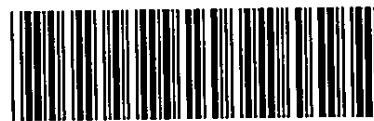


Avanade Europe Services Limited

Directors' report and financial statements

For the year ended 31 August 2011

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AVANADE EUROPE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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AVANADE EUROPE SERVICES LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

A Kumar
D Patel
S Stone
D Suttan
A White

SECRETARY

R Redman

AUDITOR

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

REGISTERED OFFICE

2nd Floor
135-141 Wardour Street
London
W1F 0UT

BANK

Bank of America NA
5 Canada Square
London
E14 5AQ

AVANADE EUROPE SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their Directors' report and the financial statements of Avanade Europe Services Limited for the year ended 31 August 2011

Principal activities

The Company's principal activity is provision of management and administrative services to all the Avanade Group companies in Europe

Avanade is a global technology company that specialises in delivering services and solutions using Microsoft enterprise technology. Avanade was formed as a joint venture between Accenture and Microsoft, Accenture and Microsoft continue to account for the majority of business engagements. Avanade works with businesses of all sizes and across a number of industries.

Business review

The Company's strategy

Avanade's "high performance business" strategy builds its expertise in consulting, technology and outsourcing to help clients perform at highest levels so they can create sustainable value for their customers, stakeholders and shareholders. Avanade uses industry and business-process knowledge, its service offering expertise and Avanade's insight into and understanding of emerging technologies and new business and technology trends to formulate and implement solutions for clients. Avanade helps clients improve operational performance, deliver their products and services more effectively and efficiently and grow their businesses in existing and new markets.

Delivering the strategy

Avanade's industry focus gives the business an understanding of industry evolution, business issues and applicable technologies, enabling it to deliver innovative solutions tailored to each client or, as appropriate, more-standardised capabilities to multiple clients.

Avanade connects insight, innovation, and expertise in Microsoft technologies to help its customers realise results across the enterprise with the goal of being recognised as a global services innovator, helping customers realise the best results from the Microsoft platform. By aiming to be the leading Microsoft provider for every solution and market it chooses to serve, Avanade develops its knowledge capital, builds its skills and capabilities, and creates, acquires and manages key assets central to the development of solutions for clients.

Client engagement teams which typically consist of industry experts, capability specialists and professionals with local market knowledge leverage the full capabilities of Avanade's global delivery model to deliver price competitive solutions and services. In certain instances the client engagement teams include subcontractors, who supplement Avanade's professionals with additional resources in a specific skill, service or product area, as needed.

Strengths and resources

Global delivery model

A key Avanade differentiator is its strategic global delivery model, which allows the business to draw on the benefits of using people and other resources including scalable, standardised processes, methods and tools, specialised business process and technology skills, cost advantages, foreign language fluency and proximity to clients. Emphasising quality, reduced risk, speed to market and predictability, the global delivery model enables Avanade to provide clients with price-competitive services and solutions that drive higher levels of performance.

AVANADE EUROPE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Alliances

Avanade has sales and delivery alliances with companies whose capabilities complement the business, either by, among other things, enhancing a service offering, delivering a new technology or helping to extend services. By combining alliance partners' products and services with Avanade's own capabilities and expertise, Avanade creates innovative, high-value business solutions for its clients. Most of our alliances are non-exclusive. These alliances can generate significant revenues from services to implement Avanade's alliance partners' products. Avanade also receives some direct payments, which are not material to our business, from its alliance partners as compensation for marketing and other assistance.

Employees

Avanade's most important asset is its people. The diverse and global makeup of the workforce enables the business to serve its diverse and global client base. Avanade is deeply committed to the continued development of its employees, who receive significant and focused technical, functional, industry, managerial and leadership skill development and training appropriate for their roles and levels. Avanade seeks to reinforce its employees' commitments to its clients, culture and values through a comprehensive performance management system and a career philosophy that rewards both individual performance and teamwork. Avanade seeks to maintain a work environment that reinforces collaboration, motivation and innovation and this is consistent with the Company's core values and code of business ethics.

Financial Review

The profit and loss account for the year ended 31 August 2011 and the balance sheet at that date are set out on pages 9 and 10 respectively. Fees charged by Avanade Europe Services Limited to the European Avanade subsidiaries for services provided to them during the year ended 31 August 2011 amount to £13,861,000 (2010 £10,545,000). The total recognised profit for the financial year after taxation amounted to £71,000 (2010 £2,345,000). Net assets at 31 August 2011 amounted to £131,709,000 (2010 £131,638,000). The Directors do not recommend the payment of a final dividend (2010 nil).

