | 72.50                                     |
| Forfeited                               | (1,481,576)                         | 77.82                                     |
| Nonvested balance as of August 31, 2016 | 21,963,705                          | \$ 85.81                                  |

- (1) The weighted average grant-date fair value for restricted share units granted for fiscal 2016, 2015 and 2014 was \$105.16, \$89.63 and \$80.61, respectively.
- (2) The total grant-date fair value of restricted share units vested for fiscal 2016, 2015 and 2014 was \$796,620, \$581,936 and \$628,999, respectively.

As of August 31, 2016, there was \$677,433 of total restricted share unit compensation expense related to nonvested awards not yet recognized, which is expected to be recognized over a weighted average period of 1.3 years. As of August 31, 2016, there were 930,652 restricted share units vested but not yet delivered as Accenture plc Class A ordinary shares.

##### Stock Options

There were no stock options granted during fiscal 2016, 2015 or 2014. As of August 31, 2016 we had 23,310 stock options outstanding and exercisable at a weighted average exercise price of \$37.46 and a weighted average remaining contractual term of 2.5 years.

**ACCENTURE PLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**Employee Share Purchase Plan****2010 ESPP**

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

A maximum of 90,000,000 Accenture plc Class A ordinary shares may be issued under the 2010 ESPP. As of August 31, 2016, the Company had issued 42,579,575 Accenture plc Class A ordinary shares under the 2010 ESPP. The Company issued 5,850,113, 6,232,031 and 7,067,832 shares to employees in fiscal 2016, 2015 and 2014, respectively, under the 2010 ESPP.

**12. SHAREHOLDERS' EQUITY****Accenture plc****Ordinary Shares**

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

**Class A Ordinary Shares**

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

**Class X Ordinary Shares**

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



**ACCENTURE PLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

Members of Accenture Leadership in certain countries, including the United States, received Accenture SCA Class I common shares in connection with the Company's transition to a corporate structure. On August 26, 2015, Accenture SCA merged with and into Accenture Holdings plc, with Accenture Holdings plc as the surviving entity. In connection with this transaction, holders of Accenture SCA Class I common shares (other than Accenture SCA itself) received, on a one-for-one basis, ordinary shares of Accenture Holdings plc. Only Accenture plc, Accenture Holdings plc, Accenture International S.à.r.l. and certain current and former members of Accenture Leadership and their permitted transferees hold Accenture Holdings plc ordinary shares. Each Accenture Holdings plc share entitles its holder to one vote on all matters submitted to a vote of shareholders of Accenture Holdings plc and entitles its holders to dividends and liquidation payments.

Accenture Holdings plc is obligated, at the option of the holder, to redeem any outstanding Accenture Holdings plc ordinary share at a redemption price per share generally equal to its current market value as determined in accordance with Accenture Holdings plc's memorandum and articles of association. Under Accenture Holdings plc's memorandum and articles of association, the market value of an ordinary share will be deemed to be equal to (i) the average of the high and low sales prices of an Accenture plc Class A ordinary share as reported on the New York Stock Exchange, net of customary brokerage and similar transaction costs, or (ii) if Accenture sells its Class A ordinary shares on the date that the redemption price is determined (other than in a transaction with any employee or an affiliate or pursuant to a preexisting obligation), the weighted average sales price of an Accenture plc Class A ordinary share on the New York Stock Exchange, net of customary brokerage and similar transaction costs. Accenture Holdings plc may, at its option, pay this redemption price with cash or by causing Accenture plc to deliver Class A ordinary shares on a one-for-one basis. Each holder of Accenture Holdings plc ordinary shares is entitled to a pro rata part of any dividend and to the value of any remaining assets of Accenture Holdings plc after payment of its liabilities upon dissolution.

***Accenture Canada Holdings Inc. Exchangeable Shares***

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

## ACCENTURE PLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### 13. MATERIAL TRANSACTIONS AFFECTING SHAREHOLDERS' EQUITY

##### Share Purchases and Redemptions

The Board of Directors of Accenture plc has authorized funding for the Company's publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares and for purchases and redemptions of Accenture plc Class A ordinary shares, Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares held by current and former members of Accenture Leadership and their permitted transferees. As of August 31, 2016, the Company's aggregate available authorization was \$5,386,517 for its publicly announced open-market share purchase and these other share purchase programs.

The Company's share purchase activity during fiscal 2016 was as follows:

|                                 | Accenture plc Class A Ordinary Shares |                     | Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares |                  |
|---------------------------------|---------------------------------------|---------------------|---|------------------|
|                                 | Shares                                | Amount              | Shares  | Amount           |
| Open-market share purchases (1) | 19,989,726                            | \$ 2,122,066        | —   | \$ —             |
| Other share purchase programs   | —                                     | —                   | 653,222   | 72,193           |
| Other purchases (2)             | 3,857,795                             | 410,730             | —   | —                |
| <b>Total</b>                    | <b>23,847,521</b>                     | <b>\$ 2,532,796</b> | <b>653,222</b>  | <b>\$ 72,193</b> |

- (1) The Company conducts a publicly announced open-market share purchase program for Accenture plc Class A ordinary shares. These shares are held as treasury shares by Accenture plc and may be utilized to provide for select employee benefits, such as equity awards to the Company's employees.
- (2) During fiscal 2016, as authorized under the Company's various employee equity share plans, the Company acquired Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former employees in connection with the delivery of Accenture plc Class A ordinary shares under those plans. These purchases of shares in connection with employee share plans do not affect the Company's aggregate available authorization for the Company's publicly announced open-market share purchase and the other share purchase programs.

##### Other Share Redemptions

During fiscal 2016, the Company issued 775,023 Accenture plc Class A ordinary shares upon redemptions of an equivalent number of Accenture Holdings plc ordinary shares pursuant to its registration statement on Form S-3 (the "registration statement"). The registration statement allows the Company, at its option, to issue freely tradable Accenture plc Class A ordinary shares in lieu of cash upon redemptions of Accenture Holdings plc ordinary shares held by current and former members of Accenture Leadership and their permitted transferees.

##### Cancellation of Treasury Shares

During fiscal 2016, the Company received authorization from the Board of Directors of Accenture plc to cancel 163,015,507 Accenture plc Class A ordinary shares that were held as treasury shares and had an aggregate cost of \$11,199,016. The effect of the cancellation of these treasury shares was recognized in Class A ordinary shares and Additional paid-in capital with the residual recorded in Retained earnings. There was no effect on total shareholders' equity as a result of this cancellation.

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### Dividends

The Company's dividend activity during fiscal 2016 was as follows:

| Dividend Payment Date | Dividend Per Share | Accenture plc Class A Ordinary Shares |                     | Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares |                  | Total Cash Outlay   |
|-----------------------|--------------------|---------------------------------------|---------------------|---|------------------|---------------------|
|                       |                    | Record Date                           | Cash Outlay         | Record Date   | Cash Outlay      |                     |
| November 13, 2015     | \$ 1.10            | October 16, 2015                      | \$ 687,285          | October 13, 2015  | \$ 33,391        | \$ 720,676          |
| May 13, 2016          | 1.10               | April 15, 2016                        | 684,894             | April 12, 2016  | 32,568           | 717,462             |
| Total Dividends       |                    |                                       | <u>\$ 1,372,179</u> |   | <u>\$ 65,959</u> | <u>\$ 1,438,138</u> |

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

### Subsequent Event

On September 27, 2016, the Board of Directors of Accenture plc declared a semi-annual cash dividend of \$1.21 per share on its Class A ordinary shares for shareholders of record at the close of business on October 21, 2016. On September 28, 2016, the Board of Directors of Accenture Holdings plc declared a semi-annual cash dividend of \$1.21 per share on its ordinary shares for shareholders of record at the close of business on October 18, 2016. Both dividends are payable on November 15, 2016. 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.

