

Atos Origin IT Services UK Limited

Report and Financial Statements

For the Year Ended

31 December 2006



Atos Origin IT Services UK Limited

Report and Financial Statements For the Year Ended 31 December 2006

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Atos Origin IT Services UK Limited

Report and Financial Statements For the Year Ended 31 December 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Curl
J Loughrey
K Wilman (appointed 1 January 2007)

SECRETARY

C Hickey (appointed 20 April 2007)
I Farrington (resigned 20 April 2007)

REGISTERED OFFICE

4 Triton Square
Regents Place
London
NW1 3HG

BANKERS

Barclays Bank
1 Capability Green
Luton
Bedfordshire
LU1 3US

AUDITORS

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Atos Origin IT Services UK Limited

Directors' Report for the year ended 31 December 2006

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 2006

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.

The operating loss for the year was £80 million (2005: £33 million profit restated). The exceptional items during the year were:

- a £62 million impairment charge of the Company's investment in Atos Consulting Limited,
- recognition of contract loss provisions (approximately £20 million) over several difficult projects. These were mostly related to the Systems Integration area, and
- recognition of restructuring provisions of £10 million linked to the recovery plan undertaken during the year.

On 25 July, 2007, the Department of Health announced that planned diagnostics services that should have been provided by the Company in North West and South West regions will not proceed. The termination of this contract is discussed in note 24.

The directors monitor the progress on the overall Company's strategy and its individual strategic elements by reference to two Key Performance Indicators (KPIs).

Growth in turnover (%)

This is defined as year on year turnover growth expressed as a percentage. 2006 turnover was 7% down on 2005 (£615 million in 2006 compared to £663 million in 2005). The decline in revenue was due to some significant wind down on several contracts and one major contract coming to an end, which were not compensated for by timely new business. The Company has responded by a Sales reorganisation. Also new contracts were won towards the end of the year (see under 'Backlog') but their finalisation took much longer than expected and as they were only signed in the last few months, they did not bridge the 2006 gap in turnover.

Backlog

This is defined as the sum of the expected value of revenues of contracts signed, orders and amendments in progress which remain to be recognised over the remaining contracts duration, at a specific date.

Exceptionally strong new business was signed towards the end of the year, a "Government Gateway" development project for the Cabinet office, and outsourcing for the Ministry of Justice, National Farmers Union Mutual and the NHS Scotland. These contracts amounted to a total contract value of £710 million.

The directors expect that the Company will continue to focus its efforts on improving organic growth and a recovery in operating profits during 2007. In 2007 the Company will continue to focus on growth opportunities within the outsourced managed medical services market.

Risk Management

The Management team has been strengthened with Keith Wilman joining in January 2007 as CEO for the UK operations from CSC. In addition, a specific Operational Board has been established that meets monthly and is responsible for the oversight of all operations and focuses where necessary on potential issues.

Directors' Report for the year ended 31 December 2006

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped into business risks and financial risks

Business risks

- Clients

The Company continues to diversify its offerings across various service lines in order to limit the impact of contract losses. The Company's top 25 clients generate more than 79% of the total revenues. The five largest clients in 2006 represented 45% of the Company's total revenues and no single client generated more than 15% of total revenues.

Client relationship management is critical to ensure proper delivery of services, the renewal of contracts and mitigation of the risks of early termination. The Company has implemented detailed contract management processes to manage this risk.

- Bid process

The Company engages in a rigorous "Rainbow" bid process. This process spans from the first engagement with the client to contract delivery.

- Legal risks

Through the provision of IT services to clients, the risk of contract liability arises as a result of any inadequate implementation of IT systems, or any deficiency in the execution of services related to delays or unsatisfactory level of services. The Company seeks to minimise such risks through a rigorous review at bid stage and throughout the contract life, where appropriate, mitigating actions are taken.

- Supplier risks

The Company relies on key suppliers in its business with respect to software used in the design, implementation and running of IT systems. Major risks with key IT suppliers are managed centrally by the purchasing department. This department is responsible for relationships with suppliers, including their identification and selection, contract negotiation and the management and resolution of potential claims and litigations.

