

Atos Origin IT Services UK Limited

(Registered Number: 1245534)

Directors' Report And Financial Statements

Year Ended 31 December 2005



Directors' Report for the year ended 31 December 2005

The directors present their annual report and the audited financial statements of Atos Origin IT Services UK Limited ("the Company") for the year ended 31 December 2005.

Principal activities and review of the business and future developments

The Company's focus is to design, build and operate IT-enabled business processes. The principal activities of the Company have continued to be the provision of Systems Integration, Consulting, Managed Operations and Business Process Outsourcing.

Revenue has fallen from £675 million in 2004 to £662 million in 2005. After strong performance in the first half of the year, the more modest revenues recorded in the second half were due to the conclusion of a one-year, non recurring and fully subcontracted call centre contract. The operating profit before exceptionals for the period was £34 million (2004: £35 million profit).

The directors expect that the Company will continue in its current form during 2006.

Risk management

The Company continues to diversify its offerings across various service lines in order to limit the impact of contract losses. Specific attention is paid to cash flows, with regular reviews and assessments taking place. The impact of this has been a strong cash inflow in the year.

Results and dividends

The results show an operating profit for the financial year of £34,044,000 (2004 restated: operating profit of £119,099,000) after net exceptional income of £nil (2004: £83,976,000).

The directors do not recommend the payment of a dividend (2004: £nil).

Directors

The names of the present directors of the Company and details of changes are as follows:

B Connolly (resigned 2 August 2005)
S Curl
J Loughrey

Directors' interests

No director had any interest in the shares of the Company or any other Group company which requires notification to the company under Section 324 of the Companies Act 1985 (2004: £nil).

The interests of the directors in the shares of this Company's ultimate parent company, Atos Origin S.A. are not disclosed as that company is incorporated outside the United Kingdom and owns 100% of this company's issued share capital.

Environment report

As an information technology service provider, the Company's operations in themselves have minimal direct impact on the environment. However, the Board recognises that even office-based working structures can have a negative impact on the environment and have adopted an environmental policy which has the following main features:

- to meet the statutory requirements which are placed on the Company in its various countries of operation;
- to recycle as much of the Company's waste products as is economically possible, recognising that office-based environments produce quantities of waste paper;
- to dispose of any hazardous resources employed by the Company in an environmentally friendly manner;
- to apply good environmental practice in outsourcing and managed services businesses both to the level and beyond that required by contractual obligations;
- to encourage staff to adopt environmentally friendly practices in their employment with the Company.

Directors' Report for the year ended 31 December 2005

Employees

In considering the applications for employment from disabled people in the UK, the Company seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied. Employees who become unable to carry out the job for which they are employed are given individual consideration. Depending on the nature, severity and duration of the disability, individuals may be considered for alternative work, including retraining if necessary.

Training, career development and promotional opportunities are available to all employees on the basis of individual aptitude and abilities and the business requirements of the organisation. Disabled employees may be eligible for special training if there is a particular individual need.

The Company has an employee bonus scheme that is linked to individual performance against defined objectives as well as overall company performance.

Within the bounds of commercial confidentiality, information is provided to all levels of staff about matters that affect the progress of the group and are of interest and concern to them as employees. Each "Business Unit" as a matter of routine arranges for employees to meet on a regular basis to discuss matters affecting employees.

Payment policy and practice

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year end amount to 26 days (2004: 3 days) of average supplies for the year.

Pension schemes

Atos Origin IT Services UK Limited operates five defined benefit (DB) and a number of defined contribution (DC) pension schemes. The DB pension schemes are all funded, based on the level of contributions recommended by qualified independent actuaries. The DB schemes are as follows:

Atos Origin (Sema) pension scheme
Atos Origin (CS) pension scheme
Railways Pension Scheme – Atos Origin Section
Atos Origin Pension Fund
IWCSSS pension scheme

Matters of note for the year to 31 December 2005 were as follows:

Employees of the Company were offered membership of the Atos Origin (Sema) pension scheme, DB scheme, until June 2001 when this scheme was closed to new members. All new employees were offered membership of the Schlumberger UK "Orange" Pension Scheme which is a DC scheme.

Certain staff who transfer from UK Government and Local Government employment under outsourcing agreements are also offered membership of the Atos Origin Civil Services (CS) Pension scheme which is also a DB scheme, designed to maintain the pension benefits of these staff.

Former staff of British Rail Business Systems (BRBS) Limited who transferred to the employment of the Company on 31 December 1998 are entitled to membership of the Atos Origin shared cost section of the Railways Pension Scheme, a DB scheme.

Certain staff, mainly those who joined Schlumberger prior to June 2001 and who transferred from other Schlumberger companies to Sema UK Limited, were offered membership of the Schlumberger UK "Blue" Pension Scheme, a hybrid scheme which has DB and DC elements.