Key performance indicators

As part of the review of the business the Directors have used key performance indicators to analyse the results for the year

	2011	2010
Gross profit margin	21%	10%
Operating profit margin	1%	(1%)

The Directors have reviewed the above key performance indicators and have confirmed that the operating profit is in line with expectations.

AVANADE EUROPE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Risks that relate to the Company's business

The results of the Company's operations could be adversely affected by volatile, negative or uncertain economic conditions and the effects of these conditions on the Company's clients' businesses and levels of business activity

Global economic conditions affect the Company's clients' businesses and markets they serve, and volatile, negative or uncertain economic conditions may have an adverse effect on the Company's revenue growth and profitability. Volatile, negative or uncertain economic conditions in the Company's significant markets could undermine business confidence, both in those markets and other markets and cause the Company's clients to reduce or defer spending on new technologies or initiatives or terminate existing contracts, which would negatively affect the Company's business. Growth in the markets the Company serves could be at a slow rate, or could stagnate, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which the Company operates and the industries it serves may affect demand for services. On-going economic volatility and uncertainty affects the Company's business in a number of other ways, including making it more difficult to accurately forecast client demand beyond the short term and effectively build the Company's revenue and resource plans, particularly in consulting. This could result, for example, in the Company not having the appropriate personnel where they are needed, and could have a significant negative impact on its results of operations.

The Company's profitability could suffer if the Company is not able to maintain favourable pricing rates

The Company's profit margin, and therefore the Company's profitability, is dependent on the rates the Company is able to charge other group entities for its services. If the Company is not able to maintain favourable pricing for the Company's services, the Company's profit margin and its profitability could suffer.

Shared services are a significant part of the Company's business and subject the company to operational and financial risk

The Company's revenues are generated from the provision of financial shared services activities. The Company's success is dependent on being able to provide high value added back office support at a reasonable cost to other group companies. The risk is managed through regular review and monitoring of the Company's cost base and the quality of the service provided to fellow group undertakings.

Cash flow risk

The Company has negligible cash flow risk exposure as the Company's primary funding is through facilities with fellow subsidiary undertakings.

The Company's operating results may be adversely affected by fluctuations in foreign currency exchange rates

Although the Company reports its operating results in sterling, a percentage of the Company's turnover is denominated in currencies other than sterling. Fluctuations in foreign currency exchange rates can have a number of adverse effects on the Company. Changes in the value of sterling against other currencies will affect the Company's turnover, operating profit and the value of balance sheet items originally denominated in other currencies.

There is no guarantee that the Company's financial results will not be adversely affected by currency exchange rate fluctuations. An increase in the value of certain currencies, such as the US Dollar, against Sterling could adversely affect revenue from European AvanaDe subsidiaries denominated in US Dollar.

AVANADE EUROPE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Interest rate risk

The Company has interest repayments on its borrowings with fellow subsidiary undertakings. The Company's primary funding is through facilities with fellow subsidiary undertakings, with interest being charged at market rates on all such inter-group funding. The Company has not used third-party financing.

Availability of additional financing by recourse to inter-group funding as a primary source of borrowing is the most significant mitigating factor in terms of the Company's exposure to liquidity risk.

Credit risk

The Company's treasury function transacts with counterparties that are considered to be low investment risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Directors, Secretary and their interests

The Directors and Secretary who held office during the period were as follows:

A Kumar
D Patel
S Stone
D Suttin
A White
R Redman (secretary)

None of the Directors who held office at the end of the year had any disclosable interest in the shares of the Company.

Political and charitable donations

The Company made no political or charitable donations during the year (2010 nil).

Policy and practice of payment of creditors

The Company has a variety of payment terms with its suppliers. The terms of payment for purchases under major contracts are agreed separately with each supplier.

Employees

The Company promotes equal opportunities for existing, former and prospective employees and has an Equal Opportunities Policy in addition to a Grievance Procedure and a Meritocracy and Harassment Policy.

The Company is committed to being an equal opportunities and diverse employer. All matters related to employment are decided on the basis of qualifications, merit and business need. The Company does not discriminate on the basis of race, religion or belief, colour, sex or sexual orientation, gender reassignment, age, physical or mental disability, nationality, ethnic or national origin.

It is the Company's policy to develop and maintain measures to encourage best practice in the recruitment and selection, reward and recognition, training and development and retention of employees. In support of this policy, the Company seeks to implement best practice initiatives in respect of its anti-discrimination legislation obligations, rather than the minimum standard. In appointing people to jobs, the Company's criteria is that the best person for the job will be selected, taking into account any appropriate reasonable adjustments.

Communication and consultation with employees or their representatives occurs on a regular basis through a variety of channels, including regular e-mail bulletins, conference calls and meetings with the aim of ensuring that views of employees are taken into account when decisions are made that are likely to affect their interests.