### 14. LEASE COMMITMENTS

The Company has operating leases, principally for office space, with various renewal options. Substantially all operating leases are non-cancelable or cancelable only by the payment of penalties. Rental expense in agreements with rent holidays and scheduled rent increases is recorded on a straight-line basis over the lease term. Rental expense, including operating costs and taxes, and sublease income from third parties during fiscal 2016, 2015 and 2014 was as follows:

|                                    | Fiscal     |            |            |
|------------------------------------|------------|------------|------------|
|                                    | 2016       | 2015       | 2014       |
| Rental expense                     | \$ 578,149 | \$ 547,206 | \$ 539,711 |
| Sublease income from third parties | (26,403)   | (27,293)   | (29,482)   |

Future minimum rental commitments under non-cancelable operating leases as of August 31, 2016 were as follows:

|            | Operating Lease Payments | Operating Sublease Income |
|------------|--------------------------|---------------------------|
| 2017       | \$ 516,622               | \$ (16,147)               |
| 2018       | 445,853                  | (15,410)                  |
| 2019       | 375,393                  | (13,996)                  |
| 2020       | 318,828                  | (12,324)                  |
| 2021       | 257,949                  | (11,074)                  |
| Thereafter | 902,659                  | (50,350)                  |
|            | <u>\$ 2,817,304</u>      | <u>\$ (119,301)</u>       |

**ACCENTURE PLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**15. 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 August 31, 2016 and 2015, the Company has reflected the fair value of \$54,221 and \$79,023, respectively, related to Avanade's redeemable common stock and the intrinsic value of the options on redeemable common stock in Other accrued liabilities in the Consolidated Balance Sheets.

**Indemnifications and Guarantees**

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

Typically, the Company has contractual recourse against third parties for certain payments made by the Company in connection with arrangements where third-party nonperformance has given rise to the client's claim. Payments by the Company under any of the arrangements described above are generally conditioned on the client making a claim, which may be disputed by the Company typically under dispute resolution procedures specified in the particular arrangement. The limitations of liability under these arrangements may be expressly limited or may not be expressly specified in terms of time and/or amount.

As of August 31, 2016 and 2015, the Company's aggregate potential liability to its clients for expressly limited guarantees involving the performance of third parties was approximately \$749,000 and \$655,000, respectively, of which all but approximately \$113,000 and \$43,000, respectively, may be recovered from the other third parties if the Company is obligated to make payments to the indemnified parties as a consequence of a performance default by the other third parties. For arrangements with unspecified limitations, 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, warranty obligations, 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 August 31, 2016, 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.

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 16. SEGMENT REPORTING

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

The Company's chief operating decision maker is its Chief Executive Officer. The Company's operating segments are managed separately because each operating segment represents a strategic business unit providing consulting and outsourcing services to clients in different industries.

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:

| <u>Fiscal</u>                     |    | Communications,<br>Media &<br>Technology | Financial<br>Services | Health &<br>Public<br>Service | Products     | Resources    | Other     | Total        |
|-----------------------------------|----|--|-----------------------|-------------------------------|--------------|--------------|-----------|--------------|
| <u>2016</u>                       |    |  |                       |                               |              |              |           |              |
| Net revenues                      | \$ | 6,615,717                                | \$ 7,031,053          | \$ 5,986,878                  | \$ 8,395,038 | \$ 4,838,963 | \$ 15,074 | \$32,882,723 |
| Depreciation and amortization (1) |    | 141,356                                  | 139,518               | 134,788                       | 206,806      | 106,584      | —         | 729,052      |
| Operating income                  |    | 965,574                                  | 1,127,750             | 807,012                       | 1,282,461    | 627,648      | —         | 4,810,445    |
| Net assets as of August 31 (2)    |    | 923,764                                  | 123,827               | 892,569                       | 1,281,551    | 820,273      | (137,761) | 3,904,223    |
| <u>2015</u>                       |    |  |                       |                               |              |              |           |              |
| Net revenues                      | \$ | 6,349,372                                | \$ 6,634,771          | \$ 5,462,550                  | \$ 7,596,051 | \$ 4,988,627 | \$ 16,560 | \$31,047,931 |
| Depreciation and amortization (1) |    | 152,329                                  | 128,413               | 115,010                       | 168,731      | 81,440       | —         | 645,923      |
| Operating income                  |    | 871,388                                  | 1,079,397             | 700,960                       | 1,082,351    | 701,773      | —         | 4,435,869    |
| Net assets as of August 31 (2)    |    | 798,623                                  | 186,739               | 812,278                       | 1,158,953    | 723,113      | (59,371)  | 3,620,335    |
| <u>2014</u>                       |    |  |                       |                               |              |              |           |              |
| Net revenues                      | \$ | 5,923,821                                | \$ 6,511,228          | \$ 5,021,692                  | \$ 7,394,980 | \$ 5,135,309 | \$ 15,364 | \$30,002,394 |
| Depreciation and amortization (1) |    | 136,029                                  | 139,759               | 101,345                       | 169,704      | 73,906       | —         | 620,743      |
| Operating income                  |    | 770,166                                  | 957,347               | 678,663                       | 991,844      | 902,492      | —         | 4,300,512    |
| Net assets as of August 31 (2)    |    | 926,952                                  | 128,179               | 791,084                       | 974,546      | 735,048      | (127,396) | 3,428,413    |

- (1) Amounts include depreciation on property and equipment and amortization of intangible assets controlled by each operating segment, as well as an allocation for amounts they do not directly control.
- (2) The Company does not allocate total assets by operating segment. Operating segment assets directly attributed to an operating segment and provided to the chief operating decision maker include Receivables from clients, current and non-current Unbilled services, Deferred contract costs and current and non-current Deferred revenues.

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

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Revenues are attributed to geographic regions and countries based on where client services are supervised. Information regarding geographic regions and countries is as follows:

| <u>Fiscal</u>                               | <u>North America</u> | <u>Europe</u> | <u>Growth Markets</u> | <u>Total</u>  |
|---|----------------------|---------------|-----------------------|---------------|
| <u>2016</u>                                 |                      |               |                       |               |
| Net revenues                                | \$ 15,653,290        | \$ 11,448,361 | \$ 5,781,072          | \$ 32,882,723 |
| Reimbursements                              | 970,248              | 635,362       | 309,328               | 1,914,938     |
| Revenues                                    | 16,623,538           | 12,083,723    | 6,090,400             | 34,797,661    |
| Property and equipment, net as of August 31 | 244,351              | 220,500       | 491,691               | 956,542       |
| <u>2015</u>                                 |                      |               |                       |               |
| Net revenues                                | \$ 14,209,387        | \$ 10,929,572 | \$ 5,908,972          | \$ 31,047,931 |
| Reimbursements                              | 891,443              | 628,342       | 346,708               | 1,866,493     |
| Revenues                                    | 15,100,830           | 11,557,914    | 6,255,680             | 32,914,424    |
| Property and equipment, net as of August 31 | 230,359              | 179,925       | 391,600               | 801,884       |
| <u>2014 (1)</u>                             |                      |               |                       |               |
| Net revenues                                | \$ 12,796,846        | \$ 11,254,953 | \$ 5,950,595          | \$ 30,002,394 |
| Reimbursements                              | 882,481              | 624,219       | 365,584               | 1,872,284     |
| Revenues                                    | 13,679,327           | 11,879,172    | 6,316,179             | 31,874,678    |
| Property and equipment, net as of August 31 | 240,886              | 190,450       | 362,108               | 793,444       |

- (1) Effective September 1, 2014, we revised the reporting of the Company's geographic regions as follows: North America (the United States and Canada); Europe; and Growth Markets (Asia Pacific, Latin America, Africa, the Middle East, Russia and Turkey). Fiscal 2014 amounts have been reclassified to conform to the current period presentation.

The Company's business in the United States represented 46%, 43% and 40% of its consolidated net revenues during fiscal 2016, 2015 and 2014, respectively. No other country individually comprised 10% or more of the Company's consolidated net revenues during these periods. Business in Ireland, the Company's country of domicile, represented approximately 1% of its consolidated net revenues during each of fiscal 2016, 2015 and 2014.