The Atos Origin Pension Fund was transferred into this entity when the Atos Origin UK Limited business was transferred in. This includes both DB and DC elements.

At the same time the Atos Origin UK Limited's IWCSS scheme was also transferred. This provides for staff transferred in as part of Government contracts and as such is intended to mirror their former Civil Service schemes.

Directors' Report for the year ended 31 December 2005

All schemes are contracted out of the State Earnings Related Pension Scheme.

Prior year adjustments

The Company has for the first time adopted the full guidance given under FRS 17 and as such has restated its' prior year disclosures in both the profit and loss account and the balance sheet. Relevant disclosures in a statement of recognised gains and losses have also been made. The impact of these prior year adjustments are detailed in note 19.

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report including, as described below, the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

On behalf of the Board



Stuart Curl
Director
11 April 2006

Report of the Independent Auditors to the Members of Atos Origin IT Services UK Limited

We have audited the financial statements of Atos Origin IT Services Limited for the year ended 31 December 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet, and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

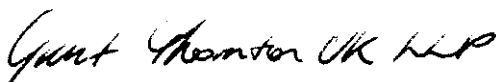
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
11 April 2006

Atos Origin IT Services UK Limited

Profit and loss account For the year ended 31 December 2005

	Notes	Continuing 2005 £000	Discontinued 2005 £000	Total 2005 £000	Restated Continuing 2004 £000	Restated Discontinued 2004 £000	Restated Total 2004 £000
Turnover	2	657,441	5,454	662,895	656,739	18,171	674,910
Cost of sales:							
Exceptional	3	-	-	-	(17,042)	-	(17,042)
Other		(461,669)	(3,257)	(464,926)	(441,174)	(17,375)	(458,549)
Gross profit		195,772	2,197	197,969	198,523	796	199,319
Distribution expenses		(30,145)	(1)	(30,146)	(37,116)	-	(37,116)
Administration expenses		(131,706)	(2,073)	(133,779)	(142,462)	(1,660)	(144,122)
Operating income:							
Exceptional	3	-	-	-	101,018	-	101,018
Other		-	-	-	-	-	-
Operating profit	3	33,921	123	34,044	119,963	(864)	119,099
Exceptional items:							
Profit on disposal of business	3			8,562			-
Profit before interest and taxation				42,606			119,099
Interest receivable	4			4,750			1,316
Interest payable	4			(1)			(4,901)
Profit on ordinary activities before taxation	5			47,355			115,514
Tax on profit on ordinary activities	7			(12,170)			(7,174)
Profit on ordinary activities after taxation and retained profit for the year	17/18			35,185			108,340

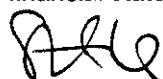
The accompanying accounting policies and notes form an integral part of these financial statements.

Atos Origin IT Services UK Limited

Balance sheet as at 31 December 2005

	Notes	2005 £000	2005 £000	Restated 2004 £000	Restated 2004 £000
Fixed assets					
Intangible assets	8		802		4,202
Tangible assets	9		25,284		18,741
Investments	10		1,465,185		1,465,185
			<u>1,491,271</u>		<u>1,488,128</u>
Current assets					
Debtors:	11				
Due within one year		206,030		185,743	
Due after one year		37,757		29,345	
Cash at bank and in hand		86,681		47,967	
		<u>330,468</u>		<u>263,055</u>	
Creditors: amounts falling due within one year	12	<u>(159,708)</u>		<u>(147,632)</u>	
Net current assets			<u>170,760</u>		<u>115,423</u>
Total assets less current liabilities			1,662,031		1,603,551
Creditors: amounts falling due after more than one year	13		(1,347,624)		(1,311,279)
Provisions for liabilities and charges	15		(31,740)		(36,600)
Net assets excluding pension deficit			282,667		255,672
Pension deficit	19		(173,040)		(158,316)
Net assets including pension deficit			<u>109,627</u>		<u>97,356</u>
Capital and reserves					
Called up share capital	16		12,750		12,750
Share premium	17		181,058		181,058
Profit and loss account	17		(84,181)		(96,452)
Equity shareholders' funds	18		<u>109,627</u>		<u>97,356</u>

These financial statements were approved by the Board of Directors on 11 April 2006.



Stuart Curl
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Atos Origin IT Services UK Limited

Statement of total recognised gains and losses For the year ended 31 December 2005

	Notes	2005 £000	Restated 2004 00
Profit recognised in the year		35,185	108,340
Actuarial loss on pension schemes	19	<u>(22,914)</u>	<u>(3,340)</u>
Total gains and losses recognised since the last annual report		<u>12,271</u>	<u>105,000</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

Atos Origin IT Services UK Limited

Notes to the financial statements

For the year ended 31 December 2005

1 Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The principle accounting policies of the group are set out below. Notable change is the adoption of FRS 17, the impact of which is set out in note 19.