AVANADE EUROPE SERVICES LIMITED

DIRECTORS' REPORT (continued)

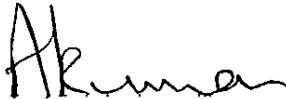
Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditor

Pursuant to section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG, Chartered Accountants, will therefore continue in office

By order of the board



A Kumar
Director

Date 27/03/12

2nd Floor
135-141 Wardour Street
London W1F 0UT

Registered No 5137087 (England & Wales)

AVANADE EUROPE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

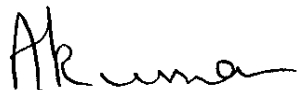
The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law the Directors are also responsible for preparing a Directors' Report that complies with that law.



A Kumar
Director

Date 27/05/12

2nd Floor
135-141 Wardour Street
London
W1F 0UT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AVANADE EUROPE SERVICES LIMITED

We have audited the financial statements of AvanaDE Europe Services Limited for the year ended 31 August 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out page 7, the Directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APBs) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at (www.frc.org.uk/apb/scope/UKNP.cfm).

Opinion on financial statements

In our opinion, the financial statements

- give a true and fair view, of the state of the Company's affairs as at 31 August 2011 and of its profit for the year then ended, and
- have been properly prepared in accordance with the UK Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the UK Companies Act 2006.

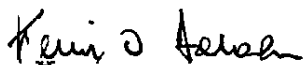
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Date

27/03/12

Kevin O' Donovan (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor

Chartered Accountants

Registered Auditor

1 Stokes Place

St Stephen's Green

Dublin 2

AVANADE EUROPE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 August 2011

	Notes	Year Ended 31 August 2011 £000	Year Ended 31 August 2010 £000
Turnover	2	13,861	10,545
Cost of sales		<u>(10,955)</u>	<u>(9,438)</u>
Gross profit		2,906	1,107
Administration expense		<u>(2,794)</u>	<u>(1,200)</u>
Operating profit/(loss)		112	(93)
Impairment recognised on investments	3	<u>-</u>	<u>(1,222)</u>
Profit/(loss) on ordinary activities before interest and taxation	3	112	(1,315)
Interest receivable	6	27	30
Interest payable	7	(5)	-
Dividends received	8	-	3,632
Profit on ordinary activities before taxation		134	2,347
Tax charge on profit on ordinary activities	9	<u>(63)</u>	<u>(2)</u>
Profit for the financial year		<u>71</u>	<u>2,345</u>

All activities included above are derived from continuing operations

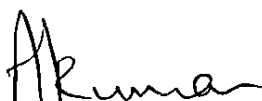
The Company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented


AVANADE EUROPE SERVICES LIMITED

BALANCE SHEET
As at 31 August 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible assets	10	233	42
Financial assets	11	<u>126,237</u>	<u>126,237</u>
		<u>126,470</u>	<u>126,279</u>
Current assets			
Debtors - amounts recoverable			
within one year	12	6,675	5,110
after more than one year	12	5,376	5,350
Cash at bank and in hand		<u>-</u>	<u>1</u>
		12,051	10,461
Creditors: amounts falling due within one year	14	<u>(6,539)</u>	<u>(5,046)</u>
Net current assets		5,512	5,415
Creditors: amounts falling due after one year	15	<u>(273)</u>	<u>(56)</u>
Net assets		<u>131,709</u>	<u>131,638</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Capital contribution	19	115,605	115,605
Profit and Loss account	19	<u>15,104</u>	<u>15,033</u>
Equity shareholder's funds	21	<u>131,709</u>	<u>131,638</u>

These financial statements were approved by the board of Directors on 13/03/12 and were signed on its behalf by


A Kumar
Director


R REOMAN
Company Secretary

AVANADE EUROPE SERVICES LIMITED

CASH FLOW STATEMENT

For the year ended 31 August 2011

	2011	2010
	£000	£000
Cash flows from operating activities		
Cash received from customers	4,112	9,232
Cash paid to suppliers	(5,181)	(15,148)
Cash paid to employees and employment related costs	(2,434)	(2,301)
Bank interest received	(2)	(3)
	<u>(3,505)</u>	<u>(8,220)</u>
Investing activities		
Purchase of fixed assets	(280)	(26)
Financing activities		
Dividends received from group undertakings	-	3,632
Repayment of loans to group undertakings	3,784	4,617
	<u>3,504</u>	<u>8,223</u>
Net cash flow from financing activities		
	<u>3,504</u>	<u>8,223</u>
Net (decrease)/increase in cash and cash equivalents	(1)	3
Cash and cash equivalents at beginning of year	1	(2)
	<u>-</u>	<u>1</u>
Cash and cash equivalents at end of year		
	<u>-</u>	<u>1</u>

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

The financial statements do not consolidate the results of the Company's subsidiaries as the Directors believe that the consolidated financial statements of the Company's ultimate parent undertaking for the year ended 31 August 2011, Accenture plc, were prepared in a manner that is equivalent to the Seventh Directive, and accordingly the Company is exempt from this requirement. As a result these financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of Accenture plc can be obtained from the address given in note 23.

