

Accenture plc
2018 IRISH STATUTORY ACCOUNTS

Accenture plc

**Directors' Report and Consolidated Financial Statements
For the Year Ended August 31, 2018**

ACCENTURE PLC

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DIRECTORS' REPORT

For the Year Ended August 31, 2018

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, 2018.

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 2018" means the 12-month period that ended on August 31, 2018. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year.

The Consolidated Financial Statements include the Consolidated Balance Sheets of Accenture plc and its subsidiaries as of August 31, 2018 and 2017, and the related Consolidated Statements of Profit and Loss Account, Comprehensive Income, Shareholders' Equity and Cash Flows for the twelve months ended August 31, 2018, 2017 and 2016. 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, 2018 filed with the U.S. Securities and Exchange Commission on October 24, 2018.

Principal Activities

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

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

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

Operating Groups

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

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

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

Communications, Media & Technology

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

- Our **Communications & Media** industry group serves most of the world's leading wireline, wireless, broadcast, entertainment, print, publishing, cable and satellite communications service providers. This group represented approximately 51% of our Communications, Media & Technology operating group's net revenues in fiscal 2018.
- Our **High Tech** industry group serves the enterprise technology, network equipment, semiconductor, consumer technology, aerospace & defense, and medical equipment industries. This group represented approximately 25% of our Communications, Media & Technology operating group's net revenues in fiscal 2018.
- Our **Software & Platforms** industry group serves computer software and digital platform companies. This group represented approximately 24% of our Communications, Media & Technology operating group's net revenues in fiscal 2018.

Financial Services

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

- Our **Banking & Capital Markets** industry group serves retail and commercial banks, mortgage lenders, payment providers, investment banks, wealth and asset management firms, broker/dealers, depositories, exchanges, clearing and settlement organizations, and other diversified financial enterprises. This group represented approximately 72% of our Financial Services operating group's net revenues in fiscal 2018.
- Our **Insurance** industry group serves property and casualty insurers, life insurers, reinsurance firms and insurance brokers. This group represented approximately 28% of our Financial Services operating group's net revenues in fiscal 2018.

Health & Public Service

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

- Our **Health** industry group works with healthcare providers, such as hospitals, public health systems, policy-making authorities, health insurers (payers), and industry organizations and associations around the world to improve the quality, accessibility and productivity of healthcare. This group represented approximately 38% of our Health & Public Service operating group's net revenues in fiscal 2018.
- Our **Public Service** industry group helps governments transform the way they deliver public services and engage with citizens. We work primarily with defense departments and military forces; public safety authorities, such as police forces and border management agencies; justice departments; human services agencies; educational institutions, such as universities; non-profit organizations; and postal, customs, revenue and tax agencies. Our Public Service industry group represented approximately 62% of our Health & Public Service operating group's net revenues in fiscal 2018.

Our work with clients in the U.S. federal government is delivered through Accenture Federal Services, a U.S. company and a wholly owned subsidiary of Accenture LLP, and represented approximately 34% of our Health & Public Service operating group's net revenues in fiscal 2018.

Products

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

- Our **Consumer Goods, Retail & Travel Services** industry group serves food and beverage, household goods, personal care, tobacco, fashion/apparel, agribusiness and consumer health companies; supermarkets, hardline retailers, mass-merchandise discounters, department stores and specialty retailers; as well as airlines and hospitality and travel services companies. This group represented approximately 55% of our Products operating group's net revenues in fiscal 2018.
- Our **Industrial** industry group works with automotive manufacturers and suppliers; freight and logistics companies; industrial and electrical equipment, consumer durable and heavy equipment companies; and construction and infrastructure management companies. This group represented approximately 26% of our Products operating group's net revenues in fiscal 2018.
- Our **Life Sciences** industry group serves pharmaceutical, medical technology and biotechnology companies. This group represented approximately 19% of our Products operating group's net revenues in fiscal 2018.

Resources

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

- Our **Chemicals & Natural Resources** industry group works with a wide range of industry segments, including petrochemicals, specialty chemicals, polymers and plastics, gases and agricultural chemicals, among others, as well as the metals, mining, forest products and building materials industries. This group represented approximately 30% of our Resources operating group's net revenues in fiscal 2018.
- Our **Energy** industry group serves a wide range of companies in the oil and gas industry, including upstream, downstream, oilfield services and new energy companies. This group represented approximately 27% of our Resources operating group's net revenues in fiscal 2018.

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

Services and Solutions

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

Accenture Strategy

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

Accenture Consulting

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

Accenture Digital

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

- **Accenture Interactive.** Our end-to-end marketing solutions help clients deliver seamless multi-channel customer experiences and enhance their marketing performance. Our services span customer experience design, digital marketing, personalization and commerce, as well as digital content production and operations.
- **Accenture Applied Intelligence.** We embed analytics, automation and artificial intelligence into functions and processes at the core of our clients' businesses to realize new cost efficiencies and create new value from process, product and business transformation.
- **Accenture Industry X.0.** We help clients digitally reinvent manufacturing and production to create smart, connected products and services using advanced technologies—including the Internet of Things, connected devices and digital platforms—to unlock new revenue streams and create new efficiencies.

Accenture Technology

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

- **Technology Services.** Technology Services includes our application services spanning systems integration and application outsourcing and covering the full application lifecycle, from custom systems to all emerging technologies, across every leading technology platform (both traditional and cloud/software-as-a-service-based). It also encompasses our portfolio of products and intelligent platforms and services, as well as our Advanced Technology Centers. We continuously innovate new services, capabilities and platforms through early adoption of technologies such as artificial intelligence, machine learning and intelligent automation to enhance productivity and create new growth opportunities.
- **Technology Innovation & Ecosystem.** We harness innovation through the research and development activities in the Accenture Labs and through emerging technologies. We also develop and manage our alliance relationships across a broad range of technology providers, including Amazon Web Services, Apple, Google, Microsoft, Oracle, Pegasystems, Salesforce, SAP, Workday and many others, to enhance the value that we and our clients realize from the technology ecosystem.

Accenture Operations

Accenture Operations provides business process services, infrastructure services, security services and cloud services. We operate infrastructure and business processes on behalf of clients, increasingly powered by data, artificial intelligence, analytics and digital technologies, on an as-a-service basis, to help improve their productivity, experience and performance.

- **Business Process Services.** We offer services for specific business functions, such as finance and accounting, procurement and supply chain, marketing and sales, and human resources, as well as industry-specific services, such as credit and health services. We provide these services on a global basis and across industry sectors through our global delivery capability.
- **Infrastructure and Cloud Services.** We provide design, implementation, migration and managed services for security and infrastructure to help organizations take advantage of innovative technologies and improve the efficiency and effectiveness of their existing technology. Our solutions help clients transform and optimize their IT infrastructures—whether on-premise, in the cloud, or a hybrid of the two.

Global Delivery Capability

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

Alliances

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

Research and Innovation

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

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

People

As a talent- and innovation-led organization, one of our key goals is to have the best people, with highly specialized skills, across our entire business to drive our differentiation and competitiveness. We are deeply committed to the development of our people, and provide continuous learning opportunities that are customized for the individual in an on-demand, digital environment. We provide our people ongoing feedback, and they are rewarded based on individual and Company performance. Our culture is underpinned by our core values, Code of Business Ethics and strong commitment to inclusion and diversity. As of August 31, 2018, we employed approximately 459,000 people and had offices and operations in more than 200 cities in 52 countries.

Competition

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

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

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

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

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

Intellectual Property

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

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

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

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

Organizational Structure and History

Accenture plc is an Irish public limited company. We operate our business through subsidiaries of Accenture plc.

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

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

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

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

Accenture plc Class A and Class X Ordinary Shares

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

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

number of Class X ordinary shares outstanding at any time does not exceed the aggregate number of Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

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

Accenture Canada Holdings Inc. Exchangeable Shares

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

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 and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are subject to numerous laws and regulations designed to protect this information, such as the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, various U.S. federal and state laws governing the protection of health or other personally identifiable information and data privacy and cybersecurity laws in other regions. These laws and regulations are increasing in complexity and number, change frequently and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and cost for us. The GDPR imposes new compliance obligations regarding the handling of personal data and has significantly increased financial penalties for noncompliance. For example, failure to comply with the GDPR may lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, orders to discontinue certain data processing operations, private lawsuits, or reputational damage. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or Accenture data, or otherwise mismanages or misappropriates that data, we could be subject to

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

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

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

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

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

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

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

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

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

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

and tax policies. In addition, changes in tax laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We might fail to realize the expected benefits or strategic objectives of any acquisition, investment or joint venture we undertake. We might not achieve our expected return on investment or may lose money. We may be adversely impacted by liabilities that we assume from a company we acquire or in which we invest, including from that company's known and unknown obligations, intellectual property or other assets, terminated employees, current or former clients or other third parties. In addition, we may fail to identify or adequately assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring, investing in or partnering with a company, including potential exposure to regulatory sanctions or liabilities resulting from an acquisition target's previous activities, internal controls and security environment. If any of these circumstances occurs, they could result in unexpected legal or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes or other adverse effects on our business. In addition, we have a lesser degree of control over the business operations of the joint ventures and businesses in which we have made minority investments or in which we have acquired less than 100%. This lesser degree of control may expose us to additional reputational, financial, legal, compliance or operational risks. Litigation, indemnification claims and other unforeseen claims and liabilities may arise from the acquisition or operation of acquired businesses. For example, we may face litigation or other claims as a result of certain terms and conditions of the acquisition agreement, such as earnout payments or closing net asset adjustments. Alternatively, shareholder litigation may arise as a result of proposed acquisitions. If we are unable to complete the number and kind of investments for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability or competitive position in specific markets or services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are organized under the laws of Ireland, and a significant portion of our assets is located outside the United States. A shareholder who obtains a court judgment based on the civil liability provisions of U.S. federal or state securities laws may be unable to enforce the judgment against us in Ireland or in countries other than the United States where we have assets. In addition, there is some doubt as to whether the courts of Ireland and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws.