The Company conducts business in Ireland and in the following countries that hold 10% or more of its total consolidated Property and equipment, net:

|               | <u>August 31,<br/>2016</u> | <u>August 31,<br/>2015</u> | <u>August 31,<br/>2014</u> |
|---------------|----------------------------|----------------------------|----------------------------|
| United States | 25%                        | 28%                        | 29%                        |
| India         | 25                         | 26                         | 22                         |
| Ireland       | 4                          | 2                          | 2                          |

Revenues by type of work were as follows:

|                | <u>Fiscal</u> | <u>Fiscal</u> | <u>Fiscal</u> |
|----------------|---------------|---------------|---------------|
|                | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
| Consulting     | \$ 17,867,891 | \$ 16,203,915 | \$ 15,737,661 |
| Outsourcing    | 15,014,832    | 14,844,016    | 14,264,733    |
| Net revenues   | 32,882,723    | 31,047,931    | 30,002,394    |
| Reimbursements | 1,914,938     | 1,866,493     | 1,872,284     |
| Revenues       | \$ 34,797,661 | \$ 32,914,424 | \$ 31,874,678 |



# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 17. EMPLOYEES

The average number of persons employed by the Company during fiscal 2016 and 2015 was as follows:

|              | Fiscal  |         |
|--------------|---------|---------|
|              | 2016    | 2015    |
| Billable     | 347,109 | 305,178 |
| Non-Billable | 25,453  | 23,312  |
| Total        | 372,562 | 328,490 |

Employee costs for fiscal 2016 and 2015 were as follows:

|                                      | Fiscal        |               |
|--------------------------------------|---------------|---------------|
|                                      | 2016          | 2015          |
| Wages and salaries                   | \$ 16,633,633 | \$ 15,640,092 |
| Social welfare costs                 | 1,733,743     | 1,670,565     |
| Share-based compensation expense     | 758,176       | 680,329       |
| Pension and postretirement expense   | 601,495       | 636,988       |
| Other, principally employee benefits | 1,366,712     | 1,157,793     |
| Total employee costs                 | \$ 21,093,759 | \$ 19,785,767 |

### 18. DIRECTORS' REMUNERATION

Directors' remuneration for fiscal 2016 and 2015 is set forth in the table below. Mr. Nanterme, the Company's chairman and chief executive officer, has not been compensated for his service as a director. Accordingly, the amounts below include compensation for Mr. Nanterme's service as chairman and chief executive officer (referred to as "Managerial Services") as well as compensation for all non-employee directors in their capacities as such (referred to as "Director Services").

|                         | Fiscal    |           |
|-------------------------|-----------|-----------|
|                         | 2016      | 2015      |
| Managerial services (1) | \$ 11,355 | \$ 15,789 |
| Director services (2)   | 3,890     | 2,941     |

- (1) This calculation was made in accordance with the requirements of the Companies Act 2014 and includes the following during fiscal 2016 and 2015, respectively: base compensation earned of \$958 and \$1,011; non-equity incentive plan cash payments of \$3,122 and \$2,990; discretionary cash bonus payments of \$1,000 and \$0; share-based compensation expense of \$6,195 and \$11,709 calculated in accordance with US GAAP; and other of \$80 and \$79.
- (2) This calculation was made in accordance with the requirements of the Companies Act 2014.

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 19. AUDITORS' REMUNERATION

Fees paid to KPMG, the Company's statutory auditor, during fiscal 2016 and 2015 were as follows:

|  | Fiscal    |           |
|--|-----------|-----------|
|  | 2016      | 2015      |
| Audit fees                                       |           |           |
| Audit fees paid to KPMG and its affiliates (1)   | \$ 16,049 | \$ 15,418 |
| Audit of the parent company financial statements | 75        | 75        |
| Total audit fees                                 | 16,124    | 15,493    |
| Audit-related fees                               | 3,463     | 3,129     |
| Tax fees (2)                                     | 1,518     | 898       |
| All other fees                                   | 24        | 17        |
| Total  | \$ 21,129 | \$ 19,537 |

(1) Includes audit fees paid to KPMG Ireland for the statutory audit of Accenture plc's Consolidated Financial Statements of \$755 and \$765 for fiscal 2016 and 2015, respectively.

(2) Includes tax fees paid to KPMG Ireland for statutory tax advisory services for Accenture plc's Consolidated Financial Statements of \$692 and \$563 for fiscal 2016 and 2015, respectively.

**ACCENTURE PLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****20. SUBSIDIARIES**

As of August 31, 2016, the Company's principal subsidiaries, being those subsidiaries whose assets, liabilities, financial position or profit or loss, in the opinion of the directors of the Company principally affected the Company's Consolidated Financial Statements or whose financial performance is not consolidated into the Company's Consolidated Financial Statements, were as follows:

| <u>Name</u>   | <u>Country of Organization</u> |
|---|--------------------------------|
| Sistemas Consulting S.L.  | Andorra                        |
| Accenture SRL   | Argentina                      |
| Accenture Service Center SRL  | Argentina                      |
| Accenture Australia Pty Ltd   | Australia                      |
| Accenture Australia Holdings Pty Ltd                                | Australia                      |
| Accenture Cloud Solutions Australia Pty Ltd                         | Australia                      |
| Accenture Cloud Solutions Pty Ltd                                   | Australia                      |
| Accenture Solutions Pty Ltd   | Australia                      |
| Avanade Australia Pty Ltd   | Australia                      |
| Codagenic Pty. Ltd.   | Australia                      |
| Weblinc Pty Ltd   | Australia                      |
| Accenture GmbH  | Austria                        |
| Accenture Technology Solutions GmbH                                 | Austria                        |
| KCS.net Österreich GmbH   | Austria                        |
| Avanade Österreich GmbH   | Austria                        |
| Accenture BPM S.C.R.L.  | Belgium                        |
| Accenture NV/SA   | Belgium                        |
| Accenture Technology Ventures S.P.R.L.                              | Belgium                        |
| Avanade Belgium SPRL  | Belgium                        |
| Accenture Tecnologia, Consultoria e Outsourcing S.A.                | Bolivia                        |
| Accenture (Botswana) (Proprietary) Limited                          | Botswana                       |
| Accenture do Brasil Limitada  | Brazil                         |
| Accenture Servicos de Suporte de Negocios Ltda                      | Brazil                         |
| Accenture Servicos Administrativos Ltda                             | Brazil                         |
| AD Dialete Agencia de Publicidade SA                                | Brazil                         |
| BPO Servicos Administrativos Ltda                                   | Brazil                         |
| Avanade do Brasil Limitada  | Brazil                         |
| Gapso Serviços de Informática Ltda.                                 | Brazil                         |
| Javelin Group (Bulgaria) EOOD                                       | Bulgaria                       |
| Accenture Canada Holdings Inc.                                      | Canada                         |
| Accenture Inc   | Canada                         |
| Accenture Business Services of British Columbia Limited Partnership | Canada                         |
| PCO Innovation Canada Inc.  | Canada                         |
| Accenture Business Services for Utilities Inc                       | Canada                         |
| Accenture Nova Scotia Unlimited Liability Co.                       | Canada                         |
| Avanade Canada Inc.   | Canada                         |

# ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

| <u>Name</u>  | <u>Country of Organization</u> |
|--|--------------------------------|
| Accenture Chile Asesorias y Servicios Ltda               | Chile                          |
| Neo Metrics Chile, S.A.                                  | Chile                          |
| Accenture (China) Co Ltd                                 | China                          |
| Accenture Technology Solutions (Dalian) Co Ltd           | China                          |
| Qi Jie Beijing Information Technologies Co Ltd           | China                          |
| Accenture (Beijing) Mobile Technology Co Ltd             | China                          |
| Avanade Guangzhou  | China                          |
| Avanade GZ Computer Technology Development Co. Ltd. (SH) | China                          |
| NewsPage China Ltd.                                      | China                          |
| Accenture Ltda   | Colombia                       |
| Accenture S.R.L.   | Costa Rica                     |
| Accenture Services SRL                                   | Costa Rica                     |
| Accenture Business and Technology Services LLC           | Croatia                        |
| Accenture Services s.r.o.                                | Czech Republic                 |
| Accenture Technology Solutions s.r.o.                    | Czech Republic                 |
| Accenture A/S  | Denmark                        |
| Avanade Denmark ApS                                      | Denmark                        |
| Accenture Ecuador S.A.                                   | Ecuador                        |
| Accenture Egypt LLC                                      | Egypt                          |
| Accenture Oy   | Finland                        |
| Accenture Technology Solutions Oy                        | Finland                        |
| Accenture Services Oy                                    | Finland                        |
| Avanade Finland Oy                                       | Finland                        |
| Fjord Oy   | Finland                        |
| Accenture Holdings France SAS                            | France                         |
| Accenture Insurance Services SAS                         | France                         |
| Accenture Post Trade Processing SAS                      | France                         |
| Accenture Product Lifecycle Services                     | France                         |
| Accenture SAS  | France                         |
| Accenture Technology Solutions SAS                       | France                         |
| Avanade France SAS                                       | France                         |
| Digiplug SAS   | France                         |
| GlobalView SAS   | France                         |
| InVita SAS   | France                         |
| Javelin Group SASU                                       | France                         |
| PCO Innovation EURL                                      | France                         |
| Accenture CAS GmbH                                       | Germany                        |
| Accenture Dienstleistungen GmbH                          | Germany                        |
| Accenture GmbH   | Germany                        |
| Accenture Holding GmbH & Co. KG                          | Germany                        |
| Accenture Management GmbH                                | Germany                        |
| Accenture PLM GmbH                                       | Germany                        |
| Accenture Services für Kreditinstitute GmbH              | Germany                        |

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

| <u>Name</u>  | <u>Country of Organization</u> |
|--|--------------------------------|
| Accenture Services GmbH                                  | Germany                        |
| Accenture Technology Solutions GmbH                      | Germany                        |
| Avanade Deutschland GmbH                                 | Germany                        |
| dgroup GmbH  | Germany                        |
| Infoman AG   | Germany                        |
| KCS.net Deutschland GmbH                                 | Germany                        |
| Procurian Germany GmbH                                   | Germany                        |
| Accenture Ghana Limited                                  | Ghana                          |
| Accenture Finance (Gibraltar) III Ltd                    | Gibraltar                      |
| Accenture Minority III Ltd                               | Gibraltar                      |
| Accenture plc  | Gibraltar                      |
| Accenture S.A.   | Greece                         |
| Accenture BPM Operations Support Services S.A.           | Greece                         |
| Accenture Company Ltd                                    | Hong Kong                      |
| Accenture Technology Solutions (HK) Co. Ltd.             | Hong Kong                      |
| Avanade Hong Kong Ltd                                    | Hong Kong                      |
| AvantBiz Consulting Limited                              | Hong Kong                      |
| DMA Solutions Limited                                    | Hong Kong                      |
| LemonXL Limited  | Hong Kong                      |
| Most Champion Ltd  | Hong Kong                      |
| PacificLink iMedia Ltd.                                  | Hong Kong                      |
| Pixo Punch Limited                                       | Hong Kong                      |
| Procurian (Hong Kong) Limited                            | Hong Kong                      |
| Accenture Hungary Holdings Kft                           | Hungary                        |
| Accenture Industrial Software Solutions Kft              | Hungary                        |
| Accenture Tanacsado Kolatolt Felelossegu Tarsasag KFT    | Hungary                        |
| Accenture Services Private Limited                       | India                          |
| Energy Quote Private Ltd.                                | India                          |
| Innoveer Solutions India Pvt Ltd                         | India                          |
| Accenture Solutions Private Limited                      | India                          |
| Perseroan Terbatas. Accenture                            | Indonesia                      |
| Accenture  | Ireland                        |
| Accenture Defined Benefit Pension Plan Trustees Ltd      | Ireland                        |
| Accenture Defined Contribution Pension Plan Trustees Ltd | Ireland                        |
| Accenture Finance Limited                                | Ireland                        |
| Accenture Finance II Ltd                                 | Ireland                        |
| Accenture Global Services Ltd                            | Ireland                        |
| Accenture Global Solutions Ltd                           | Ireland                        |
| Accenture Holdings plc                                   | Ireland                        |
| Agave Consultants Limited                                | Ireland                        |
| Boomerang Pharmaceuticals Communications Ireland Limited | Ireland                        |

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

| <u>Name</u>   | <u>Country of Organization</u> |
|---|--------------------------------|
| Exactside Limited                                     | Ireland                        |
| S3 TV Technology Limited                              | Ireland                        |
| Tara Insurance DAC                                    | Ireland                        |
| Accenture IOM 1 Company                               | Isle of Man                    |
| Accenture IOM 2 Company Limited                       | Isle of Man                    |
| Accenture Ltd   | Israel                         |
| Maglan Information Defense Technologies Research Ltd. | Israel                         |
| Accenture SpA   | Italy                          |
| Accenture Technology Solutions SRL                    | Italy                          |
| Accenture Outsourcing SRL                             | Italy                          |
| Accenture Insurance Services SpA                      | Italy                          |
| Accenture Finance and Accounting BPO Services S.p.A.  | Italy                          |
| Accenture HR Services S.p.A.                          | Italy                          |
| Avanade Italy SRL                                     | Italy                          |
| Avanade KK  | Japan                          |
| Accenture Japan Ltd                                   | Japan                          |
| IMJ Corporation                                       | Japan                          |
| Renacentis IT Services, Co. Ltd                       | Japan                          |
| Accenture East Africa Limited                         | Kenya                          |
| Accenture Sàrl  | Luxembourg                     |
| Accenture International Sàrl                          | Luxembourg                     |
| Accenture International Capital SCA                   | Luxembourg                     |
| Accenture Sendirian Berhad                            | Malaysia                       |
| Accenture Technology Solutions Sdn. Bhd.              | Malaysia                       |
| Accenture Solutions Sdn Bhd                           | Malaysia                       |
| Avanade Malaysia Sdn Bhd                              | Malaysia                       |
| Hytracc Consulting Malaysia Sdn. Bhd.                 | Malaysia                       |
| Accenture Services (Mauritius) Ltd                    | Mauritius                      |
| TNT Business Solutions Ltd                            | Mauritius                      |
| Accenture S.C.  | Mexico                         |
| Operaciones Accenture S.A. de C.V.                    | Mexico                         |
| Accenture Technology Solutions S.A. de C.V.           | Mexico                         |
| Servicios Técnicos de Programación Accenture S.C.     | Mexico                         |
| Accenture Services Morocco SA                         | Morocco                        |
| Accenture Maghreb S.a.r.l.                            | Morocco                        |
| Accenture Mozambique Limitada                         | Mozambique                     |
| ACN Consulting Co Ltd                                 | Myanmar                        |
| Accenture Australia Holding B.V.                      | Netherlands                    |
| Accenture Branch Holdings B.V.                        | Netherlands                    |
| Accenture BV  | Netherlands                    |
| Accenture Central Europe B.V.                         | Netherlands                    |
| Accenture Holdings B.V.                               | Netherlands                    |