Basis of preparation

The financial statements are prepared under the historical cost accounting rules and in accordance with the reporting requirements of the Companies Act 2006, together with Accounting Standards issued by the Accounting Standards Board.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	- over 2 years
Office equipment	- over 7 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Financial fixed assets

Investments are stated at cost less provision for impairment.

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

1 Accounting policies (continued)

Share based payments

The Company operates the following share based payment schemes, share options, AvanaDe Valuation Units and Restricted Share Units. During the year, the granting of AvanaDe Valuation Units ceased and the Company began granting Restricted Share Units.

The fair value of the employee services received in exchange for the grant of options, Restricted Share Units and AvanaDe Valuation Units is recognised as an expense. The total amount to be expensed rateably over the vesting period is determined by reference to the fair value of options determined initially at the grant date and at each period end date as all equity instruments granted by the Company's parent AvanaDe Inc. are cash settled. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. This estimate is revised at each balance sheet date and the difference is charged or credited to the profit and loss account, with the corresponding adjustment to liabilities.

The Company settles the AvanaDe Valuation Units and Restricted Share Units by cash settlement directly to employees. The Company is recharged by its parent undertaking AvanaDe Inc. for the actual cost of share options exercised. As the amount of the recharge is dependent on future valuations of AvanaDe Inc. the Company measures the fair value of the recharge by analogy to FRS20. The liability is valued at each balance sheet date using the assumptions and model used to calculate the profit and loss charge for the equity instruments. As the equity instruments are cash-settled share based payment, the pricing assumptions are updated each period end in accordance with FRS 20.

Taxation

Current tax, including UK corporation tax, is provided on the Company's taxable profits, at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences to have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is only recognised when regarded as recoverable and therefore is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Turnover

Turnover represents the total invoice value, excluding value added tax, of professional services provided to other group Companies within the European region.

2 Turnover and segmental analysis

The Company's principal activity is the provision of management and administrative services to all the AvanaDe Group companies in Europe. Turnover originating from other geographical markets is not considered material therefore no further segmental analysis has been provided. The Directors have not provided other disclosures as required by the Companies Act 2006 and Statement of Standard Accounting Practice No. 25, as they consider them to be seriously prejudicial to the interests of the Company.

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

3 Profit on ordinary activities before interest and taxation is stated after charging/(crediting).

	2011	2010
	£000	£000
Auditor' remuneration – audit of these financial statements	9	8
Depreciation of tangible fixed assets	43	25
Impairment of investment in AvanaDE Denmark Aps	-	1,222
Operating lease rentals - buildings	73	77

4 Remuneration of Directors

	2011	2010
	£000	£000
Directors' emolument	124	116
National insurance contributions	17	15
Share based compensation	21	4
Company contributions to money purchase pension schemes	12	18

The aggregate of emoluments and amounts receivable under long term incentive schemes of the paid Director was £124,000 (2010 £116,000) Only one of the Company Directors is remunerated for his services in AvanaDE Europe Services Limited Company pension contributions of £12,000 (2010 £18,000) were made to a money purchase scheme on behalf of the Directors The remaining Company Directors are remunerated through other AvanaDE group companies

Retirement benefits are accruing to one Director under a defined contribution scheme

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by level, was as follows

	2011	2010
	Number	Number
Employee	6	8
Manager	15	11
Senior Executive	6	4
	27	23

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£000	£000
Wages and salaries	3,164	2,090
Social security costs	401	117
Other pension costs	269	200
Cash settled share based compensation	1,335	368
	5,169	2,775

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

6 Interest receivable	2011 £000	2010 £000
Intercompany receivable on borrowings due within one year	27	30
7 Interest payable	2011 £000	2010 £000
Intercompany payable on borrowings due within one year	(5)	-
8 Dividends	2011 £000	2010 £000
Dividends received	-	3,632
9 Tax charge on profit on ordinary activities	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	187	(59)
Adjustments in respect of prior periods	10	(13)
	197	(72)
<i>Foreign tax</i>		
Current tax on income for the period	31	30
Adjustments in respect of prior periods	-	7
	228	(35)
<i>Deferred tax (see note 13).</i>		
Origination and reversal of timing differences	(159)	45
Effect of change in tax rate	22	4
Adjustment in respect of prior periods	(28)	(12)
	(165)	37
Tax charge on profit on ordinary activities	63	2