Basis of preparation

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts on the basis that group accounts are prepared for its' ultimate parent undertaking, Atos Origin S.A.. These financial statements present information about the Company as an individual undertaking and not about any wider group.

Turnover

Turnover consists of amounts chargeable to customers and other group undertakings for services provided and is exclusive of Value Added Tax and other sales taxes.

Systems integration turnover is recognised on a percentage of completion basis for fixed price contracts and as the services are delivered for time and materials contracts. All turnover is recorded on a gross basis. Losses on fixed price contracts are recognised in the first period they are incurred or foreseen.

Outsourcing turnover is recognised as services are delivered.

The Company's product turnover is derived from the sales of licences for software, maintenance and related services, which include installation, consulting and training services. If services are essential to the functionality of the software, turnover derived from the contract is recognised based on the percentage of completion basis.

Turnover from annual maintenance and support is deferred and recognised over the term of the contract. Turnover from consulting and training is deferred and recognised when the services are performed and recovery deemed probable.

Payments received in advance of turnover recognition are recorded as deferred revenue. Amounts recognised as turnover but not yet billed to customers are recorded as amounts recoverable on contracts.

Intangible fixed assets

Purchased software licences for provision of customer services are capitalised at cost. Software licence costs are amortised over the period of the licence or the term of the sales contract, whichever is shorter. Amortisation is charged from the commencement of the licence's deployment.

Tangible fixed assets

Depreciation is provided to write off the cost of tangible fixed assets, using the straight line method at the following rates per annum:

Freehold buildings	20 years
Leasehold improvements:	over the period of the lease
Computer equipment:	3 years
Office furniture, cars and equipment:	between 3 years and 7 years

No depreciation is provided on freehold land.

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Atos Origin IT Services UK Limited

Notes to the financial statements

For the year ended 31 December 2005

Leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Impairment review

The carrying values of tangible and intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account.

Investments

Investments are stated at cost less provision for any impairment in value. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, in which case an impairment provision is recorded.

Provision for property dilapidations

A provision is made for obligations to reinstate certain properties to their former condition at the end of the lease period or other potential exit dates. This is made by reference to an estimated cost per square foot for each affected property. It is built up over the remaining duration of the lease period or time to other exit date, progressively over the course of the lease.

Retirement benefits

The Group operates defined benefit (DB) and defined contribution (DC) pension arrangements covering the majority of employees.

For the DC schemes the amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

For the DB schemes, pension costs are assessed in accordance with the advice of qualified, independent actuaries.

The Company has adopted the accounting policies described in FRS 17. As required by the standard, the appropriate disclosures are recorded in note 19. The actuarial assumptions, fair value of the schemes' assets and funding status disclosures required by FRS 17 are also included in note 19. This has resulted in a restatement of the comparative period's profit and loss account and balance sheet, and the inclusion of a statement of total recognised gains and losses.

Atos Origin IT Services UK Limited
Notes to the financial statements
For the year ended 31 December 2005

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. A net surplus is recognised only to the extent that it is recoverable by the company.

Transition costs

Development costs incurred prior to the delivery of a service are only capitalised if the following criteria are met:

- transition is clearly defined in the contract; and
- contract specifies that transition costs can be recovered through a termination fee.

Cash flow statement

The directors have taken advantage of the exemption in FRS1 from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

2 Turnover

Turnover is derived by destination from the following geographical regions:

By geographical market

	United Kingdom £000	Rest of Europe £000	Outside Europe £000	Total £000
Year ended 31 December 2005				
Third parties	628,274	3,331	1,064	632,669
Atos Origin Group undertakings	11,184	17,954	1,088	30,226
	<u>639,458</u>	<u>21,285</u>	<u>2,152</u>	<u>662,895</u>
Restated				
Year ended 31 December 2004				
Third parties	646,918	1,763	177	648,858
Atos Origin Group undertakings	5,096	20,649	307	26,052
	<u>652,014</u>	<u>22,412</u>	<u>484</u>	<u>674,910</u>

In the 2004 accounts, UK revenue with the AO Group undertaking was misreported. The Rest of Europe category erroneously contained £5,092,610 of the revenue derived from the UK.

Turnover is derived by class of business as follows:

	2005 £000	2004 £000
Outsourcing	417,624	432,996
Systems integration	225,384	210,905
Products	19,887	31,009
	<u>662,895</u>	<u>674,910</u>

Atos Origin IT Services UK Limited
Notes to the financial statements
For the year ended 31 December 2005

3 Exceptional costs and income

	2005 £000	2004 £000
Operating profit is arrived at after crediting or charging the following :		
Loan waiver by Atos Origin IT Services Limited	-	101,018
Provision for losses on key contracts	-	(17,042)
	<u>-</u>	<u>83,976</u>
	2005 £000	2004 £000

Non operating exceptional income credited in the year is as follows :

Profit on disposal of PPAS Business (note 22)	<u>8,562</u>	<u>-</u>
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In the year ended 31 December 2005, the PPAS business was sold to WM Data at a profit of £8,562,000. This business was involved in the development and sale of software.