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

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

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

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

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

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

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

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

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 services and solutions and to deploy skilled teams of professionals quickly and on a global basis.

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

Revenues before reimbursements ("net revenues") for fiscal 2018 increased 13.5% in U.S. dollars and 10.5% in local currency compared to fiscal 2017. Demand for our services and solutions continued to be very strong, resulting in growth across all areas of our business. During fiscal 2018, revenue growth in local currency was very strong in

Communication, Media & Technology, Resources and Products and strong in Financial Services and Health & Public Service. We experienced very strong growth in Growth Markets and strong growth in North America and Europe. Revenue growth in local currency was very strong in consulting and strong in outsourcing during fiscal 2018. While the business environment remained competitive, pricing was relatively stable. We use the term “pricing” to mean the contract profitability or margin on the work that we sell.

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

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

As we are a global company, our revenues are denominated in multiple currencies and may be significantly affected by currency exchange rate fluctuations. If the U.S. dollar weakens against other currencies, resulting in favorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be higher. If the U.S. dollar strengthens against other currencies, resulting in unfavorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be lower. The U.S. dollar weakened against various currencies during fiscal 2018, resulting in favorable currency translation and U.S. dollar revenue growth that was approximately 3% higher than our revenue growth in local currency for the year. Assuming that exchange rates stay within recent ranges, we estimate that our full fiscal 2019 revenue growth in U.S. dollars will be approximately 2.5% lower than our revenue growth in local currency.

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

Utilization for fiscal 2018 was 91%, flat with fiscal 2017. We continue to hire to meet current and projected future demand. We proactively plan and manage the size and composition of our workforce and take actions as needed to address changes in the anticipated demand for our services and solutions, given that compensation costs are the most significant portion of our operating expenses. Based on current and projected future demand, we have increased our headcount, the majority of which serve our clients, to approximately 459,000 as of August 31, 2018, compared to approximately 425,000 as of August 31, 2017. The year-over-year increase in our headcount reflects an overall increase in demand for our services and solutions, as well as headcount added in connection with acquisitions. Attrition, excluding involuntary terminations, for fiscal 2018 was 15%, up from 14% in fiscal 2017. We evaluate voluntary attrition, adjust levels of new hiring and use involuntary terminations as means to keep our supply of skills and resources in balance with changes in client demand. In addition, we adjust compensation in certain skill sets and geographies in order to attract and retain appropriate numbers of qualified employees. For the majority of our personnel, compensation increases become effective December 1st of each fiscal year. We strive to adjust pricing and/or the mix of resources to reduce the impact of compensation increases on our gross margin. Our ability to grow our revenues and maintain or increase our margin could be adversely affected if we are unable to: keep our supply of skills and resources in balance with changes in the types or amounts of services and solutions clients are demanding; recover increases in compensation; deploy our employees globally on a timely basis; manage attrition; and/or effectively assimilate and utilize new employees.

Gross margin (Net revenues less Cost of services before reimbursable expenses as a percentage of net revenues) for fiscal 2018 was 31.4%, compared with 31.7% for fiscal 2017. The decrease in gross margin for fiscal 2018 was principally due to higher labor costs compared to fiscal 2017, partially offset by other cost efficiencies in fiscal 2018.

Sales and marketing and General and administrative costs as a percentage of net revenues were 16.7% for fiscal 2018, compared with 16.9% for fiscal 2017. We continuously monitor these costs and implement cost-management actions, as appropriate. For fiscal 2018 compared to fiscal 2017, Sales and marketing costs as a percentage of net revenues decreased 20 basis points and General and administrative costs as a percentage of net revenues were flat.

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

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

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

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

We have presented effective tax rate and diluted earnings per share excluding the impacts of the tax law changes in fiscal 2018 and the pension settlement charge in fiscal 2017 as well as operating income and operating margin excluding the impact of the pension settlement charge in fiscal 2017, as we believe doing so facilitates understanding as to both the impacts of these items and our financial performance when comparing these periods.

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

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

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

Revenues by Segment/Operating Group

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

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

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

Results of Operations for Fiscal 2018 Compared to Fiscal 2017

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

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

n/m = not meaningful

Amounts in table may not total due to rounding.

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

Net Revenues

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

Operating Groups

- Communications, Media & Technology net revenues increased 14% in local currency, driven by growth across all geographic regions in Software & Platforms and Communications & Media, led by Software & Platforms in North America.
- Financial Services net revenues increased 7% in local currency, driven by growth across all industry groups and geographic regions, led by Banking & Capital Markets in Europe and Growth Markets.
- Health & Public Service net revenues increased 7% in local currency, driven by growth in Public Service across all geographic regions and Health in North America.
- Products net revenues increased 11% in local currency, driven by growth across all geographic regions, in Consumer Goods, Retail & Travel Services and Industrial.
- Resources net revenues increased 13% in local currency, driven by growth across all industry groups and geographic regions led by Chemicals & Natural Resources and Energy.

Geographic Regions

- North America net revenues increased 9% in local currency, driven by the United States.
- Europe net revenues increased 9% in local currency, driven by Germany, Italy, France, Ireland and Spain.
- Growth Markets net revenues increased 16% in local currency, led by Japan, as well as Australia, Brazil, and Singapore.

Operating Income and Operating Margin

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

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

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

Amounts in table may not total due to rounding.

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

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

- Communications, Media & Technology operating income increased primarily due to revenue growth and higher contract profitability.
- Financial Services operating income increased primarily due to consulting revenue growth.
- Health & Public Service operating income decreased primarily due to lower consulting contract profitability.
- Products operating income increased primarily due to revenue growth, partially offset by lower consulting contract profitability.
- Resources operating income increased primarily due to revenue growth.

Capitalization and Acquisition of Shares

We intend to continue to use a significant portion of cash generated from operations for share repurchases during fiscal 2019. The number of shares ultimately repurchased under our open-market share purchase program may vary depending on numerous factors, including, without limitation, share price and other market conditions, our ongoing capital allocation planning, the levels of cash and debt balances, other demands for cash, such as acquisition activity, general economic and/or business conditions, and board and management discretion. Additionally, as these factors may change over the course of the year, the amount of share repurchase activity during any particular period cannot be predicted and may fluctuate from time to time. Share repurchases may be made from time to time through open-market purchases, in respect of purchases and redemptions of Accenture Canada Holdings Inc. exchangeable shares, through the use of Rule 10b5-1 plans and/or by other means. The repurchase program may be accelerated, suspended, delayed or discontinued at any time, without notice. For additional information, see Note 13 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements.

Dividends

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

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

For additional information, see Note 13 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements.

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

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

We use sensitivity analysis to determine the effects that market foreign currency exchange rate fluctuations may have on the fair value of our hedge portfolio. The sensitivity of the hedge portfolio is computed based on the market value of future cash flows as affected by changes in exchange rates. This sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the offsetting gain or loss on the underlying exposure. A 10% change in the levels of foreign currency exchange rates against the U.S. dollar (or other base currency of the

hedge if not a U.S. dollar hedge) with all other variables held constant would have resulted in a change in the fair value of our hedge instruments of approximately \$483 million and \$494 million as of August 31, 2018 and 2017, respectively.

Interest Rate Risk

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

Other Market Risk

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

Equity Price Risk

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

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 section 26(1) Electoral Act 1997 (as amended) were made during the fiscal year ended August 31, 2018.

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 24, 2018. 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 24, 2018 that would require recognition or disclosure in its Consolidated or Parent Company Financial Statements.

Non-Financial Reporting

For the purpose of Statutory Instrument 360/2017 European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended), our Corporate Citizenship Report (“CCR”), Carbon Disclosure Project Response (“CDPR”) and Code of Business Ethics, each as published on the Company’s website (www.accenture.com), is deemed to be incorporated in this part of the Directors’ Report. In addition, the following sections on pages 3 to 10 of this Directors’ Report provide a description of the Company’s business model: Principal Activities, Global Delivery Capability, Alliances, Research and Innovation, Employees, Competition, Intellectual Property and Organizational Structure. Lastly, a description of principal risks facing the Company and their impact on our business may be found in the Principal Risks and Uncertainties section on pages 11 to 24 of this Directors’ Report. The relevant sections of the CCR and CDPR set out the detailed outcomes of our policies in our previous financial year. We will disclose detailed outcomes of our policies for our 2018 financial year in our revised CCR and CDPR that will be published on our website in the coming months. Our preliminary assessment of the outcomes of our policies for the 2018 financial year indicates that we have continued to make progress towards our environmental, diversity and other goals.

Directors' and Secretary's Interest in Shares

The directors and secretary of the Company as of August 31, 2018 are listed in the table below and, except as noted below, have served from the period of September 1, 2017 through August 31, 2018 and through the date of this report. Venkata (Murthy) Renduchintala became a director of the Company on April 12, 2018.

No director, the company secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. 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 as of August 31, 2018 and Accenture plc and Accenture Holdings plc as of September 1, 2017, or the date when they first became directors or secretary of the Company (if such appointment occurred later than September 1, 2017), as required to be stated pursuant to section 329 of the Companies Act 2014, are presented in the table below.