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

| <u>Name</u>   | <u>Country of Organization</u> |
|---|--------------------------------|
| Accenture Korea BV  | Netherlands                    |
| Accenture Middle East B.V.  | Netherlands                    |
| Accenture Minority I BV   | Netherlands                    |
| Accenture Participations BV   | Netherlands                    |
| Accenture Technology Ventures BV  | Netherlands                    |
| Avanade Netherlands BV  | Netherlands                    |
| MobGen Business Solutions B.V.  | Netherlands                    |
| MobGen B.V.   | Netherlands                    |
| MobGen Holding B.V.   | Netherlands                    |
| Partners Technology Mexico Holdings BV                                  | Netherlands                    |
| Accenture NZ Limited  | New Zealand                    |
| Cloud Sherpas New Zealand Ltd.  | New Zealand                    |
| Reactive Media Limited  | New Zealand                    |
| Accenture Ltd   | Nigeria                        |
| Accenture AS  | Norway                         |
| Avanade Norway AS   | Norway                         |
| Accenture Services AS   | Norway                         |
| Hytracc Consulting AS   | Norway                         |
| Hytracc Holding AS  | Norway                         |
| Accenture Panama Inc  | Panama                         |
| Accenture Technology Solutions Srl                                      | Peru                           |
| Accenture Inc   | Philippines                    |
| Accenture Healthcare Processing Inc.                                    | Philippines                    |
| Cloudsherpas, Inc.  | Philippines                    |
| Zenta Global Philippines, Inc.  | Philippines                    |
| Accenture Sp. z.o.o.  | Poland                         |
| Accenture Operations Sp. z o.o.   | Poland                         |
| Accenture Services Sp. z.o.o.   | Poland                         |
| Accenture Consultores de Gestao S.A.                                    | Portugal                       |
| Accenture Technology Solutions - Soluções Informáticas Integradas, S.A. | Portugal                       |
| Accenture Puerto Rico LLC   | Puerto Rico                    |
| Accenture Services S.r.l.   | Romania                        |
| Accenture Industrial Software Solutions SA                              | Romania                        |
| Accenture Managed Services SRL  | Romania                        |
| JHA International S.r.l.  | Romania                        |
| S.C. EnergyQuote S.r.l.   | Romania                        |
| Accenture OOO   | Russia                         |
| Accenture Saudi Arabia Limited  | Saudi Arabia                   |
| Accenture Pte Ltd   | Singapore                      |
| Accenture Solutions Pte Ltd   | Singapore                      |
| Avanade Asia Pte Ltd  | Singapore                      |
| Cloud Sherpas (SN) (PTE.) Limited                                       | Singapore                      |
| NewsPage Pte Ltd  | Singapore                      |

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

| <u>Name</u>  | <u>Country of Organization</u> |
|--|--------------------------------|
| Procurian Singapore Pte. Ltd.                        | Singapore                      |
| S3 Group Singapore Pte. Ltd.                         | Singapore                      |
| Accenture s.r.o.                                     | Slovak Republic                |
| Accenture Services s.r.o.                            | Slovak Republic                |
| Accenture Technology Solutions Slovakia s.r.o.       | Slovak Republic                |
| Accenture (South Africa) (Proprietary) Limited       | South Africa                   |
| Accenture Services Pty Ltd                           | South Africa                   |
| Accenture Technology Solutions Pty Ltd               | South Africa                   |
| Accenture Africa Pty Ltd                             | South Africa                   |
| Accenture Technology Infrastructure Services Pty Ltd | South Africa                   |
| Avanade South Africa                                 | South Africa                   |
| Accenture Yuhan Hoesa (also known as Accenture Ltd)  | South Korea                    |
| Accenture Technology Solutions Ltd                   | South Korea                    |
| A Cuning Plan S.L.                                   | Spain                          |
| Accenture Holdings (Iberia) S.L.                     | Spain                          |
| Accenture Outsourcing Services, S.A.                 | Spain                          |
| Accenture S.L.                                       | Spain                          |
| Alnova Technologies Corporation S.L.                 | Spain                          |
| Avanade Spain SL                                     | Spain                          |
| Coritel S.A.   | Spain                          |
| CustomerWorks Europe SL                              | Spain                          |
| Energua Web, S.A.                                    | Spain                          |
| MobGen Technology S.L.                               | Spain                          |
| Tecnologica Digital Adventures S.L.                  | Spain                          |
| Tecnologica Digital Signage S.L.                     | Spain                          |
| Accenture Lanka (Private) Ltd                        | Sri Lanka                      |
| Accenture AB   | Sweden                         |
| Accenture Services AB                                | Sweden                         |
| Avanade Sweden AB                                    | Sweden                         |
| Accenture AG   | Switzerland                    |
| Accenture Holding GmbH                               | Switzerland                    |
| Accenture Finance GmbH                               | Switzerland                    |
| Accenture Finance II GmbH                            | Switzerland                    |
| Avanade Schweiz GmbH                                 | Switzerland                    |
| Accenture Services AG                                | Switzerland                    |
| Infoman Schweiz AG                                   | Switzerland                    |
| KCS.net Holding AG                                   | Switzerland                    |
| KCS.net AG   | Switzerland                    |
| KCS.net AG West                                      | Switzerland                    |
| Procurian Switzerland GmbH                           | Switzerland                    |
| TPAGS AG   | Switzerland                    |
| Accenture Co Ltd                                     | Taiwan                         |
| Accenture Consulting Services Ltd.                   | Tanzania                       |

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

| <u>Name</u>  | <u>Country of Organization</u> |
|--|--------------------------------|
| Accenture Co Ltd.  | Thailand                       |
| Accenture Solutions Co Ltd   | Thailand                       |
| Avanade (Thailand) Co Ltd  | Thailand                       |
| AGS Business and Technology Services Limited   | Trinidad and Tobago            |
| Accenture Danismanlik Limited Sirketi  | Turkey                         |
| Accenture Industrial Software Limited Liability Company<br>(Accenture Endüstriyel Yazılım Çözümleri Limited Şirketi) | Turkey                         |
| Cloud Sherpas (SN) MENA FZE  | United Arab Emirates           |
| Accenture Cloud Solutions Ltd  | United Kingdom                 |
| Accenture Cloud Software Solutions Ltd   | United Kingdom                 |
| Accenture (UK) Ltd   | United Kingdom                 |
| Avanade UK Ltd   | United Kingdom                 |
| Avanade Europe Holdings Ltd  | United Kingdom                 |
| Avanade Europe Services Ltd  | United Kingdom                 |
| Accenture Services Ltd   | United Kingdom                 |
| Accenture Post-Trade Processing Limited  | United Kingdom                 |
| Accenture Properties   | United Kingdom                 |
| Accenture Azerbaijan Ltd   | United Kingdom                 |
| Cimation UK Limited  | United Kingdom                 |
| Cloud Talent Limited   | United Kingdom                 |
| Cutting Edge Solutions Ltd   | United Kingdom                 |
| Energy Management Brokers Ltd.   | United Kingdom                 |
| EnergyQuote Trading Ltd.   | United Kingdom                 |
| EnergyQuote JHA Ltd.   | United Kingdom                 |
| Fjordnet Limited   | United Kingdom                 |
| Fjord (OSH) Limited  | United Kingdom                 |
| Fjord Network Limited  | United Kingdom                 |
| Formicary Holdings Limited   | United Kingdom                 |
| Formicary Limited  | United Kingdom                 |
| Hytracc Consulting UK Limited  | United Kingdom                 |
| Javelin Group Limited (UK)   | United Kingdom                 |
| Logistics Market Place Limited (UK)  | United Kingdom                 |
| Procurian UK Limited   | United Kingdom                 |
| PureApps Limited   | United Kingdom                 |
| Tecnologica Ltd.   | United Kingdom                 |
| TQuila Limited (UK)  | United Kingdom                 |
| Total Logistics Supply Chain Consultants Limited   | United Kingdom                 |
| Accenture 2 LLC  | United States                  |
| Accenture Capital Inc  | United States                  |
| Accenture Cloud Solutions LLC  | United States                  |
| Accenture Credit Services LLC  | United States                  |
| Accenture Federal Services LLC   | United States                  |
| Accenture Inc  | United States                  |

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

| <u>Name</u>                                  | <u>Country of Organization</u> |
|--|--------------------------------|
| Accenture Insurance Services LLC             | United States                  |
| Accenture International LLC                  | United States                  |
| Accenture LLC                                | United States                  |
| Accenture LLP                                | United States                  |
| Accenture Sub Inc                            | United States                  |
| Accenture State Healthcare Services LLC      | United States                  |
| ASM Research LLC                             | United States                  |
| Avanade Federal Services LLC                 | United States                  |
| Avanade Holdings LLC                         | United States                  |
| Avanade Inc                                  | United States                  |
| Avanade International Corporation            | United States                  |
| BABCN LLC                                    | United States                  |
| Cloud Sherpas, Inc.                          | United States                  |
| Computer Research and Telecommunications LLC | United States                  |
| Declarative Holdings, Inc.                   | United States                  |
| Duck Creek Technologies LLC                  | United States                  |
| FusionX, LLC                                 | United States                  |
| Mortgage Cadence LLC                         | United States                  |
| Procurian International I LLC                | United States                  |
| Procurian International II LLC               | United States                  |
| Procurian LLC                                | United States                  |
| Procurian USA LLC                            | United States                  |
| Proquire LLC                                 | United States                  |
| Radiant Services, LLC                        | United States                  |
| Sagacious Consultants LLC                    | United States                  |
| Structure Consulting Group, LLC              | United States                  |
| Zenta Mortgage Services LLC                  | United States                  |
| Zenta Recoveries Inc                         | United States                  |
| Zenta US Holdings Inc.                       | United States                  |
| Accenture Uruguay SRL                        | Uruguay                        |
| Accenture C.A                                | Venezuela                      |
| Accenture Vietnam Co., LTD                   | Vietnam                        |
| Accenture Zambia Limited                     | Zambia                         |