4 Interest receivable and payable

	2005 £000	Restated 2004 £000
Interest receivable		
Interest on bank balances and short term investments	2,150	1,316
Pension scheme net finance income	2,600	-
	<u>4,750</u>	<u>1,316</u>
Interest payable		
Interest on bank overdrafts and loans repayable within 5 years	1	-
Interest payable on intragroup loan	-	248
Pension scheme net finance expense	-	4,653
	<u>1</u>	<u>4,901</u>

Atos Origin IT Services UK Limited
Notes to the financial statements
For the year ended 31 December 2005

5 Profit on ordinary activities before taxation

	2005	2004
	£000	£000
Profit before taxation is stated after charging/(crediting) the following:		
Impairment of investments	-	1,361
Amortisation of intangible fixed assets (note 8)	1,740	1,789
Depreciation of tangible fixed assets (note 9)	12,141	10,398
Profit on disposal of fixed assets – tangible assets	(194)	(371)
Auditors' remuneration – audit services	754	435
Auditors' remuneration – non audit services	217	315
Operating leases:		
- Plant and machinery	4,301	3,836
- Other assets	13,187	9,241

6 Staff costs and directors' emoluments

The aggregate payroll costs during the year were as follows:

	2005	Restated
	£000	2004
		£000
Staff (including directors):		
Wages and salaries	234,444	203,336
Social security costs	22,536	15,166
Pension contributions paid	25,118	28,571
	<u>282,098</u>	<u>247,073</u>

	2005	2004
	Number	Number
The average number of employees during the year was:		
Production	5,132	4,725
Sales, marketing and administration	786	660
	<u>5,918</u>	<u>5,385</u>

Of the directors in office during the period, three (2004: three) were remunerated by the Company. The total emoluments of those three directors, excluding pension contributions, amounted to £1,257,802 (2004: £591,000). The emoluments of the highest paid director, excluding pension contributions, amounted to £809,422 (2004: £252,000). Payments on behalf of directors to Company pension schemes amounted to £204,172 (2004: £135,000). Amounts paid to the pension schemes of the highest paid director amounted to £99,063 (2004: 69,000). Directors participated in two Defined Contribution and two Defined Benefit schemes. During the year a payment was made to one director, the highest paid, of £384,700 in relation to compensation for loss of office.

No director had any material interest in any contract of significance to the business of the Company or Group during or at the end of the year to 31 December 2005.

Atos Origin IT Services UK Limited
Notes to the financial statements
For the year ended 31 December 2005

7 Taxation on profit on ordinary activities

The taxation charge based on the profit for the year, adjusted for taxation purposes may be analysed as follows:

	2005	Restated
	£000	2004
		£000
Current tax		
On ordinary activities		
United Kingdom tax at 30% (2004: 30%):	5,966	7,943
Prior year adjustment	-	(1,730)
	<u>5,966</u>	<u>6,213</u>
Deferred tax		
Current year (note 14)	2,694	(228)
Prior year (note 14)	-	(225)
FRS 17 deferred tax movement	3,510	1,414
	<u>12,170</u>	<u>7,174</u>

The current year tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005	Restated
	£000	2004
		£000
Profit on ordinary activities before taxation	47,355	115,514
Tax charge on profit before tax at standard rate of 30% (2004: 30%)	14,205	34,654
FRS 17 adjustment	(3,510)	(1,414)
Expenses not deductible for taxation purposes	534	1,899
Non taxable loan waiver	(2,569)	(30,305)
Depreciation in (shortfall)/excess of capital allowances	(2,694)	4,306
Decrease in provisions	-	(1,197)
Other, including over provision in prior period	-	(1,730)
	<u>5,966</u>	<u>6,213</u>
Actual current tax charge on profit before taxation		

Atos Origin IT Services UK Limited
Notes to the financial statements
For the year ended 31 December 2005

8 Intangible fixed assets

	Software licences £000
Cost:	
At 1 January 2005	30,674
Write down	(1,660)
At 31 December 2005	<u>29,014</u>
Amortisation:	
At 1 January 2005	26,472
Charge for year	1,740
At 31 December 2005	<u>28,212</u>
Net book value:	
At 31 December 2005	<u>802</u>
At 31 December 2004	<u>4,202</u>

The write down of intangibles is in relation to software licences which will not be used due to contract renegotiation.