	Accenture plc Class A ordinary shares		Accenture plc Class X ordinary shares		Accenture Holdings plc ordinary shares	
	Shares	Options	Shares	Options	Shares	Options
As of August 31, 2018						
Directors						
Pierre Nanterme	297,682	—	—	—	—	—
Jaime Ardila	9,190	—	—	—	—	—
Charles Giancarlo	21,866	—	—	—	—	—
Herbert Hainer	2,471	—	—	—	—	—
Marjorie Magner	16,313	—	—	—	—	—
Nancy McKinstry	1,859	—	—	—	—	—
Gilles C. Pélisson	11,896	—	—	—	—	—
Paula A. Price	5,156	—	—	—	—	—
Venkata (Murthy) Renduchintala	—	—	—	—	—	—
Arun Sarin	3,288	—	—	—	—	—
Frank K. Tang	5,614	—	—	—	—	—
Tracey T. Travis	892	—	—	—	—	—
Secretary						
Joel Unruch	13,066	—	—	—	—	—
As of September 1, 2017 or Date of Appointment (if later)						
Directors						
Pierre Nanterme	216,583	—	91,597	—	91,597	—
Jaime Ardila	8,358	—	—	—	—	—
Charles Giancarlo	20,436	—	—	—	—	—
Herbert Hainer	—	—	—	—	—	—
Marjorie Magner	22,962	—	—	—	—	—
Nancy McKinstry	1,022	—	—	—	—	—
Gilles C. Pélisson	10,466	—	—	—	—	—
Paula A. Price	4,324	—	—	—	—	—
Venkata (Murthy) Renduchintala	—	—	—	—	—	—
Arun Sarin	3,626	—	—	—	—	—
Frank K. Tang	4,319	—	—	—	—	—
Tracey T. Travis	—	—	—	—	—	—
Secretary						
Joel Unruch	10,658	—	—	—	—	—

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

October 24, 2018



Paula A. Price
Director

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 disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements comply with the provision of the Companies Act 2014. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014. The directors are responsible for the maintenance and integrity of the Irish Statutory Accounts 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

1. Report on the audit of the financial statements

Opinion

We have audited the Group and Parent Company financial statements (the “financial statements”) of Accenture plc as of and for the year ended 31 August 2018, which comprise the Consolidated and Parent Company Balance Sheets, the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Shareholders' Equity, the Consolidated and Parent 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 Principles (“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.

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 2018 and of its profit for the year then ended;
- the Parent Company statement 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 2018;
- the Group financial statements have been properly prepared in accordance with US GAAP, as applied in accordance with the provisions of the Companies Act 2014;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (“ISAs (Ireland)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority (“IAASA”) as applied to listed public interest entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters were as follows (unchanged from 2017):

Key audit matters

Revenue recognition

Refer to financial statements pages 48 to 49 (accounting policy) and pages 75 to 76 (financial disclosures)

The key audit matter

Customer contracts that span multiple accounting periods and for which revenue is recognised using the percentage of completion method require significant judgement. The inputs in the revenue recognition process that require significant judgement are the stage of completion of the contract, expected costs to complete, expected margins and other factors.

Due to the significance of these judgments to the determination of revenues in a financial period, we identified a significant risk of misstatement with respect to the timely recording of adjustments at period-end on contracts that are accounted for using the percentage-of-completion method.

How the matter was addressed in our audit

We evaluated the design, and tested the operating effectiveness of key controls over revenue and related financial statement accounts.

We inspected a sample of revenue contracts and assessed the estimates used to determine the related amounts of revenue recognised in the financial year. The procedures performed included inspecting the contract, management's documentation and customer correspondence; consideration of the appropriateness of the revenue recognition method used; and assessment of the reasonableness of the related balance sheet accounts.

We assessed and corroborated the assumptions for a sample of adjustments to revenue contracts around the financial year end to ensure these contracts were being accounted for in accordance with applicable accounting standards and that the adjustments were appropriate.

As part of our cumulative evidence over revenues, we also tested the completeness, accuracy and recoverability of revenue-related assets, including accounts receivable and deferred transition costs, and the completeness and accuracy of revenue-related liabilities, including deferred revenue.

Based on the procedures performed, we identified no material errors in the calculation of percentage of completion revenues and we determined that the significant inputs into the stage of completion of the contracts inspected were balanced. We considered the disclosures on percentage of completion contracts to be sufficient.

Income taxes

Refer to financial statements page 49 (accounting policy) and pages 62 to 63 (financial disclosures)

The key audit matter

How the matter was addressed in our audit

The Group operates in a complex multinational tax environment and enters into transactions that have complex tax implications spanning multiple taxing jurisdictions. Judgement is required in assessing the level of unrecognized tax benefits in respect of tax positions arising in different jurisdictions. We identified a significant risk of misstatement with respect to the accuracy of the calculation of unrecognized tax benefits.

We evaluated the design, and tested the operating effectiveness of key controls over income taxes and the related financial statement accounts.

Our principal substantive tests in this area included the following:

- We critically assessed and challenged management's estimates and judgements related to unrecognized tax benefits with respect to individually material tax positions based on our knowledge and experience of the application of the relevant legislation by authorities and courts;
- We inspected correspondence with relevant tax authorities;
- We engaged our own tax specialists, including international tax specialists in significant jurisdictions;
- We involved specialists from our valuation practice in considering the methodology for the valuation and development of unrecognised tax benefits; and
- We inspected the financial statement disclosures in respect of unrecognized tax benefits for completeness and accuracy.

Based on the procedures performed we found the Group's estimates of the amounts to be recognised in respect of uncertain tax positions to be based on reasonable assumptions and that the financial statement disclosures provide a proportionate description of the current status of uncertain tax positions.

Parent Company key audit matters

Due to the nature of the Parent Company's activities as a holding company, there are no key audit matters that we are required to communicate in accordance with ISAs (Ireland).

3 Our application of materiality and an overview of the scope of our audit

We determined materiality for the Group based on profit before tax from continuing operations ("PBTCO"). We set our measure of Group materiality for the financial statements as a whole at 5% of PBTCO, which is \$290 million for the year ended 31 August 2018. We use this materiality to determine the nature and extent of testing required to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements to an appropriately low level. Our evaluation of the impact of any identified misstatements considers the financial impact of such misstatements both individually, and in the aggregate, with respect to our materiality determination. We also consider other qualitative factors including the impact on line item disclosures in the financial statements. We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$14.5 million, in addition to other misstatements that warrant reporting on qualitative grounds.

With respect to the Parent Company, we based our calculation of materiality on total assets due to its nature as a holding company. As the calculated materiality was higher than Group materiality, we restricted our materiality to \$290 million.

Our Group audit was conducted over the consolidated results of the Group as a whole and we did not identify any individually material financial components. We used international audit teams to cover individual components that, while not financially material, presented specific individual risks that needed to be addressed as part of the Group audit. In considering the specific audit procedures to be performed at these components, materiality was set below Group materiality, and varied based principally on the revenues and net income of the relevant component.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate, or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect for either the Group or Parent Company audits.

5 We have nothing to report on the other information included in the directors' report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the directors' report, including the Corporate Citizenship Report ("CCR"), Carbon Disclosure Project Response ("CDPR") and Code of Business Ethics as published on the company's website (www.accenture.com) and which are each deemed incorporated in the Non-Financial Reporting section of the directors' report.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report or the CCR, the CDPR and Code of Business Ethics as published on the company's website (www.accenture.com) and which are each deemed incorporated in the Non-Financial Reporting section of the directors' report;
- in our opinion, the information given in the directors' report, the CCR, the CDPR and Code of Business Ethics as published on the company's website (www.accenture.com) and which are each deemed incorporated in the Non-Financial Reporting section of the directors' report, are consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

6 Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

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

In our opinion, the accounting records of the Parent Company were sufficient to permit the financial statements to be readily and properly audited and the Parent Company's statement of financial position is in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception

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.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 35, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs

(Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

9 The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members, as a body, for our audit work, for our 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 Stephen's Green, Dublin 2

October 24, 2018

Accenture plc
Consolidated Balance Sheets
August 31, 2018 and 2017
(In thousands of U.S. dollars)

	Note	2018	2017
Fixed assets			
Intangible Assets			
Goodwill	1, 6	\$ 5,383,012	\$ 5,002,352
Other intangible assets, net	1, 6	687,110	710,382
Tangible Assets			
Property and equipment, net	1, 4, 16	1,264,020	1,140,598
Financial Assets			
Investments	1	215,532	211,610
		<u>7,549,674</u>	<u>7,064,942</u>
Current assets			
Debtors			
Other current assets		1,024,639	1,082,161
Receivables from clients, net	1	4,996,454	4,569,214
Unbilled services, net	1	2,499,914	2,316,043
Investments	1	3,192	3,011
Cash and cash equivalents	1	5,061,360	4,126,860
		<u>13,585,559</u>	<u>12,097,289</u>
Creditors: Amounts falling due within one year			
Current portion of long-term debt and bank borrowings	8	5,337	2,907
Accounts payable		1,348,802	1,525,065
Deferred revenues	1	2,837,682	2,669,520
Accrued payroll and related benefits		4,569,172	4,060,364
Income taxes payable	1, 9	497,885	708,485
Other accrued liabilities		892,873	857,938
		<u>10,151,751</u>	<u>9,824,279</u>
Net current assets		<u>3,433,808</u>	<u>2,273,010</u>
Debtors: Amounts falling due after more than one year			
Unbilled services, net	1	23,036	40,938
Deferred contract costs	1	705,124	755,871
Deferred income taxes, net	1, 9	2,086,807	2,214,901
Other non-current assets		498,883	515,949
		<u>3,313,850</u>	<u>3,527,659</u>
Total assets less current liabilities		<u>14,297,332</u>	<u>12,865,611</u>
Creditors: Amounts falling due after more than one year			
Long-term debt	8	19,676	22,163
Deferred revenues	1	618,124	663,248
Income taxes payable	1, 9	956,836	574,780
Other non-current liabilities		441,723	349,363
		<u>2,036,359</u>	<u>1,609,554</u>
Net assets excluding provisions for liabilities		<u>12,260,973</u>	<u>11,256,057</u>
Provisions for liabilities			
Retirement obligation	10	1,410,656	1,408,759
Non-current deferred income taxes, net	1, 9	125,729	137,098
		<u>1,536,385</u>	<u>1,545,857</u>
Net assets including provisions for liabilities		<u>10,724,588</u>	<u>9,710,200</u>
Shareholders' Equity:			
Ordinary shares	12	72	71
Restricted share units	11	1,234,623	1,095,026
Additional paid-in capital	12	4,870,764	3,516,399
Treasury shares	13	(2,116,948)	(1,649,090)
Retained earnings		7,952,413	7,081,855
Accumulated other comprehensive loss	1, 3	(1,576,171)	(1,094,784)
Total Accenture plc shareholders' equity		<u>10,364,753</u>	<u>8,949,477</u>
Noncontrolling interests	1	359,835	760,723
Total shareholders' equity		<u>\$ 10,724,588</u>	<u>\$ 9,710,200</u>