**ACCENTURE PLC**  
**COMPANY STATEMENTS OF FINANCIAL POSITION**  
**As at August 31, 2016 and 2015 and September 1, 2014**  
**(In thousands of U.S. dollars)**

|   | August 31,<br>2016          | August 31,<br>2015          | September 1,<br>2014        |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Assets</b>   |                             |                             |                             |
| Financial fixed assets                                    | \$ 25,506,673               | \$ 24,851,498               | \$ 23,985,933               |
| <b>Total non-current assets</b>                           | <u>25,506,673</u>           | <u>24,851,498</u>           | <u>23,985,933</u>           |
| Receivables from subsidiaries                             | 1,554,845                   | 1,270,616                   | 1,248,871                   |
| Prepayments and other assets                              | 1,128                       | 806                         | 741                         |
| Cash and cash equivalents                                 | 232                         | 5,900                       | 3,341                       |
| <b>Total current assets</b>                               | <u>1,556,205</u>            | <u>1,277,322</u>            | <u>1,252,953</u>            |
| <b>Total assets</b>                                       | <u><u>\$ 27,062,878</u></u> | <u><u>\$ 26,128,820</u></u> | <u><u>\$ 25,238,886</u></u> |
| <b>Liabilities</b>  |                             |                             |                             |
| Payables to subsidiaries                                  | \$ 22,757                   | \$ 23,628                   | \$ 47,511                   |
| Other current liabilities                                 | 1,917                       | 362                         | 212                         |
| <b>Total current liabilities</b>                          | <u>24,674</u>               | <u>23,990</u>               | <u>47,723</u>               |
| <b>Equity</b>   |                             |                             |                             |
| Share capital   | 72                          | 76                          | 76                          |
| Capital redemption reserve                                | 4                           | —                           | —                           |
| Share premium   | 2,818,354                   | 2,288,598                   | 1,323,982                   |
| Share-based payments reserve                              | 1,050,409                   | 1,073,023                   | 965,977                     |
| Treasury share reserve                                    | (2,135,044)                 | (11,015,537)                | (8,966,339)                 |
| Retained earnings   | 25,304,409                  | 33,758,670                  | 31,867,467                  |
| <b>Total equity attributable to owners of the Company</b> | <u>27,038,204</u>           | <u>26,104,830</u>           | <u>25,191,163</u>           |
| <b>Total equity and liabilities</b>                       | <u><u>\$ 27,062,878</u></u> | <u><u>\$ 26,128,820</u></u> | <u><u>\$ 25,238,886</u></u> |

These financial statements were approved and signed on behalf of the Board of Directors on October 28, 2016 by:

  
**Pierre Nanterme**  
*Director*

  
**William L. Kimsey**  
*Director*

**ACCENTURE PLC**  
**COMPANY STATEMENTS OF CHANGES IN EQUITY**  
For years ended August 31, 2016 and 2015  
(In thousands of U.S. dollars)

|  | Share<br>capital | Capital<br>redemption<br>reserve | Share<br>premium    | Share-based<br>payments<br>reserve | Treasury<br>share<br>reserve | Retained<br>earnings | Total equity         |
|--|------------------|----------------------------------|---------------------|------------------------------------|------------------------------|----------------------|----------------------|
| <b>Balance as at August 31, 2014</b>                 | \$ 76            | \$ —                             | \$ 1,323,982        | \$ 965,977                         | \$ (8,966,339)               | \$ 31,867,467        | \$ 25,191,163        |
| Profit attributable to owners of the Company         |                  |                                  |                     |                                    |                              | 2,664,699            | 2,664,699            |
| Issuance of ordinary shares                          |                  |                                  | 964,616             |                                    | 224,735                      |                      | 1,189,351            |
| Net activity related to share-based payments reserve |                  |                                  |                     | 55,645                             |                              | 582,796              | 638,441              |
| Purchases of treasury shares                         |                  |                                  |                     |                                    | (2,273,933)                  |                      | (2,273,933)          |
| Dividends paid                                       |                  |                                  |                     | 51,401                             |                              | (1,356,292)          | (1,304,891)          |
| <b>Balance as at August 31, 2015</b>                 | 76               | —                                | 2,288,598           | 1,073,023                          | (11,015,537)                 | 33,758,670           | 26,104,830           |
| Profit attributable to owners of the Company         |                  |                                  |                     |                                    |                              | 3,324,705            | 3,324,705            |
| Issuance of ordinary shares                          |                  |                                  | 529,756             |                                    | 214,273                      |                      | 744,029              |
| Net activity related to share-based payments reserve |                  |                                  |                     | (73,751)                           |                              | 873,676              | 799,925              |
| Purchases of treasury shares                         |                  |                                  |                     |                                    | (2,532,796)                  |                      | (2,532,796)          |
| Dividends paid                                       |                  |                                  |                     | 51,137                             |                              | (1,453,626)          | (1,402,489)          |
| Retirement of shares                                 | (4)              | 4                                |                     |                                    | 11,199,016                   | (11,199,016)         | —                    |
| <b>Balance as at August 31, 2016</b>                 | <u>\$ 72</u>     | <u>\$ 4</u>                      | <u>\$ 2,818,354</u> | <u>\$ 1,050,409</u>                | <u>\$ (2,135,044)</u>        | <u>\$ 25,304,409</u> | <u>\$ 27,038,204</u> |



**ACCENTURE PLC**  
**COMPANY STATEMENTS OF CASH FLOWS**  
**For years ended August 31, 2016 and 2015**  
**(In thousands of U.S. dollars)**

|  | <u>2016</u>   | <u>2015</u>     |
|--|---------------|-----------------|
| <b>Operating activities</b>  |               |                 |
| Profit attributable to owners of the Company   | \$ 3,324,705  | \$ 2,664,699    |
| <b>Adjustments to reconcile Profit attributable to owners of the Company to net cash provided by operating activities:</b> |               |                 |
| (Gain)/loss on undelivered share-based payments  | (303,343)     | 55,712          |
| Gain on sale of subsidiary shares  | (1,446,406)   | (1,235,317)     |
| <b>Changes in assets and liabilities</b>   |               |                 |
| Receivables and payables from/to subsidiaries  | 16,562        | (45,628)        |
| Prepayments and other assets   | (322)         | (65)            |
| Other current liabilities  | 1,555         | 150             |
| Net cash provided by operating activities  | 1,592,751     | 1,439,551       |
| <b>Investing activities</b>  |               |                 |
| Net cash received in investing activities  | 795,658       | 822,375         |
| Net cash provided by investing activities  | 795,658       | 822,375         |
| <b>Financing activities</b>  |               |                 |
| Dividends paid   | (1,402,489)   | (1,304,891)     |
| Proceeds from issuance of ordinary shares  | 591,357       | 554,149         |
| Proceeds from recharges to subsidiaries  | 949,851       | 765,308         |
| Purchases of treasury shares   | (2,532,796)   | (2,273,933)     |
| Net cash used in financing activities  | (2,394,077)   | (2,259,367)     |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | (5,668)       | 2,559           |
| <b>Cash and cash equivalents, beginning of period</b>  | 5,900         | 3,341           |
| <b>Cash and cash equivalents, end of period</b>  | <u>\$ 232</u> | <u>\$ 5,900</u> |

**ACCENTURE PLC****NOTES TO COMPANY FINANCIAL STATEMENTS**

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

**1. REPORTING ENTITY**

Accenture plc (the “Company”) is a public limited company incorporated and domiciled in Ireland.