- Partnerships and subcontractors

The Company relies from time to time on partnerships and subcontractors to deliver services in specific contractual situations. The use of third parties is commonplace within the industry but represents a business risk that is carefully managed by the Company. All requests to enter into partnerships or to use subcontractors are initiated by the bid team evaluating the proposal.

- Technology and IT risks

The Company has proper management of IT risks, covering security and backup systems and effective insurance coverage.

Market and financial risks

- Liquidity risk

The Company has access to an Atos Origin Group cash pool for its day to day liquidity requirements. Throughout 2006 the Company held the majority of its cash holding in this Group cash pool arrangement. The Company's ultimate parent company is responsible for the Company's overall liquidity management.

- Cashflow interest rate risk

The Company has no bank borrowings. Interest rate risk is limited to interest earned on cash held in the Group cash pool.

- Credit risk

The Company has no significant concentrations of credit risk.

Atos Origin IT Services UK Limited

Directors' Report for the year ended 31 December 2006

Market and financial risks (continued)

- **Currency risk**
The Company's financial performance is not materially influenced by fluctuations in exchange rate since revenues and costs are generally denominated in Sterling
- **Price risk**
The Company has no material exposure to the price of securities, nor is it materially exposed to commodity price risks

Results and Dividends

The loss for the year after taxation and exceptional items amounted to £74,700,000 (2005 £34,413,000 profit restated) The directors do not recommend the payment of a dividend (2005 £nil)

Prior year adjustment

During the year, the Company adopted FRS20 'Share-based Payments' in respect of awards of equity-based instruments made by Atos Origin S A to employees of the Company The change has been made as a prior year adjustment as if the new policy had always been in place The adoption of FRS20 has resulted in an increase and decrease of cost of sales and profit for the year of £1,664,000 (2005 £772,000) respectively, but had no impact on the Company's net assets for the years ended 31 December 2006 and 2005 (see note 23)

Directors

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

S Curl
J Loughrey
K Wilman (appointed 1 January 2007)

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

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

Atos Origin IT Services UK Limited

Directors' Report for the year ended 31 December 2006

Employees (continued)

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 25 days (2005: 26 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 2006 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. From 1st January 2006 Atos Origin has a Stakeholder plan with Scottish Equitable 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 AO 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 IWCSSS scheme was also transferred. This provides for staff transferred in as part of Government contracts and as such is intended to mirror their former Coal Board schemes.

During the period, there was a reduction in active membership as a result of a loss of tender in each of the Atos Origin (Sema) Pension Scheme and the Atos Origin Civil Service Pension scheme. These events have been treated as a curtailment.

Benefit changes relating to A-Day were made to the Atos Origin Pension Fund and Atos Origin (Sema) Pension scheme from 1 April 2006, including an increase in the level of tax free cash that members are permitted to take through commutation of their pension at retirement. This increase had resulted in a gain within each of the two schemes. These plan amendments have been treated in the same way as a curtailment.

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

Directors' Report for the year ended 31 December 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 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 judgements 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,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

Disclosure of information to auditors

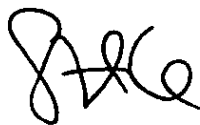
In so far as each person who was a director at the date of approving this report is aware

- there is no relevant audit information, being the information needed by the Company's auditors in connection with preparing its report, of which the auditors are unaware, and
- having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

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

On behalf of the Board



Stuart Curl
Director
10 August 2007

Atos Origin IT Services UK Limited

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

We have audited the financial statements of Atos Origin IT Services UK Limited for the year ended 31 December 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 25. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 the implications for our report if we become aware of any apparent misstatements within it.

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.