Approved by the Board of Directors on October 24, 2018 and signed on its behalf by:



Pierre Nanterme
Director



Paula A. Price
Director

Accenture plc
Consolidated Profit and Loss Account
For the Years Ended August 31, 2018, 2017 and 2016
(In thousands of U.S. dollars, except per share amounts)

	Note	2018	2017	2016
Turnover before reimbursements ("Net turnover")	1, 16	\$ 39,573,450	\$ 34,850,182	\$ 32,882,723
Reimbursements	1, 16	2,029,978	1,915,296	1,914,938
Turnover	1, 16	41,603,428	36,765,478	34,797,661
Cost of services before reimbursable expenses		27,130,537	23,819,690	22,605,296
Reimbursable expenses		2,029,978	1,915,296	1,914,938
Cost of services		29,160,515	25,734,986	24,520,234
Gross profit		12,442,913	11,030,492	10,277,427
Sales and marketing		4,198,557	3,754,313	3,580,439
General and administrative costs		2,403,315	2,133,777	1,886,543
Pension settlement charge	10	—	509,793	—
Operating profit		5,841,041	4,632,609	4,810,445
Interest receivable and similar income		56,337	37,940	30,484
Interest payable and similar charges		(19,539)	(15,545)	(16,258)
Other expense, net		(69,746)	(38,720)	(69,922)
Gain (loss) on sale of businesses	5	—	(252)	848,823
Profit on ordinary activities before taxation		5,808,093	4,616,032	5,603,572
Taxation	9	1,593,499	981,100	1,253,969
Profit after taxation		4,214,594	3,634,932	4,349,603
Noncontrolling interests		(154,687)	(189,783)	(237,711)
Profit for the financial year		\$ 4,059,907	\$ 3,445,149	\$ 4,111,892
Earnings per share attributable to Accenture plc ordinary shareholders:				
Basic	2	\$ 6.46	\$ 5.56	\$ 6.58
Diluted	2	\$ 6.34	\$ 5.44	\$ 6.45

Approved by the Board of Directors on October 24, 2018 and signed on its behalf by:



Pierre Nanterme
Director



Paula A. Price
Director

Accenture plc
Consolidated Statements of Comprehensive Income
For the Years Ended August 31, 2018, 2017 and 2016
(In thousands of U.S. dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Profit for the financial year		\$4,214,594	\$3,634,932	\$4,349,603
Other comprehensive income (loss), net of taxation:				
Foreign currency translation	3	(305,225)	149,920	(66,459)
Defined benefit plans	3	21,335	368,885	(285,885)
Cash flow hedges	3	(198,645)	46,624	101,299
Investments	3	1,148	1,507	1,297
Other comprehensive income (loss) attributable to Accenture plc		(481,387)	566,936	(249,748)
Other comprehensive income (loss) attributable to noncontrolling interests	3	(2,233)	31,724	(7,881)
Comprehensive income		<u>\$3,730,974</u>	<u>\$4,233,592</u>	<u>\$4,091,974</u>
Comprehensive income attributable to Accenture plc		3,578,520	4,012,085	3,862,144
Comprehensive income attributable to noncontrolling interests		152,454	221,507	229,830
Comprehensive income		<u>\$3,730,974</u>	<u>\$4,233,592</u>	<u>\$4,091,974</u>

Accenture plc
Consolidated Shareholders' Equity Statements
For the Years Ended August 31, 2018, 2017 and 2016
(In thousands of U.S. dollars and share amounts)

	Ordinary Shares			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								
	\$	No. Shares																	
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
Profit for the financial year							3,445,149								3,445,149		189,783		3,634,932
Other comprehensive income (loss)								566,936							566,936		31,724		598,660
Purchases of Class A ordinary shares				98,039		(2,552,880)								(2,454,841)		(98,039)			(2,552,880)
Cancellation of treasury shares	(1)	(26,858)		(413,509)		3,014,356	(2,600,846)							—		—			—
Share-based compensation expense				40,224	755,011									795,235					795,235
Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares	—	(1,386)		(92,160)										(92,160)		(4,011)			(96,171)
Issuances of Class A ordinary shares:																			
Employee share programs	—	10,861		975,322	(715,790)	481,341	(90,612)							650,261		25,784			676,045
Upon redemption of Accenture Holdings plc ordinary shares		760		5,595										5,595		(5,595)			—
Dividends					51,677		(1,550,411)							(1,498,734)		(68,844)			(1,567,578)
Other, net				(21,841)	—		(1,385)							(23,226)		55,807			32,581
Balance as of August 31, 2017		71	659,537		3,516,399		1,095,026		(1,649,090)		7,081,855		(1,094,784)		8,949,477		760,723		9,710,200
Profit for the financial year							4,059,907								4,059,907		154,687		4,214,594
Other comprehensive income (loss)								(481,387)							(481,387)		(2,233)		(483,620)
Purchases of Class A ordinary shares				49,766		(2,554,084)								(2,504,318)		(49,766)			(2,554,084)
Cancellation of treasury shares		(11,621)		(206,782)		1,582,067	(1,375,285)							—					—
Share-based compensation expense				63,107	913,801									976,908					976,908
Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares		(821)		(80,169)										(80,169)		(4,841)			(85,010)
Issuances of Class A ordinary shares:																			
Employee share programs		10,077		1,132,024	(829,085)	504,159	(68,656)							738,442		14,704			753,146
Upon redemption of Accenture Holdings plc ordinary shares	1	6,852		408,652										408,653		(408,653)			—
Dividends					54,881		(1,725,953)							(1,671,072)		(37,652)			(1,708,724)
Other, net				(12,233)	—		(19,455)							(31,688)		(67,134)			(98,822)
Balance as of August 31, 2018	\$	72	664,024	\$	4,870,764	\$	1,234,623	\$	(2,116,948)	\$	7,952,413	\$	(1,576,171)	\$	10,364,753	\$	359,835	\$	10,724,588

Accenture plc
Consolidated Cash Flows Statements
For the Years Ended August 31, 2018, 2017 and 2016
(In thousands of U.S. dollars)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

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

Basis of Presentation

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

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

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

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

The Consolidated Financial Statements include the Consolidated Balance Sheets of Accenture plc and its subsidiaries as of August 31, 2018 and 2017, and the related Consolidated Profit and Loss Account, Comprehensive Income, Shareholder's Equity and Cash Flows for the twelve months ended August 31, 2018, 2017 and 2016. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to our Annual Report on Form 10-K for the fiscal year ended August 31, 2018 filed with the U.S. Securities and Exchange Commission on October 24, 2018.

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

Revenue Recognition

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

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

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

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

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

as of August 31, 2018 and 2017, respectively, and are included in non-current Deferred revenues. Contract acquisition and origination costs are expensed as incurred.

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

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

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

Employee Share-Based Compensation Arrangements

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

Income Taxes

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

Translation of Non-U.S. Currency Amounts

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

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

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

Client Receivables, Unbilled Services and Allowances

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

Concentrations of Credit Risk

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

Investments

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

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

Property and Equipment

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

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

Goodwill

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

ACCENTURE PLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****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		
	2018	2017	2016
Research and development costs	\$ 790,779	\$ 704,317	\$ 643,407
Advertising costs	78,464	79,883	80,601
Provision for (release of) doubtful accounts (1)	(1,060)	10,117	15,312

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

New Accounting Pronouncements

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

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

2. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

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

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

3. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

- (1) As of August 31, 2018, \$6,313 of net losses is expected to be reclassified into net periodic pension expense recognized in cost of services, sales and marketing and general and administrative costs in the next twelve months and \$27,316 of net losses is expected to be reclassified into non-operating expenses in the next 12 months.
- (2) As of August 31, 2018, \$21,490 of net unrealized losses related to derivatives designated as cash flow hedges is expected to be reclassified into Cost of services in the next twelve months.

ACCENTURE PLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****4. PROPERTY AND EQUIPMENT**

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

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

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

5. BUSINESS COMBINATIONS AND DIVESTITURES**Business Combinations****Fiscal 2018**

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

Fiscal 2017

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

Fiscal 2016

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

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

ACCENTURE PLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****Divestitures****Fiscal 2016**

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

On August 1, 2016, we completed the transfer of our Duck Creek business to 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, we recorded a gain of \$301,239 (reported in “Gain on sale of businesses” in the Consolidated Income Statements) and related income tax expense of \$48,286. The fair value of our retained interest in Duck Creek was calculated based on the terms of the transfer and other factors related to the valuation of the non-controlling interest. Approximately 1,000 employees moved to Duck Creek as a part of this transaction.