Atos Origin IT Services UK Limited
Notes to the financial statements
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9 Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Computer equipment	Office furniture, cars and equipment	Total
Cost:	£000	£000	£000	£000	£000
At 1 January 2005	1,769	5,376	19,464	44,292	70,901
Additions	-	-	9,446	9,506	18,952
Disposals	-	-	(669)	(235)	(904)
Write off of old assets	-	-	-	(18,458)	(18,458)
Reclassification	-	(3,863)	-	3,863	-
At 31 December 2005	<u>1,769</u>	<u>1,513</u>	<u>28,241</u>	<u>38,968</u>	<u>70,491</u>
Depreciation:					
At 1 January 2005	1,025	3,356	12,413	35,366	52,160
Charge for the year	-	509	6,263	5,369	12,141
Disposal	-	-	(426)	(210)	(636)
Write off of old assets	-	-	-	(18,458)	(18,458)
Reclassification	-	(2,352)	(45)	2,397	-
At 31 December 2005	<u>1,025</u>	<u>1,513</u>	<u>18,205</u>	<u>24,464</u>	<u>45,207</u>
Net book value:					
At 31 December 2005	<u>744</u>	<u>-</u>	<u>10,036</u>	<u>14,504</u>	<u>25,284</u>
At 31 December 2004	<u>744</u>	<u>2,020</u>	<u>7,051</u>	<u>8,926</u>	<u>18,741</u>

There are no assets held under finance leases (2004: nil).

At 31 December 2005, the Company has contracted for capital expenditure for which no provision has been made in the financial statements of £6,026,000 (2004: £573,000).

Atos Origin IT Services UK Limited
Notes to the financial statements
For the year ended 31 December 2005

10 Investments

	Unlisted investments £000	Group undertakings £000	Total £000
Cost:			
At 1 January 2005 and 31 December 2005	<u>15,810</u>	<u>1,530,166</u>	<u>1,545,976</u>
Provisions:			
At 1 January 2005 and 31 December 2005	<u>15,810</u>	<u>64,981</u>	<u>80,791</u>
Net book value:			
At 31 December 2005	<u>-</u>	<u>1,465,185</u>	<u>1,465,185</u>
At 31 December 2004	<u>-</u>	<u>1,465,185</u>	<u>1,465,185</u>

On 31 December 2005, the Company had the following investments in group undertakings:

	Voting rights and proportion held	Country of registration & operation	Nature of business
Atos Origin International Limited	73%	England and Wales	Holding company
Atos Origin Barbados Limited	100%	England and Barbados	Provision of information technology services
eTourism Limited	60%	Scotland	Venture set up to take bookings for serviced accommodation providers and provide information to tourists about Scotland
Atos Consulting Limited	100%	England and Wales	Provision of information technology consulting solutions
Atos Origin Compower Limited	100%	England and Wales	Dormant
Sema Investments Limited	100%	England and Wales	Holding company
Sema Investment UK Limited	100%	England and Wales	Holding company
BR Business Systems Limited	100%	England and Wales	Dormant
Syntax Managed Services Limited	100%	England and Wales	Dormant
Perthcrest Limited	100%	England and Wales	Dormant
Barabas Limited	100%	England and Wales	Dormant
Computer Analyst and Programmers Limited	100%	England and Wales	Dormant

In the opinion of the directors, the value of the Company's investments in Group undertakings is not less than the amount at which they are stated in the balance sheet.

Atos Origin IT Services UK Limited
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11 Debtors

	2005 £000	2004 £000
Trade debtors	46,143	55,884
Amounts recoverable on contracts	121,870	86,213
Amounts owed by group undertakings	38,495	31,766
Deferred taxation (note 14)	24,136	26,830
Other debtors	1,938	4,251
Prepayments and accrued income	11,205	10,144
	<u>243,787</u>	<u>215,088</u>

Amounts falling due after more than one year and included above relate to intercompany loans of £19,570,000 (2004: £11,984,000). Included within deferred taxation above is an asset of £18,185,000 (2004: £17,360,000) which relates to amounts falling due in more than one year.

At the year end the Company had insured £43 million (2004: £8 million) of its 'third party debts'. This is done by securitising them at a Group level.

12 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	19,335	2,635
Amounts owed to group undertakings	16,586	5,284
Corporation tax	13,738	7,772
Other taxation and social security	12,964	15,414
Other creditors	-	582
Accruals and deferred income	97,085	115,945
	<u>159,708</u>	<u>147,632</u>

13 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Amounts owed to Group undertakings	<u>1,347,624</u>	<u>1,311,279</u>

Amounts owed to Group undertakings are interest free and have no set repayment date.