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

9 Tax charge on profit on ordinary activities (continued)

The current tax charge for the period is different from the standard rate of corporation tax in the UK 27 17% (2010 28%) The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	134	2,347
Current tax at 27 17% (2010 28%)	36	657
<i>Effects of</i>		
Expenses not deductible for tax purposes	(8)	346
Capital allowances for period in excess of depreciation	(27)	1
Other timing differences	186	(46)
Foreign Withholding tax	31	30
Non-taxable group income	-	(1,017)
Adjustments to tax charge in respect of previous periods	10	(6)
	<u>228</u>	<u>(35)</u>

10 Tangible fixed assets

	Computer and office equipment £000
<i>Cost</i>	
As at 1 September 2010	267
Additions	234
Disposals	(2)
As at 31 August 2011	<u>499</u>
<i>Depreciation</i>	
As at 1 September 2010	225
Disposals	(2)
Charge for the year	43
As at 31 August 2011	<u>266</u>
<i>Net book value</i>	
As at 31 August 2011	<u>233</u>
As at 31 August 2010	<u>42</u>

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

11 Fixed asset investments	2011	2010
	£000	£000
Cost		
At beginning of year	132,059	129,434
Additions		
Capital Injection	-	2,625
At end of year	132,059	132,059
Provision for impairment		
At beginning of year	5,822	4,600
Impairment	-	1,222
At end of year	5,822	5,822
Net book value at end of year	126,237	126,237

In accordance with FRS11, Impairment of Fixed Assets and Goodwill, an impairment review has been carried out at 31 August 2011. The impairment review was performed using the value in use method. The discount rate used in the impairment review was 8.6% being the Company's weighted average cost of capital.

A long-term growth rate of 5% has been applied, which is higher than the average long term growth rate of the countries in which the subsidiaries operate (UK, Germany, France, Italy, Spain, Denmark and Belgium). The Directors believe this long-term growth rate is appropriate as the historical growth rate of the Company's subsidiaries since inception is significantly higher (a growth range of 35% - 118% per annum) than the corresponding growth rates of the economies in which the subsidiaries operate. The growth rates of the UK and Eurozone economies have been in a range of 1 - 3% per annum over the corresponding period.

The Company holds 100% of the shares in the following companies

Name	Country of incorporation	Registered Office	Principal activity
Avanade UK Limited	UK	141 Wardour Street, London W1F 0UT	Consulting
Avanade France SAS	France	125 Avenue de Paris, 92320 Châtillon, France	Consulting
Avanade Deutschland GmbH	Germany	Campus Kronberg 7,61476 Kronberg i T, Germany	Consulting
Avanade Italy SRL	Italy	Via Roberto Lepetit n. 8/10, 20124 Milan, Italy	Consulting
Avanade Spain S.L.	Spain	Paseo de Gracia 11, Escalera C, Planta 3, 08007, Barcelona, Spain	Consulting
Avanade Netherlands B.V.	Netherlands	Versterkerstraat 6, 1322 AP Almere, Netherlands	Consulting
Avanade Belgium BVBA	Belgium	Medialaan 38, 1800 Vilvoorde, Belgium	Consulting
Avanade Denmark ApS	Denmark	Arne Jacobsens Allé 15, 2300 Copenhagen, Denmark	Consulting
Avanade Finland OY	Finland	Itämerenkatu 1, 00180 Helsinki, Finland	Consulting
Avanade Norway AS	Norway	Snarøyveien 30A, 1360 FORNEBY, Norway	Consulting
Avanade Sweden AB	Sweden	Sveavägen 25, 111 34 Stockholm, Sweden	Consulting
Avanade Schweiz GmbH	Switzerland	Flurstrasse 50, CH-80 48 Zurich, Switzerland	Consulting

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

12 Debtors - Amounts falling due within one year	2011	2010
	£000	£000
Amounts owed by fellow subsidiary undertakings	6,342	4,911
Deferred tax (see note 13)	281	116
Other debtors	16	46
Prepayments	36	37
	<u>6,675</u>	<u>5,110</u>

The above balance disclosed as amounts owed by group undertakings represents trading balances due from fellow subsidiaries which are repayable on demand

Amounts after more than one year	2011	2010
	£000	£000
Amounts owed by group undertakings	5,376	5,350

The above balances disclosed as amounts owed by group undertakings which are accruing interest at market rates

13 Deferred Tax Asset	2011	2010
	£000	£000
At beginning of year	116	153
Arising in the year	165	(37)
At end of year	<u>281</u>	<u>116</u>

The deferred tax asset arises as a consequence of timing differences between the recognition of certain items for tax compared to their recognition under generally accepted accounting practice. An analysis of the impact of these items on the deferred tax asset is provided below