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

Goodwill includes immaterial adjustments related to prior period acquisitions.

Intangible Assets

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

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

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

Fiscal Year	Estimated Amortization
2019	\$ 142,050
2020	120,026
2021	107,162
2022	90,993
2023	77,285
Thereafter	149,594
Total	<u>\$ 687,110</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, we use derivative financial instruments to manage foreign currency exchange rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored using techniques such as market value and sensitivity analyses. We do not enter into derivative transactions for trading purposes. We classify cash flows from our derivative programs as cash flows from operating activities in the Consolidated Cash Flows Statements.

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

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

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

Cash Flow Hedges

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

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

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Other Derivatives

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

Fair Value of Derivative Instruments

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

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

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

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

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

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

- (1) This facility, which matures on December 22, 2020, provides unsecured, revolving borrowing capacity for general working capital purposes, including the issuance of letters of credit. Financing is provided under this facility at the prime rate or at the London Interbank Offered Rate, plus a spread. We continue to be in compliance with relevant covenant terms. The facility is subject to annual commitment fees. As of August 31, 2018 and 2017, we had no borrowings under the facility.
- (2) We maintain separate, uncommitted and unsecured multicurrency revolving credit facilities. These facilities provide local currency financing for the majority of our operations. Interest rate terms on the revolving facilities are at market rates prevailing in the relevant local markets. As of August 31, 2018 and 2017, we had no borrowings under these facilities.
- (3) We also maintain local guaranteed and non-guaranteed lines of credit for those locations that cannot access our global facilities. As of August 31, 2018 and 2017, we had no borrowings under these various facilities.

Under the borrowing facilities described above, we had an aggregate of \$324,602 and \$195,998 of letters of credit outstanding as of August 31, 2018 and 2017, respectively. In addition, we had total outstanding debt of \$25,013 and \$25,070 as of August 31, 2018 and 2017, respectively.

In the fourth quarter of fiscal 2017, we entered into agreements that will allow us to establish a commercial paper program for short-term borrowings of up to \$1 billion, backed by our syndicated loan facility.

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

9. INCOME TAXES

	Fiscal		
	2018	2017	2016
Current tax expense	\$ 1,499,499	\$ 1,345,233	\$ 1,188,029
Deferred tax (benefit) expense	94,000	(364,133)	65,940
Total	<u>\$ 1,593,499</u>	<u>\$ 981,100</u>	<u>\$ 1,253,969</u>

Income tax expense attributable to income from continuing operations was \$1,593,499 and \$981,100 for the years ended August 31, 2018 and 2017, respectively. This is different from the amount computed by applying our relevant income tax rates to pre-tax income from continuing operations due to our global operations being taxed at different rates around the world, a net increase to prior-year non-U.S. tax liabilities and impacts from changes in tax laws and rates on our net deferred tax assets. Changes in tax laws and tax rates decreased our net deferred tax assets by \$247,216 in fiscal 2018 and increased our net deferred tax assets by \$68,724 in fiscal 2017.

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

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

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

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

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

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

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

10. RETIREMENT AND PROFIT SHARING PLANS

Defined Benefit Pension and Postretirement Plans

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

Assumptions

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

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

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

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

Assumed U.S. Health Care Cost Trend

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

U.S. Defined Benefit Pension Plan Settlement Charges

In May 2017, we settled our U.S. pension plan obligations. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. As a result of the settlement, we were relieved of any further obligation under our U.S. pension plan. During fiscal 2017, we recorded a pension settlement charge of

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

\$509,793, and related income tax benefits of \$198,219. The charge primarily consisted of unrecognized actuarial losses of \$460,908 previously included in Accumulated other comprehensive loss. In connection with the settlement, we made a \$118,500 cash contribution (\$48,885 related to additional actuarial losses and \$69,615 to fund previously recorded pension liabilities). In connection with the plan termination, we created a separate defined benefit plan, with substantially the same terms as the terminated plan, for approximately 600 active employees who are currently eligible to accrue benefits.

Pension and Postretirement Expense

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

Benefit Obligation, Plan Assets and Funded Status

Selected information regarding pension and postretirement benefit plans as of August 31, 2018 and 2017 were as follows:

	Pension Plans				Postretirement Plans	
	August 31, 2018		August 31, 2017		August 31, 2018	August 31, 2017
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. and Non-U.S. Plans	U.S. and Non-U.S. Plans
Benefit obligation, end of year	\$ 331,916	\$ 1,772,712	\$ 342,863	\$ 1,816,462	\$ 535,632	\$ 529,680
Fair value of plan assets, end of year	210,576	1,127,376	204,629	1,154,128	28,713	26,541
Funded status, end of year	<u>\$ (121,340)</u>	<u>\$ (645,336)</u>	<u>\$ (138,234)</u>	<u>\$ (662,334)</u>	<u>\$ (506,919)</u>	<u>\$ (503,139)</u>
Amounts recognized in the Consolidated Balance Sheets						
Non-current assets	\$ 6,757	\$ 106,621	\$ 2,127	\$ 64,461	\$ —	\$ —
Current liabilities	(10,854)	(27,306)	(11,047)	(21,015)	(1,856)	(1,659)
Non-current liabilities	(117,243)	(724,651)	(129,314)	(705,780)	(505,063)	(501,480)
Funded status, end of year	<u>\$ (121,340)</u>	<u>\$ (645,336)</u>	<u>\$ (138,234)</u>	<u>\$ (662,334)</u>	<u>\$ (506,919)</u>	<u>\$ (503,139)</u>

The employer contributions, participant contributions, pension settlement and benefits paid for fiscal 2018 and 2017 were as follows:

	Fiscal			
	2018		2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Employer contributions	\$ 20,882	\$ 109,292	\$ 129,483	\$ 67,300
Participant contributions	—	12,189	—	11,832
Pension settlement	4,289	(71,562)	(1,612,824)	—
Benefits paid	(13,946)	(69,841)	(49,546)	(47,233)

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Accumulated Other Comprehensive Loss

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

	Pension Plans				Postretirement Plans	
	August 31, 2018		August 31, 2017		August 31, 2018	August 31, 2017
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. and Non-U.S. Plans	U.S. and Non-U.S. Plans
Net loss	\$ 105,580	\$ 357,250	\$ 112,015	\$ 386,428	\$ 114,827	\$ 142,197
Prior service (credit) cost	—	22,293	—	(5,222)	23,671	27,656
Accumulated other comprehensive loss, pre-tax	\$ 105,580	\$ 379,543	\$ 112,015	\$ 381,206	\$ 138,498	\$ 169,853

Funded Status for Defined Benefit Plans

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

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

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

	Pension Plans				Postretirement Plans	
	August 31, 2018		August 31, 2017		August 31, 2018	August 31, 2017
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	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	\$ 128,097	\$ 1,009,762	\$ 342,863	\$ 1,037,634	\$ 535,632	\$ 529,680
Fair value of plan assets	—	257,805	202,502	310,839	28,713	26,541
Accumulated benefit obligation in excess of plan assets						
Accumulated benefit obligation	\$ 128,097	\$ 848,217	\$ 138,476	\$ 810,330		
Fair value of plan assets	—	220,220	—	208,559		

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

The overall investment objective of the defined benefit pension plans is to match the duration of the plans' assets to the plans' liabilities while managing risk in order to meet current defined benefit pension obligations. The plans' future prospects, their current financial conditions, our current funding levels and other relevant factors suggest that the plans can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives without undue risk to the plans' ability to meet their current benefit obligations. We recognize that asset

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

allocation of the defined benefit pension plans' assets is an important factor in determining long-term performance. Actual asset allocations at any point in time may vary from the target asset allocations and will be dictated by current and anticipated market conditions, required cash flows and investment decisions of the investment committee and the pension plans' investment funds and managers. Ranges are established to provide flexibility for the asset allocation to vary around the targets without the need for immediate rebalancing.

Non-U.S. Pension Plans

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

Risk Management

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

Plan Assets

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

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair Value Measurements

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

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

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

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

Non-U.S. Plans

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

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

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

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

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

Expected Contributions

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

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Estimated Future Benefit Payments

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

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

Defined Contribution Plans

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

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

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

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

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

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

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

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

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

- (1) The weighted average grant-date fair value for restricted share units granted for fiscal 2018, 2017 and 2016 was \$153.33, \$117.72 and \$105.16, respectively.
- (2) The total grant-date fair value of restricted share units vested for fiscal 2018, 2017 and 2016 was \$842,002, \$726,324 and \$796,620, respectively.

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

Stock Options

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

Employee Share Purchase Plan**2010 ESPP**

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

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

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

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

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

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

Class A Ordinary Shares

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

Class X Ordinary Shares

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

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

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

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

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

13. MATERIAL TRANSACTIONS AFFECTING SHAREHOLDERS' EQUITY**Share Purchases and Redemptions**

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

Our share purchase activity during fiscal 2018 was as follows:

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

- (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 2018, as authorized under our various employee equity share plans, we acquired Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former 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.
- (3) In connection with the internal merger described in Note 1 (Summary of Significant Accounting Policies) in which Accenture Holdings plc merged with and into Accenture plc, shareholders of Accenture Holdings plc received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, after which Accenture Holdings plc ceased to exist. Accordingly, as of March 13, 2018, there were no longer any ordinary shares of Accenture Holdings plc outstanding.