The address of its registered office is:

1 Grand Canal Square  
Grand Canal Harbour  
Dublin 2

**2. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s financial statements and in preparing the opening International Financial Reporting Standards (“IFRS”) statement of financial position at September 1, 2014.

**Statement of Compliance**

The Company financial statements have been prepared in accordance with IFRS as adopted by the European Union (“EU”) and as applied under the Companies Act 2014, which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU. These are the Company’s first financial statements prepared in accordance with IFRS and IFRS 1 ‘First Time Adoption of International Financial Reporting Standards’ has been applied. An explanation of how the transition to IFRS has impacted the reported financial position and the financial performance of the Company is provided in Note 12 to the financial statements.

**Basis of Preparation**

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The following standards and interpretations have been issued but are not yet effective (or in some cases have not yet been adopted by the EU) and the Company does not expect a material impact to its Company financial statements:

- Amendments to IFRS 10, IFRS 12 and International Accounting Standards (“IAS”) 28: Investment Entities: Applying the consolidation exception
- IFRS 14: Regulatory Deferral Accounts
- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses
- IFRS 15: Revenue from contracts with customers
- IFRS 9: Financial Instruments
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions
- IFRS 16: Leases
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

In the year ended August 31, 2016, the Company did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

**Functional Currency**

Items included in the Company financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The Company financial statements are presented in United States dollars, which is the Company’s functional currency. Transactions in currencies other than the functional currency are recorded at the rate ruling at the date of the transaction. The resulting monetary assets and liabilities are translated at the balance sheet rate with the resulting gains or losses reflected in the profit and loss account.

**ACCENTURE PLC****NOTES TO COMPANY FINANCIAL STATEMENTS (continued)**

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

**Profit and Loss Account**

In accordance with Section 304 of the Companies Act 2014, the Company has availed of an exemption from presenting the entity profit and loss account. The Company's profits for the years ended August 31, 2016 and 2015 were \$3,325 million and \$2,665 million, respectively.

**Financial Fixed Assets**

The Company's investment in subsidiary was recorded at cost which equaled fair value on August 31, 2009 (the day immediately preceding the effective date of the Transaction referred to in Note 3, History and Description of the Company, below), based on Accenture Ltd's market capitalization at that time. This initial valuation is the Company's cost basis for its investment in its subsidiaries. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist.

**Taxation**

Income tax represents the sum of current and deferred tax. Income tax is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in other comprehensive income or equity.

Current tax is based on taxable profit and represents the expected tax payable for the year. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expenditure that are taxable or deductible in other periods or are not taxable/tax deductible. The liability to current tax is calculated using corporation tax rates that have been substantively enacted at the period end date.

The Company determines whether a tax position is likely to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax provision recognized is measured as the future probable outflow or economic benefit upon ultimate settlement, which could result in recording a tax liability that would reduce net assets.

Deferred tax is accounted for in respect of all time differences that have originated but not reversed at the balance sheet date. Provision is made at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Timing differences arise from the inclusion of items in income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognized when it is more likely than not the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be recovered.

**Share-based payment**

The Company and its subsidiaries operate a number of share-based payment plans, the details of which are presented in Note 11 (Share-Based Compensation) to the Consolidated Financial Statements. The share-based payment expense associated with the share-based payment plans is recognized by the entity which receives services in exchange for the share-based compensation. Share-based payment expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant date fair value of those awards expected to ultimately vest.

Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates. The Profit and loss account of the Company is charged with the expense related to the services received by the Company. The remaining portions of the share-based payments represent a contribution to Company entities and are added to the carrying amount of those investments.

The Company issued new Accenture plc Class A ordinary shares and shares from treasury for shares delivered under its subsidiaries' various share-based payment plans. Under an agreement, the subsidiaries pay the Company an amount equal to the value of the ordinary shares issued that is in excess of the award exercise price with such amount reducing the Company's investment in its subsidiaries.

The net effect of the grant date fair value of the Company's share-based compensation to employees of the Company's subsidiaries and recharges received from those subsidiaries is reflected as a gain or an expense in the Profit and loss account.

## ACCENTURE PLC

### NOTES TO COMPANY FINANCIAL STATEMENTS (continued)

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

#### 3. HISTORY AND DESCRIPTION OF THE COMPANY

On June 10, 2009, the Company was incorporated in Ireland, as a public limited company, in order to effect moving the place of incorporation of its parent holding company from Bermuda to Ireland (the “Transaction”). The Transaction was completed on September 1, 2009, at which time the Company replaced Accenture Ltd as the ultimate parent company of Accenture SCA. In the Transaction, all of the outstanding Class A and Class X common shares of Accenture Ltd were cancelled and the Company issued Class A and Class X ordinary shares on a one-for-one basis to the holders of the cancelled Accenture Ltd Class A and Class X common shares, as applicable (and cash for any fractional shares). Accenture Ltd was dissolved on December 29, 2009.

On April 10, 2015, Accenture Holdings plc was incorporated in Ireland, as a public limited company, in order to further consolidate Accenture’s presence in Ireland. On August 26, 2015, Accenture SCA merged with and into Accenture Holdings plc, with Accenture Holdings plc as the surviving entity. This merger was a transaction between entities under common control and had no effect on the Company’s Consolidated Financial Statements. All references to Accenture Holdings plc included in this report with respect to periods prior to August 26, 2015 reflect the activity and/or balances of Accenture SCA (the predecessor of Accenture Holdings plc).

The principal activity of the Company is an investment holding company. The Company is the parent company of one of the world’s leading organizations providing management consulting, technology and outsourcing services, and operates globally with one common brand and business model designed to enable it to provide clients around the world with the same high level of service.

#### 4. FINANCIAL FIXED ASSETS

The Company’s investment was recorded at fair value on September 1, 2009 (date of the Transaction) based on the market price of the Accenture Ltd Class A common shares at the time of the Transaction. This initial investment has been subsequently adjusted to reflect the activity related to subsidiary share transactions and share-based payment transactions.

|   |    |            |
|---|----|------------|
| Balance as at August 31, 2014                         | \$ | 23,985,933 |
| Net activity related to subsidiary share transactions |    | (126,332)  |
| Net activity related to share-based payment plans     |    | 991,897    |
| Balance as at August 31, 2015                         | \$ | 24,851,498 |
| Net activity related to subsidiary share transactions |    | (590,758)  |
| Net activity related to share-based payment plans     |    | 1,245,933  |
| Balance as at August 31, 2016                         | \$ | 25,506,673 |

## ACCENTURE PLC

### NOTES TO COMPANY FINANCIAL STATEMENTS (continued)

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

#### 5. CALLED UP SHARE CAPITAL

|  | August 31,<br>2016 | August 31,<br>2015 |
|--|--------------------|--------------------|
| <i>Authorized:</i>   |                    |                    |
| 40,000 ordinary shares of €1 par value   | \$ 57              | \$ 57              |
| 20,000,000,000 Class A ordinary shares of \$0.0000225 par value  | 450                | 450                |
| 1,000,000,000 Class X ordinary shares of \$0.0000225 par value   | 23                 | 23                 |
| 2,000,000,000 undesignated shares of \$0.0000225 par value   | 45                 | 45                 |
|  | <u>\$ 575</u>      | <u>\$ 575</u>      |
| <i>Allotted, called up and fully paid equity:</i>  |                    |                    |
| Ordinary shares, par value €1 per share, 40,000 shares as at August 31, 2016 and 2015  | \$ 57              | \$ 57              |
| Class A ordinary shares, par value \$0.0000225 per share, 654,202,813 and 804,757,785 shares as at August 31, 2016 and 2015, respectively(1) | 15                 | 18                 |
| Class X ordinary shares, par value \$0.0000225 per share, 21,917,155 and 23,335,142 shares as at August 31, 2016 and 2015, respectively(2)   | —                  | 1                  |
|  | <u>\$ 72</u>       | <u>\$ 76</u>       |

- (1) Includes the issuance of 12,460,535 and 17,888,933 Class A ordinary shares during the years ended August 31, 2016 and 2015, respectively.
- (2) 1,417,987 and 4,722,256 Class X ordinary shares were cancelled during the years ended August 31, 2016 and 2015, respectively.