	2011	2010
	£000	£000
<i>Elements of deferred taxation</i>		
Share compensation	288	97
Difference between accumulated depreciation and capital allowances	(13)	15
Other timing differences	6	4
Undiscounted provision	281	116
Discounted	-	-
Discounted Provision	<u>281</u>	<u>116</u>
Deferred Tax Asset	<u>281</u>	<u>116</u>

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

14 Creditors, amounts falling due within one year	2011	2010
	£000	£000
Trade creditors	53	79
Amounts owed to group undertakings	5,133	4,302
Payroll withholding tax and social charges	178	95
Incentive plans	480	88
Corporation tax payable	187	-
Accruals	508	482
	<u>6,539</u>	<u>5,046</u>

The above balance disclosed as amounts owed to group undertakings represents trading balances due to fellow subsidiaries which are repayable on demand

15 Creditors: amounts falling due after one year	2011	2010
	£000	£000
Other creditors (Incentive plans)	<u>273</u>	<u>56</u>

16 Commitments

At 31 August 2011 the Company had annual commitments under non-cancellable operating leases as set out below

	2011	2010
	Land and buildings	Land and buildings
	£000	£000
Operating leases which expire		
Within one year	<u>73</u>	<u>77</u>

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

17 Share based payments

Share Options

The Company participates in two share option plans operated by the Company's intermediate parent undertaking, Avanade Inc, for employees and executives of group companies, including the Company

The two share option plans provide for the grant of shares of common stock in the form of options or equity-related awards. Under the terms of the plans Avanade Inc management is required to determine the fair value of Avanade Inc's common stock semi-annually as of the end of our fiscal year and as of the end of our second fiscal quarter each year.

Because Avanade Inc's common stock is not traded on a public exchange, determining the fair value involves judgment. In the course of determining fair value, Avanade Inc management rely upon prospective financial information based on management's projections of future operating results and other information from various public, financial and industry sources. In addition, independent, third-party business valuation professionals are used to determine the estimated fair value of the total equity of the Company based on management projections of future operating results and other information.

Avanade Inc's common stock is not traded on a public exchange and all equity instruments granted to employees and executives of group companies are settled in cash thus, in accordance with FRS 20 Share Based Payments, the two share plans in which the Company participates are accounted for as cash settled plans.

In both plans options will lapse to the extent they have not been exercised by the earliest of the 10th anniversary of the date of grant, one year from the date of death or disability of the option-holder or three months after the cessation of the option-holder as an employee or executive of an Avanade Inc group company. In both plans the amount payable per plan share on the exercise of an option shall be not less than the estimated fair value of a plan share at the date of grant. In both plans options vest over a number of years so the period of services is a variable for each grant. Due to the similarity of the plans they have been valued and modeled as one plan.

The terms and conditions of each grant are as follows:

Grant Date	Number of instruments	Vesting Conditions	Contractual life of options
Granted in 2001	76,425	4 to 5 years service	4 years
Granted in 2002	88,355	4 to 5 years service	4 years
Granted in 2003	115,400	4 to 5 years service	4 years
Granted in 2004	23,010	4 to 5 years service	4 years
Granted in 2005	<u>75,700</u>	4 to 5 years service	4 years
	<u>378,890</u>		

No stock options were granted during fiscal years 2006 to 2011.

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

17 Share based payments (continued)

Stock option activity for the year ended 31 August 2011 was as follows

	2011		2010	
	Weighted average price £	Number of options Number	Weighted average price £	Number of options Number
Outstanding at 1 September	2.12	67,735	1.84	236,335
Transferred during the year	1.69	96,575	-	-
Granted during the year	-	-	-	-
Exercised during the year	1.77	(34,400)	1.78	(143,100)
Forfeited during the year	1.72	(66,175)	2.24	(25,500)
Outstanding at 31 August	1.95	63,735	2.12	67,735
Exercisable at 31 August	1.95	63,735	2.12	67,735

The options outstanding at 31 August 2011 have a weighted average exercise price of £1.95 and a weighted average remaining contractual life of 2.03 years

The value of services received in return for the share options granted is based on the fair value of the share options granted measured using the Geometric Brownian Motion model with the following inputs

	2011	2010
Expected life (in years)	2.0	0.9
Risk-free interest rate	0.5%	1.0%
Expected volatility	41%	40%
Expected dividend yield	0%	0%
Employee expense	2011	2010
	£000	£000
Share options granted prior to October 2005	491	256

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

17 Share based payments (continued)

Avanade Inc Long-Term Incentive Plan

The Company participates in two long-term Incentive ("LTI") plans operated by the Company's intermediate parent undertaking, Avanade Inc, for employees and executives of group companies, including the Company. Due to the similarity in the schemes, they have been valued and modelled as one scheme.