Atos Origin IT Services UK Limited
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14 Deferred taxation asset

	£000
Balance at 1 January 2005	26,830
Amount debited to the profit and loss account (note 7)	(2,694)
Balance at 31 December 2005	<u>24,136</u>

The deferred taxation asset is represented by the following timing differences:

	2005 £000	2004 £000
Accelerated capital allowances	15,504	18,198
Short term timing differences	6,990	6,990
Losses	1,642	1,642
	<u>24,136</u>	<u>26,830</u>

The directors are satisfied that future taxable profits support recognition of the deferred tax asset above.

15 Provisions for liabilities and charges

	Provisions for property £000	Provisions on contracts £000	Total £000
At 1 January 2005	7,699	28,901	36,600
Reclassification from accruals	624	-	624
Provided during the year	1,474	1,920	3,394
Reversed during the year	(2,435)	(320)	(2,755)
Utilised during the year	(1,079)	(5,044)	(6,123)
At 31 December 2005	<u>6,283</u>	<u>25,457</u>	<u>31,740</u>

The property provision relates to obligations to reinstate certain properties to their former condition at the end of the lease period or other potential exit dates. It is made by reference to an estimated cost per square foot for each affected property and is built up over the remaining duration of the lease period or time to other exit date, progressively over the course of the lease.

Provisions on contracts are made when commercial knowledge indicates that a loss will be incurred by the Company.

Atos Origin IT Services UK Limited
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16 Share capital

	2005 £000	2004 £000
Authorised: 15,000,000 ordinary shares of £1 each (2004:15,000,000)	<u>15,000</u>	<u>15,000</u>
Allotted, called-up and fully-paid: 12,750,200 ordinary shares of £1 each (2004:12,750,200)	<u>12,750</u>	<u>12,750</u>

17 Reserves

	Share premium £000	Profit & loss account £000
As at 1 January 2005 (restated)	181,058	(96,452)
Total gains and losses recognised in the financial year	<u>-</u>	<u>12,271</u>
At 31 December 2005	<u>181,058</u>	<u>(84,181)</u>

18 Reconciliation of movement in shareholders' funds

	2005 £000	Restated 2004 £000
Opening shareholders' surplus/(deficit)	97,356	(188,702)
Total gains and losses recognised in the financial year	12,271	105,000
Issue of shares	<u>-</u>	<u>181,058</u>
Closing shareholders' surplus	<u>109,627</u>	<u>97,356</u>

Atos Origin IT Services UK Limited
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19 Retirement benefits

Atos Origin IT Services UK Limited operates five defined benefit (DB) and a number of defined contribution (DC) pension schemes. The DB pension schemes are all funded, based on the level of contributions recommended by qualified independent actuaries. The DB schemes are as follows:

Atos Origin (Sema) pension scheme
Atos Origin (CS) pension scheme
Railways Pension Scheme – Atos Origin Section
Atos Origin Pension Fund
IWCSS scheme

Details of each DB scheme are set out below:

Atos Origin (Sema) pension scheme

The main pension scheme is the Atos Origin (Sema) pension scheme, which provides benefits on a DB basis. The Atos Origin (Sema) pension scheme has been closed to new members since 1 July 2001. From 1 July 2004, the Atos Origin (Sema) pension has a DC section and members accrue benefits on both a DC and DB basis. The rate of accrual of the DB section benefits was reduced after 1 July 2004.

The most recent valuation (31 December 2005) was carried out by Towers Perrin on 13 February 2006.

Atos Origin (CS) pension scheme

This scheme is provided for new staff who are transferred as part of Government contract work. It is designed to provide similar benefits to the key Public Service pension schemes and has been granted a 'certificate of broad compatibility' by the Government Actuary's Department in recognition of this status.

The most recent valuation (31 December 2005) was carried out by Towers Perrin on 13 February 2006.

Railways Pension Scheme – Atos Origin Section

The Railways pension scheme is a shared cost scheme which provides benefits on a DB basis. The employer contribution rate up until 1 July 2004 was 7.5% of pensionable salary, increasing to 10.5% until 1 July 2005 when the rate remained constant at 13.5%. The scheme is closed to new entrants.

The most recent valuation (31 December 2005) was carried out by Towers Perrin on 13 February 2006.

Atos Origin Pension Fund

The company operates the Atos Origin pension fund which consists of both a defined benefit and a defined contribution plan.

The most recent valuation (31 December 2005) was carried out by Towers Perrin on 13 February 2006.

Atos Origin IT Services UK Limited
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19 Retirement benefits (continued)

IWCSS pension scheme

This is a final salary scheme providing a combination of pension and lump sum benefits on a range of contingencies. The most recent valuation (31 December 2005) was carried out by the Government Actuary's Department.