Other Share Redemptions

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

Cancellation of Treasury Shares

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

Dividends

Our dividend activity during fiscal 2018 was as follows:

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

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

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

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

Subsequent Events

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

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

14. LEASE COMMITMENTS

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

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

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

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

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

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

Indemnifications and Guarantees

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

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

As of August 31, 2018 and 2017, our aggregate potential liability to our clients for expressly limited guarantees involving the performance of third parties was approximately \$782,000 and \$697,000, respectively, of which all but approximately \$130,000 and \$149,000, respectively, may be recovered from the other third parties if we are obligated to make payments to the indemnified parties as a consequence of a performance default by the other third parties. For arrangements with unspecified limitations, we cannot reasonably estimate the aggregate maximum potential liability, as it is inherently difficult to predict the maximum potential amount of such payments, due to the conditional nature and unique facts of each particular arrangement.

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

Legal Contingencies

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

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.

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

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

<u>Fiscal</u>		Communications, Media & Technology	Financial Services	Health & Public Service	Products	Resources	Other (3)	Total
<u>2018</u>								
Net revenues	\$	8,030,775	\$ 8,237,982	\$ 6,688,467	\$10,854,339	\$ 5,657,178	\$ 104,709	\$39,573,450
Depreciation and amortization (1)		176,232	161,451	171,084	271,853	146,156	—	926,776
Operating income		1,368,142	1,352,870	755,559	1,649,785	714,685	—	5,841,041
Net assets as of August 31 (2)		984,345	23,666	989,150	1,571,620	1,046,216	153,725	4,768,722
<u>2017</u>								
Net revenues	\$	6,884,738	\$ 7,393,945	\$ 6,177,846	\$ 9,500,451	\$ 4,847,073	\$ 46,129	\$34,850,182
Depreciation and amortization (1)		148,690	147,343	143,659	228,400	133,697	—	801,789
Operating income		1,048,786	1,207,391	772,785	1,558,680	554,760	(509,793)	4,632,609
Net assets as of August 31 (2)		916,325	155,386	911,605	1,299,898	953,820	112,264	4,349,298
<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

- (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) We do not allocate total assets by operating segment. Operating segment assets directly attributed to an operating segment and provided to the chief operating decision makers include receivables from clients, current and non-current unbilled services, deferred contract costs and current and non-current deferred revenues.
- (3) Other operating income for fiscal 2017 represents the pension settlement charge.

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

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

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

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

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

Revenues by type of work were as follows:

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

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 Accenture during fiscal 2018 and 2017 was as follows:

	Fiscal	
	2018	2017
Billable	413,986	375,781
Non-Billable	27,960	27,232
Total	441,946	403,013

Employee costs for fiscal 2018 and 2017 were as follows:

	Fiscal	
	2018	2017
Wages and salaries	\$ 20,000,507	\$ 17,331,221
Social welfare costs	2,129,549	1,804,088
Share-based compensation expense	976,908	795,235
Pension and postretirement expense	711,912	1,171,115
Other, principally employee benefits	1,642,335	1,523,304
Total employee costs	\$ 25,461,211	\$ 22,624,963

18. DIRECTORS' REMUNERATION

Directors' remuneration for fiscal 2018 and 2017 is set forth in the table below. Mr. Nanterme, our 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	
	2018	2017
Managerial services (1)	\$ 23,528	\$ 17,575
Director services (2)	3,608	3,567

(1) This calculation was made in accordance with the requirements of the Companies Act 2014 and includes the following during fiscal 2018 and 2017, respectively: base compensation earned of \$1,077 and \$979; non-equity incentive plan cash payments of \$3,704 and \$2,983; share-based compensation expense of \$18,629 and \$13,507 calculated in accordance with US GAAP; and other of \$118 and \$106.

(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, our statutory auditor, during fiscal 2018 and 2017 were as follows:

	Fiscal	
	2018	2017
Audit fees		
Audit fees paid to KPMG and its affiliates (1)	\$ 18,778	\$ 17,128
Audit of the parent company financial statements	75	75
Total audit fees	18,853	17,203
Audit-related fees	974	2,154
Tax fees (2)	1,247	1,068
All other fees	4	9
Total	\$ 21,078	\$ 20,434

(1) Includes audit fees paid to KPMG Ireland for the statutory audit of Accenture plc's Consolidated Financial Statements of \$967 and \$771 for fiscal 2018 and 2017, respectively.

(2) Includes tax fees paid to KPMG Ireland for statutory tax advisory services for Accenture plc's Consolidated Financial Statements of \$776 and \$664 for fiscal 2018 and 2017, 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, 2018, our principal subsidiaries, being those subsidiaries whose assets, liabilities, financial position or profit or loss, in the opinion of the directors of Accenture principally affected our Consolidated Financial Statements or whose financial performance is not consolidated into our 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
2nd Road 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
DayNine Consulting (Australia) PTY LTD	Australia
Interactive Broadband Consulting Group Australia Pty Ltd	Australia
Loud & Clear Creative Pty Ltd	Australia
Maud Corp Pty Limited	Australia
The Monkeys Pty Limited	Australia
Octo Technology Pty Ltd	Australia
Redcore Group Holdings Pty Ltd	Australia
Redcore Pty Ltd	Australia
Simian Pty Limited	Australia
Troop Studios Pty Ltd	Australia
Accenture GmbH	Austria
Accenture Technology Solutions GmbH	Austria
Avanade Österreich GmbH	Austria
Accenture Communications Infrastructure Solutions Ltd	Bangladesh
Accenture BPM S.C.R.L.	Belgium
Accenture NV/SA	Belgium
Accenture Technology Ventures S.P.R.L.	Belgium
Avanade Belgium SPRL	Belgium
Octo Technology 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 Diaeto Agencia de Publicidade SA	Brazil
Avanade do Brasil Limitada	Brazil
BPO Servicos Administrativos Ltda	Brazil
Concrete Desenvolvimento de Sistemas Ltda.	Brazil
Concrete Solutions Ltda.	Brazil
Gapso Serviços de Informática Ltda.	Brazil
Vivere Brasil Serviços e Soluções SA	Brazil

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 Bulgaria EOOD	Bulgaria
Accenture Business Services for Utilities Inc	Canada
Accenture Business Services of British Columbia Limited Partnership	Canada
Accenture Canada Holdings Inc.	Canada
Accenture Inc	Canada
Accenture Nova Scotia Unlimited Liability Co.	Canada
Avanade Canada Inc.	Canada
Gestion Altima Canada Inc.	Canada
Kurt Salmon Canada LTD	Canada
NBS Marketing Inc.	Canada
PCO Innovation Canada Inc.	Canada
Accenture Chile Asesorias y Servicios Ltda	Chile
Neo Metrics Chile, S.A.	Chile
Accenture (Beijing) Mobile Technology Co Ltd	China
Accenture (China) Co Ltd	China
Accenture Enterprise Development (Shanghai) Co Ltd.	China
Accenture Technology Solutions (Dalian) Co Ltd	China
Aorui Advertising (Shanghai) Co., Ltd.	China
Avanade (Guangzhou) Computer Technology Development Co., Ltd.	China
Chengdu Mensa Advertising Co., Ltd.	China
designaffairs Business Consulting (Shanghai) Co. Ltd.	China
Inventor Advertisement (Beijing) Co., Ltd.	China
Mackevision CG Technology and Service (Shanghai) Co. Ltd.	China
Nanjing Demeng Advertising Co., Ltd.	China
NewsPage China Ltd.	China
Qi Jie Beijing Information Technologies Co Ltd	China
Shanghai Baiyue Advertising Co., Ltd.	China
Shun Zhe Technology Development Co. Ltd.	China
Vertical Retail Consulting (Shanghai) Ltd.	China
Xiamen Zang Tong Information Technology Co Ltd	China
Accenture Ltda	Colombia
Accenture S.R.L.	Costa Rica
Accenture Services SRL	Costa Rica
Search Technologies LATAM, S.A.	Costa Rica
Accenture Business and Technology Services LLC	Croatia
Accenture Services s.r.o.	Czech Republic
INCAD, spol. s.r.o.	Czech Republic
SinnerSchrader Praha s.r.o.	Czech Republic
Accenture A/S	Denmark
Avanade Denmark A/S	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

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>
PJP-Pankkijärjestelmäpalvelut Oy	Finland
Accenture Holdings France SAS	France
Accenture Insurance Services SAS	France
Accenture Post Trade Processing SAS	France
Accenture SAS	France
Accenture Technology Solutions SAS	France
Altima SAS	France
Appaloosa Technology SAS	France
Avanade France SAS	France
Digiplug SAS	France
Octo Technology SA	France
Pach Invest SAS	France
Accenture CAS GmbH	Germany
Accenture Cloud Services GmbH	Germany
Accenture Dienstleistungen GmbH	Germany
Accenture Digital Holdings GmbH	Germany
Accenture GmbH	Germany
Accenture Holding GmbH & Co. KG	Germany
Accenture Management GmbH	Germany
Accenture Services für Kreditinstitute GmbH	Germany
Accenture Services GmbH	Germany
Accenture Technology Solutions GmbH	Germany
Avanade Deutschland GmbH	Germany
designaffairs GmbH	Germany
GoodFilm GmbH Filmproduktion Stuttgart	Germany
Mackevision Medien Design GmbH Hamburg	Germany
Mackevision Medien Design GmbH München	Germany
Mackevision Medien Design GmbH Stuttgart	Germany
SinnerSchrader AG	Germany
SinnerSchrader Commerce GmbH	Germany
SinnerSchrader Content GmbH	Germany
SinnerSchrader Deutschland GmbH	Germany
SinnerSchrader Swipe GmbH	Germany
Accenture Ghana Limited	Ghana
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
Altima Asia Ltd.	Hong Kong
Avanade Hong Kong Ltd	Hong Kong
AvantBiz Consulting Limited	Hong Kong
designaffairs group China Co. Ltd.	Hong Kong
DMA Solutions Limited	Hong Kong
Inventor Technology Limited	Hong Kong