Awards under the LTI plans are granted in the form of Avanade Valuation Units ("AVUs") and Restricted Share Units ("RSUs"), each of which is based on an amount determined by the Avanade Inc Board of Directors or the Avanade Inc Compensation Committee (the "Base Value") that, except for the initial grants made effective 19 June 2006, may not be less than the fair value of the common stock of the Company as of the effective date of the applicable grant. The awards will vest according to a schedule determined by the Compensation Committee.

The Company first began issuing AVUs to selected employees on an annual basis beginning in 2006, with a supplementary grant mid-year for new hires. The Company ceased issuing AVUs after the April 2010 mid-year grant. In February 2011, the Company began issuing RSUs instead of AVUs.

Once vested, all LTI plan units are to be settled in cash. AVU payments are based on the difference between the current fair market value of the stock price on each vest date and the base value. The RSU payment is equal to the current fair market value of the stock price on each vest date. Payouts are subject to two restrictions, that (i) the aggregate payment of units that vest in any calendar year may not, pursuant to the terms of the LTI plans, exceed twelve percent of the operating income unreduced by LTI plan expenses, and (ii) the Avanade Inc Compensation Committee may reduce the amount paid out with respect to either LTI plan for any reason in its sole discretion.

Payments, if any, on vested units will be made not later than 15th March of the calendar year following the date of vesting for AVUs and 31st December of the calendar year following the date of vesting for RSUs. After vested units are paid out, or it is determined by the Avanade Inc Compensation Committee that the settlement values are zero, the vested units are terminated. Under the LTI plan, vesting of units and payments thereon may be accelerated upon the occurrence of certain events, as more specifically provided in the AVU and RSU plan documentation.

Except as otherwise provided in the LTI plan and applicable documents, any units that have not vested at or prior to the time of the termination of a recipient's employment shall be cancelled and forfeited.

The LTI Plan will terminate on 19 June 2016 unless earlier terminated by the Avanade Inc Board of Directors. The Avanade Inc Board of Directors has the authority to amend, alter or discontinue the LTI Plan at any time in its discretion, provided that such action does not impair any award recipient's rights with respect to any units then-outstanding without such recipient's consent, except as the Board deems necessary to comply with applicable laws.

The terms and conditions of each grant are as follows:

Grant Date	Number of Long - Term Incentive plan units	Vesting conditions	Contractual life of Long-Term Incentive Plans
Granted in year ended 31 August 2007	56,020	4 years service	4 years
Granted in year ended 31 August 2008	157,000	4 years service	4 years
Granted in year ended 31 August 2009	131,000	4 years service	4 years
Granted in year ended 31 August 2010	107,000	4 years service	4 years
Granted in year ended 31 August 2011	36,323	4 years service	4 years
Total units	487,343		

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

17 Share based payments (*continued*)

Long-Term Incentive plan activity for the year ended 31 August 2011 was as follows

	2011 Number of Units	2010 Number of Units
Outstanding at beginning of year	111,730	83,080
Transferred during the year	225,900	27,065
Granted during the year	36,323	56,300
Exercised during the year	(167,105)	(18,465)
Forfeited during the year	-	(36,250)
Outstanding at end of year	206,848	111,730

The AVUs and RSUs outstanding at 31 August 2011 have a weighted average remaining contractual life of 1.8 years

The fair value of AVUs and RSUs outstanding as of 31 August 2011 and 31 August 2010 is estimated using the Monte Carlo simulation model with the following weighted average assumptions

	2011	2010
Expected life (in years)	1.0	1.4
Risk-free interest rate	0.5%	1%
Expected volatility	41%	40%
Expected dividend yield	0%	0%

Employee expense

	2011 £000	2010 £000
AVUs granted in the year ended 30 September 2007	(28)	28
AVUs granted in the period ended 31 August 2008	133	20
AVUs granted in the year ended 31 August 2009	180	11
AVUs granted in the year ended 31 August 2010	198	27
AVUs and RSUs granted in the year ended 31 August 2011	127	-
Total employee expense	610	86

18 Called up share capital

	Year Ended 31 August 2011 £000	Year Ended 31 August 2010 £000
<i>Authorised</i>		
3,000,000 ordinary shares of £1 each	3,000	3,000
<i>Allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

19 Reserves

	Year Ended 31 August 2011 £000	Year Ended 31 August 2010 £000
Profit and loss account		
Balance at beginning of year	15,033	13,679
Profit for the year	71	2,345
Dividend paid	-	(991)
Balance at end of year	15,104	15,033
Share premium	2011 £000	2010 £000
At beginning and end of year	115,605	115,605

20 Pension obligations

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £199,186 (2010 £128,801)

Contributions payable to the scheme at 31 August 2011 were £15,938 (2010 £11,435)