Atos Origin IT Services UK Limited

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

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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 December 2006



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
London
10 August 2007

Atos Origin IT Services UK Limited

Profit and loss account For the year ended 31 December 2006

	Notes	2006 £000	Restated 2005 £000
Turnover	2	614,603	662,895
Cost of sales			
Exceptional	3	(19,642)	-
Other		(453,261)	(465,698)
Gross profit		141,700	197,197
Distribution expenses		(6,740)	(30,146)
Administration expenses			
Exceptional	3	(71,862)	-
Other		(142,680)	(133,779)
Operating (loss)/profit	5	(79,582)	33,272
Exceptional items			
Profit on disposal of business	3	-	8,562
(Loss)/profit before interest and taxation		(79,582)	41,834
Interest receivable	4	5,624	4,750
Interest payable	4	(800)	(1)
(Loss)/profit on ordinary activities before taxation		(74,758)	46,583
Tax on (loss)/profit on ordinary activities	7	58	(12,170)
(Loss)/profit on ordinary activities after taxation	17/18	(74,700)	34,413

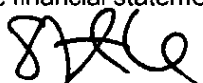
The accompanying accounting policies and notes form an integral part of these financial statements

Atos Origin IT Services UK Limited

Balance sheet as at 31 December 2006

	Notes	2006 £000	Restated 2005 £000
Fixed assets			
Intangible assets	8	71	802
Tangible assets	9	35,443	25,284
Investments	10	1,402,768	1,465,185
		<u>1,438,282</u>	<u>1,491,271</u>
Current assets			
Debtors	11		
Due within one year		204,543	206,030
Due after one year		37,248	37,757
Cash at bank and in hand		40,611	86,681
		<u>282,402</u>	<u>330,468</u>
Creditors amounts falling due within one year	12	<u>(157,259)</u>	<u>(159,708)</u>
Net current assets		<u>125,143</u>	<u>170,760</u>
Total assets less current liabilities		1,563,425	1,662,031
Creditors amounts falling due after more than one year	13	(1,320,743)	(1,347,624)
Provisions for liabilities and charges	15	<u>(46,428)</u>	<u>(31,740)</u>
Net assets excluding pension liability		196,254	282,667
Defined benefit pension liability	19	<u>(156,776)</u>	<u>(173,040)</u>
Net assets		<u>39,478</u>	<u>109,627</u>
Capital and reserves			
Called up share capital	16	12,750	12,750
Share premium	17	181,058	181,058
Share-based payments reserve	17	2,436	772
Profit and loss account	17	<u>(156,766)</u>	<u>(84,953)</u>
Total shareholders' funds	18	<u>39,478</u>	<u>109,627</u>

These financial statements were approved by the Board of Directors



Stuart Curl
Director
10 August 2007

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

	Notes	2006 £000	Restated 2005 £000
(Loss)/profit on ordinary activities after taxation		(74,700)	34,413
Actuarial gain/(loss) on defined benefit pension schemes	19	2,887	(22,914)
Total gains and losses recognised since the last financial statements		<u>(71,813)</u>	<u>11,499</u>

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2006

1 Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The principal accounting policies of the Company are set out below and with the exception of the adoption of FRS20 'Share-based Payments', have remained unchanged from the previous year.

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 are 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 as they are incurred or foreseen.

Outsourcing turnover is recognised as services are delivered.

The Company's product turnover is derived from the sale 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 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 ACCOUNTS
Year Ended 31 December 2006

1 Accounting policies (continued)

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 that 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 Company operates a defined benefit (DB) and defined contribution (DC) pension arrangements covering the majority of employees.

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

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

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2006

1 Accounting policies (continued)

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.

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.

Change in accounting policy

During the year, the Company adopted FRS20 'Share-based Payments', which became fully effective for accounting periods commencing on or after 1 January 2006. FRS20 has been applied retrospectively to all equity instruments granted after 7 November 2002 that were unvested as of 1 January 2006.

In accordance with FRS20, the fair value of equity-settled share-based payments to employees is initially determined at the date of the grant and is not re-measured after the grant date.