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>
LemonXL Limited	Hong Kong
Most Champion Ltd	Hong Kong
PacificLink iMedia Ltd.	Hong Kong
Pixo Punch Limited	Hong Kong
Seabury Aviation & Aerospace Asia (Hong Kong) Limited	Hong Kong
Vertical Retail Consulting Hong Kong, Ltd.	Hong Kong
Vertical Retail Consulting Ltd.	Hong Kong
Accenture Hungary Holdings Kft	Hungary
Accenture Industrial Software Solutions Kft	Hungary
Accenture Tanacsado Kolatolt Felelossegu Tarsasag	Hungary
Accenture Solutions Private Limited	India
Energy Quote Private Ltd.	India
Innoveer Solutions India Pvt Ltd	India
Kogentix Technologies Private Limited	India
Redcore (India) Private Limited (India)	India
Sanchez Capital Services Pvt Ltd	India
SolutionsIQ India Consulting Services Private Limited	India
Perseroan Terbatas. Accenture	Indonesia
PT Kogentix Teknologi Indonesia	Indonesia
Accenture Capital DAC	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 Holdings Ltd.	Ireland
Accenture Global Services Ltd	Ireland
Accenture Global Solutions Ltd	Ireland
Accenture International Limited	Ireland
Accenture Limited	Ireland
Agave Consultants Limited	Ireland
Avanade Ireland Limited	Ireland
Exactside Limited	Ireland
Rothco Holdings Designated Activity Company	Ireland
Rothco Unlimited Company	Ireland
S3 TV Technology Limited	Ireland
Tadata Creative Unlimited Company	Ireland
Tara Insurance DAC	Ireland
Accenture Ltd	Israel
Maglan Information Defense Technologies Research Ltd.	Israel
Accenture SpA	Italy
Accenture Back Office and Administration Services S.p.A.	Italy
Accenture Finance and Accounting BPO Services S.p.A.	Italy
Accenture HR Services S.p.A.	Italy
Accenture Managed Services SpA	Italy
Accenture Technology Solutions SRL	Italy
Accenture Outsourcing SRL	Italy

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>
Avanade Italy SRL	Italy
Fondazione Italiana Accenture	Italy
I-Faber S.p.A.	Italy
Accenture Japan Ltd	Japan
Avanade KK	Japan
DayNine Consulting Japan K.K.	Japan
IMJ Corporation	Japan
Mackevision Japan Co., Ltd.	Japan
Renacentis IT Services, Co. Ltd	Japan
Accenture East Africa Limited	Kenya
Accenture Sàrl	Luxembourg
Accenture International Capital SCA	Luxembourg
Accenture Sendirian Berhad	Malaysia
Accenture Technology Solutions Sdn. Bhd.	Malaysia
Accenture Solutions Sdn Bhd	Malaysia
Aspiro Solutions (Malaysia) Sdn Bhd	Malaysia
Avanade Malaysia Sdn Bhd	Malaysia
Hytracc Consulting Malaysia Sdn. Bhd.	Malaysia
NewsPage (Malaysia) Sdn Bhd	Malaysia
Seabury Malaysia Sdn. Bhd.	Malaysia
Accenture Services (Mauritius) Ltd	Mauritius
Accenture Process Ltd	Mauritius
Accenture S.C.	Mexico
Accenture Technology Solutions S.A. de C.V.	Mexico
Operaciones Accenture 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
Octo Technology SA	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 International BV	Netherlands
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
Accenture NZ Limited	New Zealand
Cloud Sherpas New Zealand Ltd.	New Zealand
DayNine Consulting (New Zealand) Limited	New Zealand

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>
Redcore (New Zealand) Limited	New Zealand
Accenture Ltd	Nigeria
Accenture AS	Norway
Avanade Norway AS	Norway
Accenture Services AS	Norway
Hytracc Consulting AS	Norway
Accenture Panama Inc	Panama
Accenture Peru S.R.L	Peru
Accenture Technology Solutions Srl	Peru
Accenture Inc	Philippines
Accenture Healthcare Processing Inc.	Philippines
Cloudsherpas, Inc.	Philippines
Search Technologies BPO, Inc.	Philippines
Zenta Global Philippines, Inc.	Philippines
Accenture Sp. z o.o.	Poland
Accenture Delivery Poland sp. z o.o.	Poland
Accenture Operations Sp. z o.o.	Poland
Accenture Services Sp. z o.o.	Poland
Avanade Poland Sp. z o.o.	Poland
Accenture 2 Business Process Services S.A.	Portugal
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
Accenture OOO	Russia
Accenture Saudi Arabia Limited	Saudi Arabia
Accenture Pte Ltd	Singapore
Accenture SG Services Pte Ltd	Singapore
Accenture Solutions Pte Ltd	Singapore
Avanade Asia Pte Ltd	Singapore
Brand Learning Pte Limited	Singapore
Cloud Sherpas (SN) (PTE.) Limited	Singapore
Kogentix Singapore Pte. Ltd	Singapore
Mackevision Singapore Pte. Ltd.	Singapore
NewsPage Pte Ltd	Singapore
Redcore (Asia) 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

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>
Avanade South Africa Pty Ltd	South Africa
Mackevision Korea Ltd	South Korea
Accenture Holdings (Iberia) S.L.	Spain
Accenture Outsourcing Services, S.A.	Spain
Accenture S.L.	Spain
Avanade Spain SL	Spain
CustomerWorks Europe SL	Spain
Energua Web, S.A.	Spain
Informatica de Euskadi S.L	Spain
ITBS Servicios Bancarios de Tecnología de la Información SL	Spain
Tecnologica Ecosistemas, S.A.	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
Octo Technology SA	Switzerland
Accenture Co Ltd	Taiwan
Accenture Consulting Services Ltd Tanzania	Tanzania
Accenture Co Ltd.	Thailand
Accenture Solutions Co Ltd	Thailand
Accenture Technology Solutions (Thailand) Co., Ltd	Thailand
IT One Company Limited	Thailand
AGS Business and Technology Services Limited	Trinidad and Tobago
Accenture Danismanlik Limited Sirketi	Turkey
Accenture Industrial Software Limited Liability Company (Accenture Endüstriyel Yazılım Çözümleri Limited Şirketi)	Turkey
Accenture Azerbaijan Ltd	United Kingdom
Accenture Cloud Solutions Ltd	United Kingdom
Accenture Cloud Software Solutions Ltd	United Kingdom
Accenture HR Services Ltd	United Kingdom
Accenture (UK) Ltd	United Kingdom
Accenture Post-Trade Processing Limited	United Kingdom
Accenture Systems Integration Limited	United Kingdom
Acquity Customer Insight Limited	United Kingdom
Allen International Consulting Group Ltd	United Kingdom
Avanade UK Ltd	United Kingdom
Avanade Europe Holdings Ltd	United Kingdom
Avanade Europe Services Ltd	United Kingdom
Brand Learning Group Limited	United Kingdom
The Brand Learning Partners Limited	United Kingdom

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>
Certus Solutions Consulting Services Ltd	United Kingdom
Cloud Talent Limited	United Kingdom
Cutting Edge Solutions Ltd	United Kingdom
DayNine Consulting, Ltd.	United Kingdom
Energy Management Brokers Ltd.	United Kingdom
EnergyQuote Trading Ltd.	United Kingdom
EnergyQuote JHA Ltd.	United Kingdom
Focus Group Europe Limited	United Kingdom
Formicary Holdings Limited	United Kingdom
Formicary Limited	United Kingdom
GenFour Limited	United Kingdom
Imagine Broadband (USA) Ltd	United Kingdom
Infusion Development UK Limited	United Kingdom
K Comms Group Limited	United Kingdom
Karma Communications Holdings Limited	United Kingdom
Kaper Communications Limited	United Kingdom
Karma Communications Debtco Limited	United Kingdom
Karma Communications Group Limited	United Kingdom
Karmarama Comms Limited	United Kingdom
Karmarama Limited	United Kingdom
Kogentix Ltd	United Kingdom
Kream Comms Limited	United Kingdom
Kurt Salmon UKI, Ltd.	United Kingdom
Logistics Market Place Limited (UK)	United Kingdom
Mackevision UK Ltd	United Kingdom
Nice Agency Limited	United Kingdom
New Energy Associates Ltd	United Kingdom
Seabury Aviation & Aerospace (UK) Limited	United Kingdom
Search Technologies 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 Flex LLC	United States
Accenture Inc	United States
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
Altitude LLC	United States
ASM Research LLC	United States
Avanade Federal Services LLC	United States
Avanade Holdings LLC	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>
Avanade Inc	United States
Avanade International Corporation	United States
BABCN LLC	United States
Brand Learning LLC	United States
Capital Consultancy Services, Inc.	United States
Clearhead Group, LLC	United States
Cloud Sherpas (GA) LLC	United States
Computer Research and Telecommunications LLC	United States
Davies Consulting, LLC	United States
DayNine Consulting LLC	United States
Declarative Holdings, LLC	United States
Defense Point Security, LLC	United States
Designaffairs, LLC	United States
Digital Consulting & Software Services LLC	United States
Duck Creek Technologies LLC	United States
First Annapolis Consulting, LLC	United States
First Annapolis International, LLC	United States
Imagine Broadband USA LLC	United States
InfusionDev LLC	United States
Interactive Broadband Consulting Group, LLC	United States
Investtech Systems Consulting LLC	United States
Kogentix LLC	United States
Kurt Salmon US LLC	United States
Mackevision Corporation	United States
MCG US Holdings LLC	United States
Meredith Specialty LLC	United States
Meredith Xcelerated Marketing Corporation	United States
Mindtribe Product Engineering LLC	United States
Mortgage Cadence LLC	United States
Pillar Technology Group 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
Seabury Airline Planning Group, LLC	United States
Seabury Aviation Consulting LLC	United States
Seabury Corporate Advisors LLC	United States
Seabury Human Capital LLC	United States
Seabury Structured Finance LLC	United States
Search Technologies International LLC	United States
Search Technologies LLC	United States
Solutions IQ, LLC	United States
Wire Stone, LLC	United States
Zenta Mortgage Services LLC	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>
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
PARENT COMPANY FINANCIAL STATEMENTS