#### Ordinary Shares

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

#### Class A Ordinary Shares

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

#### Class X Ordinary Shares

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

**ACCENTURE PLC****NOTES TO COMPANY FINANCIAL STATEMENTS (continued)**

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

**6. RELATED PARTY TRANSACTIONS**

The Company has entered into various related party transactions with its subsidiaries that comprise \$3,327 million and \$2,667 million of profit recorded during the years ended August 31, 2016 and 2015, respectively. Additionally, dividends of \$30 million and \$28 million were paid to subsidiaries of the Company during the years ended August 31, 2016 and 2015, respectively. The amounts recorded in Receivables from subsidiaries and Payables to subsidiaries represent amounts due entirely to directly and indirectly held subsidiaries. The Company had no related party transactions with any parties outside of the group of companies headed by Accenture plc that would require disclosure under IAS 24, "Related Party Disclosure" ("IAS 24"), other than fees paid to members of the Board of Directors. The Company considers the members of the Board of Directors to constitute Key Management Personnel as defined in IAS 24. Disclosure of remuneration paid to the members of the Board of Directors is provided in Note 18 (Directors' Remuneration) to the Consolidated Financial Statements.

**7. GUARANTEES**

On December 22, 2015, the Company replaced its \$1,000,000 syndicated loan facility maturing on October 31, 2016 with a \$1,000,000 syndicated loan facility maturing on December 22, 2020. This facility provides unsecured, revolving borrowing capacity for general working capital purposes, including the issuance of letters of credit. Financing is provided under this facility at the prime rate or at the London Interbank Offered Rate plus a spread. The Company continues to be in compliance with relevant covenant terms. The facility is subject to annual commitment fees. The Company also maintains two separate bilateral revolving credit facilities totaling \$516 million and certain other local lines of credit totaling \$165 million, for an aggregate borrowing capacity of \$1.7 billion available to operating subsidiaries as of August 31, 2016. The Company has certain obligations related to subsidiaries including the full and unconditional guarantee of borrowings by operating subsidiaries under the syndicated loan facility, the bilateral revolving credit facilities and certain of the local lines of credit. As of August 31, 2016 and 2015 the Company's subsidiaries had no borrowings under these facilities.

The Company has irrevocably guaranteed the liabilities of certain of its Irish subsidiaries and, pursuant to the provisions of section 357 of the Companies Act 2014, such subsidiaries have been exempted from the filing provisions of sections 347 and 348 of the Companies Act 2014. These subsidiaries are as follows: Accenture (the Company's local operating subsidiary), Accenture Finance Limited, Accenture Finance II Ltd, Accenture Global Services Ltd, Accenture Global Solutions Ltd, Exactside Limited and Tara Insurance DAC.

**8. TAX**

As of August 31, 2016 and 2015, the Company had unrecognized deferred tax assets of \$263 million and \$265 million, respectively, principally from dividend tax credits. The Company believes it is more likely than not that these assets will not be realized in the future and accordingly has not recognized the assets.

**9. FINANCIAL INSTRUMENTS**

The Company's policies related to financial instruments are the same as those described in the Consolidated Financial Statements. The Company has no material financial assets or liabilities that can not be immediately settled and has no significant exposure to interest rate or currency risk.

**10. EMPLOYEES**

The Company has no employees.

**11. POST BALANCE SHEET EVENTS**

Since the end of the year, the Directors are not aware of any other matters or circumstances not otherwise dealt with in the financial statements, that have significantly or may significantly affect the operation of the Company.



# ACCENTURE PLC

## NOTES TO COMPANY FINANCIAL STATEMENTS (continued)

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

### 12. RECONCILIATION FROM IRISH GAAP TO IFRS

The Company financial statements for the year ended August 31, 2016 have been prepared in accordance with IFRS as adopted by the EU. Up to and including the financial year ended August 31, 2015, the Company prepared its financial statements in accordance with Irish GAAP.

The transition date to IFRS (being the beginning of the period for which the Company presents full comparative information under IFRS in its first IFRS financial statements as stipulated under IFRS 1 'First-time Adoption of International Financial Reporting Standards'), was September 1, 2014.

A reconciliation of the Company statement of financial position, as previously presented under Irish GAAP, to that as presented under IFRS as at August 31, 2015 is as follows:

#### Statement of financial position at August 31, 2015

|   | As originally<br>reported | Remeasurement     | As restated<br>under IFRS |
|---|---------------------------|-------------------|---------------------------|
| <b>Assets</b>   |                           |                   |                           |
| Financial fixed assets                                    | \$ 24,646,630             | \$ 204,868        | \$ 24,851,498             |
| <b>Total non-current assets</b>                           | <b>24,646,630</b>         | <b>204,868</b>    | <b>24,851,498</b>         |
| Receivables from subsidiaries                             | 1,270,616                 |                   | 1,270,616                 |
| Prepayments and other assets                              | 806                       |                   | 806                       |
| Cash and cash equivalents                                 | 5,900                     |                   | 5,900                     |
| <b>Total current assets</b>                               | <b>1,277,322</b>          | <b>—</b>          | <b>1,277,322</b>          |
| <b>Total assets</b>                                       | <b>\$ 25,923,952</b>      | <b>\$ 204,868</b> | <b>\$ 26,128,820</b>      |
| <b>Liabilities</b>  |                           |                   |                           |
| Payables to subsidiaries                                  | 23,628                    |                   | 23,628                    |
| Other current liabilities                                 | 362                       |                   | 362                       |
| <b>Total current liabilities</b>                          | <b>\$ 23,990</b>          | <b>\$ —</b>       | <b>\$ 23,990</b>          |
| <b>Equity</b>   |                           |                   |                           |
| Share capital   | 76                        |                   | 76                        |
| Share premium   | 3,053,905                 | (765,307)         | 2,288,598                 |
| Share-based payments reserve                              | 1,073,023                 |                   | 1,073,023                 |
| Treasury share reserve                                    | (11,015,537)              |                   | (11,015,537)              |
| Retained earnings   | 32,788,495                | 970,175           | 33,758,670                |
| <b>Total equity attributable to owners of the Company</b> | <b>25,899,962</b>         | <b>204,868</b>    | <b>26,104,830</b>         |
| <b>Total equity and liabilities</b>                       | <b>\$ 25,923,952</b>      | <b>\$ 204,868</b> | <b>\$ 26,128,820</b>      |

The IFRS transition adjustment arose due to the difference in treatment of share-based compensation and related recharge entries under IFRS 2 "Share-based payments". The adjustment is in relation to delivered and undelivered share based payment transactions. This resulted in an adjustment to increase the profit and loss account by \$127 million and restatement of financial position as above.

# ACCENTURE PLC

## NOTES TO COMPANY FINANCIAL STATEMENTS (continued)

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

A reconciliation of the applicable accounts on the Company's statement of financial position, as previously presented under Irish GAAP, to that as presented under IFRS as at September 1, 2014 is as follows:

### Statement of financial position at September 1, 2014

|   | As originally<br>reported | Remeasurement | As restated<br>under IFRS |
|---|---------------------------|---------------|---------------------------|
| <b>Assets</b>   |                           |               |                           |
| Financial fixed assets                                    | \$ 23,725,353             | \$ 260,580    | \$ 23,985,933             |
| <b>Total non-current assets</b>                           | 23,725,353                | 260,580       | 23,985,933                |
| <b>Total assets</b>                                       | \$ 24,978,306             | \$ 260,580    | \$ 25,238,886             |
| <b>Equity</b>   |                           |               |                           |
| Retained earnings   | \$ 31,606,887             | \$ 260,580    | \$ 31,867,467             |
| <b>Total equity attributable to owners of the Company</b> | 24,930,583                | 260,580       | 25,191,163                |
| <b>Total equity and liabilities</b>                       | \$ 24,978,306             | \$ 260,580    | \$ 25,238,886             |