21 Reconciliation of movement in shareholder's funds

	2011 £000	2010 £000
Opening shareholders' funds	131,638	130,284
Total recognised gains and losses for the year	71	2,345
Dividend paid	-	(991)
Closing shareholders' funds	131,709	131,638

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

22 Related party disclosures

Transactions with subsidiary undertakings and fellow group entities during the year and any outstanding balances as at the Balance Sheet date are disclosed below

Amounts owed by/to related party undertaking	2011		2010	
	Debtors £000	Creditors £000	Debtors £000	Creditors £000
Transacting related party				
Avanade Inc	3,738	(1,090)	2,131	(1,246)
Avanade UK Limited	787	(263)	(73)	(139)
Avanade Europe Holdings Limited	109	(779)	8	(570)
Avanade Deutschland GmbH	376	(905)	(174)	(35)
Avanade Schweiz GmbH	227	(44)	343	(197)
Avanade France SAS	268	(868)	(158)	(1,228)
Avanade Belgium Sprl	78	(157)	188	(165)
Avanade Netherlands BV	204	55	(55)	(27)
Avanade Denmark Aps	32	(35)	(34)	(146)
Avanade Finland Oy	12	(34)	23	-
Avanade Norway AS	44	(175)	(101)	-
Avanade Sweden AB	23	(76)	(36)	-
Avanade Italy Srl	66	175	(219)	(311)
Avanade Spain, S L U	195	(213)	(155)	1
Accenture Finance II GmbH	5,376	-	5,350	-
Accenture (UK) Limited	-	(625)	3,170	-
Avanade Brazil	166	33	-	-
Accenture Global Services Limited		(66)	-	(117)
Other immaterial amounts	17	(66)	53	(122)
	<u>11,718</u>	<u>(5,133)</u>	<u>10,261</u>	<u>(4,302)</u>

Revenues earned from related party undertakings	2011	2010
Transacting related party	£000	£000
Avanade Inc	2,265	2,079
Avanade UK Limited	2,623	1,213
Avanade Europe Holdings Limited	51	23
Avanade Deutschland GmbH	948	690
Avanade Schweiz GmbH	554	680
Avanade France SAS	1,332	695
Avanade Belgium Sprl	433	852
Avanade Netherlands BV	1,122	859
Avanade Denmark Aps	225	224
Avanade Finland Oy	357	337
Avanade Norway AS	568	625
Avanade Sweden AB	550	378
Avanade Italy Srl	1,262	846
Avanade Spain, S L U	1,170	754
Accenture Services Private	173	178
Avanade Brazil	174	-
Other immaterial amounts	54	112
	<u>13,861</u>	<u>10,545</u>

AVANADE EUROPE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

22 Related party disclosures (continued)

Expenses incurred from related party undertakings	2011	2010
Transacting related party	£000	£000
Avanade Inc	(351)	881
Avanade UK Limited	28	208
Avanade Europe Holdings Limited	2,219	1,190
Avanade Deutschland GmbH	710	724
Avanade France SAS	2,256	2,189
Avanade European Services Limited	813	574
Avanade Netherlands BV	262	147
Avanade Finland Oy	21	4
Avanade Norway AS	61	11
Avanade Italy Srl	203	394
Avanade Spain, S L U	327	112
Avanade Holdings, LLC	125	101
Accenture Technology Solutions Limited	149	-
Avanade Schweiz GmbH	15	(2)
Avanade Belgium Sprl	106	80
Avanade Sweden AB	63	25
Accenture SC SRL	216	123
Accenture Brazil Limited	60	108
Other immaterial amounts	98	59
	<u>7,381</u>	<u>6,928</u>
Net interest paid to/(received from) related party undertakings	2011	2010
Transacting related party	£000	£000
Accenture (UK) Limited	(27)	(23)
Accenture Finance II GmbH	-	(7)
	<u>(27)</u>	<u>(30)</u>

23 Ultimate parent undertaking

The Company's immediate parent undertaking is Avanade Europe Holdings Limited, incorporated in the UK

The Company's ultimate parent company is Accenture plc, a company incorporated in Ireland but which is also designated as a domestic registrant of the Securities & Exchange Commission in the United States (SEC). As a consequence, Accenture plc files consolidated financial statements with the Companies Registration Office in Ireland (Irish Filing) and with the SEC (SEC Filing). The Irish Filing, which avails of a special derogation under the Companies (Miscellaneous Provisions) Act 2009, is prepared under US Generally Accepted Accounting Principles (US GAAP) and the Irish Companies Acts 1963 to 2009 and can be obtained from the Company Secretary, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland. The SEC Filing is prepared in accordance with US GAAP and the regulations of the SEC and is available from www.sec.gov or from the Accenture website (www.accenture.com/investor)