ACCENTURE PLC
COMPANY STATEMENTS OF FINANCIAL POSITION
As at August 31, 2018 and 2017
(In thousands of U.S. dollars)

	August 31, 2018	August 31, 2017
Assets		
Financial fixed assets	\$ 29,716,201	\$ 25,203,434
Total non-current assets	<u>29,716,201</u>	<u>25,203,434</u>
Receivables from subsidiaries	1,816,852	1,565,866
Prepayments and other assets	329	758
Cash and cash equivalents	238	469
Total current assets	<u>1,817,419</u>	<u>1,567,093</u>
Total assets	<u><u>\$ 31,533,620</u></u>	<u><u>\$ 26,770,527</u></u>
Liabilities		
Payables to subsidiaries	\$ 96,378	\$ 27,445
Other current liabilities	612	881
Total current liabilities	<u>96,990</u>	<u>28,326</u>
Equity		
Share capital	72	71
Capital redemption reserve	5	5
Share premium	7,808,948	3,252,733
Share-based payments reserve	1,276,808	1,134,558
Treasury share reserve	(1,660,085)	(1,192,227)
Retained earnings	24,010,882	23,547,061
Total equity attributable to owners of the Company	<u>31,436,630</u>	<u>26,742,201</u>
Total equity and liabilities	<u><u>\$ 31,533,620</u></u>	<u><u>\$ 26,770,527</u></u>

These financial statements were approved and signed on behalf of the Board of Directors on October 24, 2018 by:


Pierre Nanterme
Director


Paula A. Price
Director

ACCENTURE PLC
COMPANY STATEMENTS OF CHANGES IN EQUITY
For years ended August 31, 2018 and 2017
(In thousands of U.S. dollars)

	Share capital	Capital redemption reserve	Share premium	Share-based payments reserve	Treasury share reserve	Retained earnings	Total equity
Balance as at August 31, 2016	\$ 72	\$ 4	\$ 2,818,354	\$ 1,050,409	\$ (2,135,044)	\$ 24,438,828	\$ 26,172,623
Profit attributable to owners of the Company						3,089,983	3,089,983
Issuance of ordinary shares			434,379		481,341	(86,254)	829,466
Net activity related to share-based payments reserve				32,472		711,937	744,409
Purchases of treasury shares					(2,552,880)		(2,552,880)
Dividends paid				51,677		(1,593,077)	(1,541,400)
Retirement of shares	(1)	1			3,014,356	(3,014,356)	—
Balance as at August 31, 2017	71	5	3,252,733	1,134,558	(1,192,227)	23,547,061	26,742,201
Profit attributable to owners of the Company						3,052,333	3,052,333
Issuance of ordinary shares	1		4,556,215		504,160	(68,656)	4,991,720
Net activity related to share-based payments reserve				87,369		831,067	918,436
Purchases of treasury shares					(2,554,085)		(2,554,085)
Dividends paid				54,881		(1,768,856)	(1,713,975)
Retirement of shares					1,582,067	(1,582,067)	—
Balance as at August 31, 2018	<u>\$ 72</u>	<u>\$ 5</u>	<u>\$ 7,808,948</u>	<u>\$ 1,276,808</u>	<u>\$ (1,660,085)</u>	<u>\$ 24,010,882</u>	<u>\$ 31,436,630</u>

ACCENTURE PLC
COMPANY STATEMENTS OF CASH FLOWS
For years ended August 31, 2018 and 2017
(In thousands of U.S. dollars)

	<u>2018</u>	<u>2017</u>
Operating activities		
Profit attributable to owners of the Company	\$ 3,052,333	\$ 3,089,983
Adjustments to reconcile Profit attributable to owners of the Company to net cash provided by operating activities:		
Gain on sale of subsidiary shares	(734,258)	(1,561,175)
Changes in assets and liabilities		
Receivables and payables from/to subsidiaries	92,502	1,187
Prepayments and other assets	429	370
Other current liabilities	(269)	(1,036)
Net cash provided by (used in) operating activities	<u>2,410,737</u>	<u>1,529,329</u>
Investing activities		
Share based payment excess recharge received from subsidiaries	465,618	390,410
Net cash proceeds related to share based payment plans	(1,547,630)	(1,774,744)
Shares purchased under share buy-back program	889,271	2,171,130
Net cash provided by (used in) investing activities	<u>(192,741)</u>	<u>786,796</u>
Financing activities		
Dividends paid	(1,713,975)	(1,541,400)
Proceeds from issuance of ordinary shares	753,147	676,045
Proceeds from recharges to subsidiaries	1,296,686	1,102,347
Purchases of treasury shares	(2,554,085)	(2,552,880)
Net cash provided by (used in) financing activities	<u>(2,218,227)</u>	<u>(2,315,888)</u>
Net increase (decrease) in cash and cash equivalents	<u>(231)</u>	<u>237</u>
Cash and cash equivalents, beginning of period	<u>469</u>	<u>232</u>
Cash and cash equivalents, end of period	<u><u>\$ 238</u></u>	<u><u>\$ 469</u></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 under registered number 471706 and domiciled in Ireland.

The address of its registered office is:

1 Grand Canal Square
Grand Canal Harbour
Dublin 2

2. ACCOUNTING POLICIES

Except as explained in Note 3, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s financial statements.

Statement of Compliance

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (“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.

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 2 - Classification and Measurement of Share-based Payment Transactions
- Applying IFRS 9 Financial Instruments with IFRS 4
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016 Cycle

In the year ended August 31, 2018, 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 using the prevailing rate 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.

Profit and Loss Account

In accordance with Section 304 of the Companies Act 2014, the Company has availed itself of an exemption from presenting the entity profit and loss account. The Company’s profits for the years ended August 31, 2018 and 2017 were \$3,052 million and \$3,090 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

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

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

Company, below), based on its 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. Subsequent activity related to subsidiary share transactions and share-based payment transactions are accounted for at cost.

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 an increase or decrease in financial fixed assets.

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.

ACCENTURE PLC

NOTES TO COMPANY FINANCIAL STATEMENTS (continued)

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

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

On March 13, 2018, Accenture Holdings plc, an Irish public company with limited liability and, at the time, a direct subsidiary of the Company, merged with and into the Company, in accordance with Chapter 16 of Part 17 of the Companies Act 2014, with the Company as the surviving entity (the "Merger"). As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. In connection with this internal merger, shareholders of Accenture Holdings plc (other than Accenture entities that held shares of Accenture Holdings plc), who primarily consisted of current and former members of Accenture Leadership and their permitted transferees, received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc owned by such shareholders. As a result of the Merger, the Company recorded an increase of \$4,152 million in its financial fixed assets (reflecting the fair value of the issued ordinary shares in Accenture Holdings plc held by shareholders outside of the Accenture Group and excluding the shares held by the Company and Accenture Holdings plc itself), with a corresponding increase in the total amount of shareholder equity.

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. In 2018, the Company's investment increased due to its merger with Accenture Holdings plc.

Balance as at August 31, 2016	\$	24,641,092
Net activity related to subsidiary share transactions		(519,205)
Net activity related to share-based payment plans		1,081,547
Balance as at August 31, 2017	\$	25,203,434
Additions in the year		4,152,330
Net activity related to subsidiary share transactions		(102,464)
Net activity related to share-based payment plans		462,901
Balance as at August 31, 2018	\$	29,716,201

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, 2018	August 31, 2017
<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, 2018 and 2017	\$ 57	\$ 57
Class A ordinary shares, par value \$0.0000225 per share, 663,327,677 and 638,965,789 shares as at August 31, 2018 and 2017, respectively(1)	15	14
Class X ordinary shares, par value \$0.0000225 per share, 655,521 and 20,531,383 shares as at August 31, 2018 and 2017, respectively(2)	—	—
	<u>\$ 72</u>	<u>\$ 71</u>

- (1) Includes the issuance of 35,982,509 and 11,620,656 Class A ordinary shares during the years ended August 31, 2018 and 2017, respectively.
- (2) 19,875,862 and 1,385,772 Class X ordinary shares were cancelled during the years ended August 31, 2018 and 2017, 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

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

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 \$3,058 million and \$3,399 million of profit recorded during the years ended August 31, 2018 and 2017, respectively. Additionally, dividends of \$37 million and \$33 million were paid to subsidiaries of the Company during the years ended August 31, 2018 and 2017, 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

The Company's borrowing facilities are the same as those described in Note 8 to the Consolidated Financial Statements.

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 Limited, Accenture Capital Designated Activity Company, Accenture Finance Limited, Accenture Finance II Limited, Accenture Global Holdings Limited, Accenture Global Services Limited, Accenture Global Solutions Limited, Accenture International Limited, Exactside Limited, Rothco Holdings Designated Activity Company, Rothco Unlimited Company, and Tadata Creative Unlimited Company.

8. TAX

As of August 31, 2018 and 2017, the Company had unrecognized deferred tax assets of \$275 million and \$280 million, respectively, principally from tax credits on foreign dividends. 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. SUBSEQUENT EVENTS

Since the end of the fiscal 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.