The scheme was established for staff who were contributing to the British Coal Staff Superannuation Scheme (BCSSS) scheme at 29 December 1994. This scheme was closed for Company staff as at 29 December 1994, as part of the privatisation of the British Coal Corporation (BCC). Members were able to leave their pension entitlement in the BCSSS for service up to the privatisation of BCC. The BCSSS is subject to a Government guarantee that will ensure that BCSSS pensions and deferred pensions are always increased at least in line with retail price index.

Over the year to 31 December 2005, employer contributions to the various defined contribution schemes was £9,000,000 (2004: £2,855,000) while employer contributions in respect of DB schemes amounted to £22,900,000 (2004: £24,710,000) over the same period. There are no outstanding or prepaid contributions at the balance sheet date (2004: £nil).

The Company adopted FRS 17 during the year. The relevant disclosure notes for this standard have been prepared using the formal actuarial valuation of the schemes as at 31 December 2005, prepared by Towers Perrin, a qualified independent actuary.

This had the following impact on the profit for the current and prior years:

	2005 £000	2004 £000
Profit before tax prior to adoption of FRS 17	35,655	110,799
Reversal of SSAP 24 charge for pensions	22,900	24,710
Net impact of FRS 17	(11,200)	(19,995)
Revised profit before tax	<u>47,355</u>	<u>115,514</u>

This had the following impact on operating shareholders' funds/(deficit):

	2005 £000	2004 £000
Opening shareholders funds/(deficit), as previously stated	255,672	(30,426)
Previous deficit at 1 January 2005	(158,316)	(156,276)
Opening shareholders funds/(deficit), as restated	<u>97,356</u>	<u>(188,702)</u>

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19 Retirement benefits (continued)

The major assumptions used by the actuary in valuing the scheme's assets and liabilities were:

Rates of increase	2005	2004	2003	2002
Rate of increase in salaries	2.75 – 3.25%	2.5 – 4.25%	3.5 – 4.0 %	2.5 – 3.75 %
Rate of increase in pensions	2.75%	2.5 – 2.75%	2.50 %	2.25 %
Discount rate	4.75%	5.25%	5.50 %	5.70 %
Inflation	2.75%	2.75%	2.50 %	2.25 %

The rate of increase in salaries excludes promotional increases.

Expected returns	2005	2004	2003	2002
Equities	8.25%	8 – 8.75%	7.9 %	8.2 %
Corporate bonds	4.75%	5.25 – 5.50%	5.5 %	5.8 %
Fixed interest gilts	4.0%	4.75%	4.8 %	4.5 %
Index linked gilts	4.0%	4.75%	4.5 %	-
Property	8.25%	8.75%	6.5 %	6.8 %
Cash	3.50%	4.0%	3.5 %	3.8 %
Other	-	-	3.5 %	4.4 %

The fair value of the assets and liabilities of the schemes were:

	2005	Restated 2004	Restated 2003	2002
	£000	£000	£000	£000
Market value of assets	664,300	534,705	471,566	302,100
Present value of liabilities	(909,000)	(760,871)	(697,675)	(449,500)
Deficit in the schemes	(244,700)	(226,166)	(226,109)	(147,400)
Unrecoverable surplus	(2,500)	-	-	-
Related deferred tax asset	74,160	67,850	67,833	44,220
Net pension deficit	(173,040)	(158,316)	(158,276)	(103,180)

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19 Retirement benefits (continued)

The assets and liabilities of the pension schemes above exclude those in respect of the defined contribution benefit.

The market value of assets can be split by the following classes of investment:

	2005	Restated 2004	Restated 2003
	£000	£000	£000
Bonds	151,100	130,010	118,558
Equities	470,600	373,777	328,763
Others	42,600	30,918	24,245
Total	<u>664,300</u>	<u>534,705</u>	<u>471,566</u>

The following amounts for 2004 and 2005 have been recognised in the profit and loss accounts for those periods. For 2002 and 2003 the following amounts would have been recognised in the profit and loss accounts in the relevant year to 31 December under the requirements of FRS 17.

	2005 £000	2004 £000	2003 £000	2002 £000
Operating profit:				
Current service cost	17,400	15,109	15,500	19,400
Curtailments	-	(300)	-	-
Past service costs	<u>(3,600)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total operating charge	<u>13,800</u>	<u>14,809</u>	<u>20,500</u>	<u>19,400</u>
Other finance income/charge:				
Interest on pension scheme liabilities	39,400	38,901	23,000	23,000
Expected return on pension scheme assets	<u>(42,000)</u>	<u>(34,248)</u>	<u>(19,900)</u>	<u>(23,700)</u>
Net return	<u>(2,600)</u>	<u>4,653</u>	<u>3,100</u>	<u>(700)</u>

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19 Retirement benefits (continued)

The amounts recognised in the statement of recognised gains and losses are:

	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	52,427	9,251
Experience gains and (losses) arising on the schemes liabilities	(8,337)	4,893
Changes in the assumptions underlying the present value of the schemes liabilities	(62,734)	(17,484)
Unrecoverable surplus	<u>(4,270)</u>	<u>-</u>
Net return	<u>(22,914)</u>	<u>(3,340)</u>

The movement in the deficit during the year has been:

	2005 £000	Restated 2004 £000	Restated 2003 £000
Deficit in schemes at 1 January	(226,166)	(226,109)	(147,400)
Transfer in of Atos Origin UK main scheme and IWCSSS	-	-	(27,397)
Re-alignment of schemes*	<u>-</u>	<u>-</u>	<u>(112)</u>
Deficit in schemes at 1 January	(226,166)	(226,109)	(174,909)
Re-alignment of schemes*	-	(533)	-
Current service cost	(17,400)	(15,109)	(15,500)
Curtailments	-	300	-
Past service cost	-	-	(5,000)
Contributions	22,900	24,710	17,200
Other finance charge/income	2,600	(4,653)	(3,100)
Actuarial loss	<u>(26,634)</u>	<u>(4,772)</u>	<u>(44,800)</u>
Deficit in scheme at 31 December	<u>(244,700)</u>	<u>(226,166)</u>	<u>(226,109)</u>

* During 2005, the Company's actuaries reviewed and standardised the assumptions used for all schemes, resulting in this adjustment.

The Company is currently discussing its funding approach with its actuaries in order to assess how the deficit will be rectified going forward.

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19 Retirement benefits (continued)

Difference between actual and expected return on scheme assets:

	2005	2004	2003	2002
	£000	£000	£000	£000
(Gain)/loss on scheme assets	(74,895)	(13,207)	(29,600)	81,900
% of scheme assets at end of year	(11%)	(3%)	(7.9%)	27.1%
Experience (gain)/loss on scheme liabilities	8,339	(4,893)	18,300	9,800
% of scheme liabilities at end of year	<1%	<(1%)	3.2%	2.2%
Total actuarial loss at end of year	26,634	4,772	44,800	64,600
% of scheme liabilities at end of year	3%	3%	7.8%	14.4%

20 Guarantees and other financial commitments

The Company had commitments under non-cancellable operating leases to pay the following amounts during the ensuing year:

	2005	2004
	£000	£000
In respect of land and buildings:		
Commitments expiring:		
- within one year	918	532
- between one and five years	2,935	2,135
- after five years	5,540	7,536
	<u>9,393</u>	<u>10,203</u>
In respect of other assets:		
Commitments expiring:		
- within one year	862	1,734
- between one and five years	5,149	4,701
	<u>6,011</u>	<u>6,435</u>

Contingent liabilities not provided for in these financial statements relate to bank guarantees and performance bonds entered into in the normal course of business and amount to £1,070,610 (2004: £1,049,719).

The Company is also party to an unlimited cross-party guarantee between itself, fellow group company Atos Consulting Limited and Barclays Bank Plc and to an unlimited cross-party guarantee between itself, Atos Consulting Limited and The Royal Bank of Scotland plc. These guarantees have been issued in connection with banking facilities.

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21 Related party transactions

As a wholly-owned subsidiary of Atos Origin UK Holdings Limited, the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of the Group headed by Atos Origin S.A., Atos Origin UK Holdings Limited's parent company, on the ground that accounts are publicly available from the address stated in note 23.

The Company had balances, and entered into transactions with the following related parties:

	Opening balance £000	Sales £000	Cash receipts £000	Closing balance £000
eTourism	<u>2,814</u>	<u>1,300</u>	<u>(1,588)</u>	<u>2,526</u>

22 Disposal

During the year the Company disposed of its interest in the former PPAS business for consideration of £10,627,000 resulting in a profit on disposal of £8,526,000. This business had been involved in the software industry.

Company profits include £123,000 earned by the PPAS up to its date of disposal on 30 June 2005. Tangible fixed assets of £74,000 were disposed of.

	Book and fair value £000
Tangible fixed assets	74
Debtors	1,893
Deferred tax asset	-
Total assets	<u>1,967</u>
Overdraft	-
Trade creditors	-
Other creditors	(252)
Accruals	-
Net assets	<u>1,715</u>
Provision for legal fees	<u>350</u>
	<u>2,065</u>
Satisfied by:	
Cash	<u>10,627</u>
	<u>10,627</u>

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23 Ultimate parent undertaking

The ultimate parent and controlling company is Atos Origin S.A., a company incorporated in France by virtue of its controlling interest in Atos Origin Holdings UK Limited, this Company's parent company. The largest and smallest group of undertakings for which group accounts are drawn up is that headed by Atos Origin S.A.. Copies of these accounts are available to the public and may be obtained from Atos Origin S.A., 3 Place de la Pyramide, 92067 Paris La Defense, Cedex, France.