The fair value of equity-settled share-based payments is expensed in the profit and loss account over the vesting period, based on the Company's best estimate of shares or options that will eventually vest. As required by the standard, the appropriate disclosures are recorded in note 20.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

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 2006				
Third parties	588,681	2,931	1,034	592,646
Atos Origin Group undertakings	10,056	11,034	867	21,957
	<u>598,737</u>	<u>13,965</u>	<u>1,901</u>	<u>614,603</u>
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>

Turnover is derived by class of business as follows

	2006	2005
	£000	£000
Outsourcing	383,032	417,624
Systems Integration	231,571	225,384
Products	-	19,887
	<u>614,603</u>	<u>662,895</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

3 Exceptional items

	2006 £'000	2005 £'000
Gross profit is recognised after charging the following		
Provision for losses on key contracts (Note 15)	19,642	-
Operating (loss)/profit is recognised after charging the following		
Impairment of investment in Atos Consulting Limited (Note 10)	62,357	-
Restructuring provision (Note 15)	9,505	-
	71,862	-
(Loss)/profit before interest and taxation is recognised after charging the following		
Profit on disposal of PPAS business	-	8,562

Restructuring provisions are linked to recovery plans undertaken during the year

An impairment review was carried out during the year due to a decline in profitability of Atos Consulting Limited. As a result of this review, a provision for impairment of £62,357,000 was recorded (see note 10)

4 Interest receivable and payable

	2006 £000	2005 £000
Interest receivable		
Interest on bank balances and short term investments	1,874	2,150
Pension scheme net finance income	3,750	2,600
	5,624	4,750
Interest payable		
Interest on bank overdrafts and loans repayable within 5 years	-	1
Interest on withholding tax payable	800	-
	800	1

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

5 Operating (loss)/profit

	2006	2005
	£000	£000
Operating (loss)/profit is stated after charging/(crediting) the following		
Impairment of investment (Note 10)	62,357	-
Amortisation of intangible fixed assets (Note 8)	731	1,740
Depreciation of tangible fixed assets (Note 9)	16,102	12,141
Profit on disposal of fixed assets – tangible assets	-	(194)
Auditors' remuneration – audit services	605	754
Operating leases		
- Plant and machinery	2,706	4,301
- Other assets	13,412	13,187

6 Staff costs and directors' emoluments

The aggregate payroll costs during the year were as follows

	2006	Restated
	£000	2005
		£000
Staff (including directors)		
Wages and salaries	231,553	234,444
Social security costs	21,634	22,536
Equity-settled share-based payments	1,664	772
Pension costs	16,433	17,540
	<u>271,284</u>	<u>275,292</u>

	2006	2005
	Number	Number
The average number of employees during the year was		
Production	4,662	5,132
Sales, marketing and administration	755	786
	<u>5,417</u>	<u>5,918</u>

Of the directors in office during the period, two (2005 three) were remunerated by the Company. The total emoluments of those two directors, excluding pension contributions, amounted to £488,362 (2005 £1,257,802). The emoluments of the highest paid director, excluding pension contributions, amounted to £354,133 (2005 £809,422). Payments on behalf of directors to Company pension schemes amounted to £69,505 (2005 £204,172). Amounts paid to the pension schemes of the highest paid director amounted to £43,526 (2005 £99,063). Directors participated in Defined Benefit schemes.

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 2006.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

7 Taxation on (loss)/profit on ordinary activities

The taxation (credit)/charge based on the (loss)/profit for the year, adjusted for taxation purposes may be analysed as follows

	2006	Restated
	£000	2005
		£000
Current Tax		
On ordinary activities		
United Kingdom tax at 30% (2005 30%)	-	5,966
	-	5,966
Deferred Tax		
Current year (Note 14)	7,323	2,694
Prior year (Note 14)	(1,648)	-
FRS17 deferred tax movement	(5,733)	3,510
	(58)	12,170

The current year tax assessed for the year is higher (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	2006	Restated
	£000	2005
		£000
(Loss)/profit on ordinary activities before taxation	(74,758)	46,583
Tax (credit)/charge on (loss)/profit before tax at standard rate of 30% (2005 30%)	(22,427)	13,975
FRS17 adjustment	(5,733)	(3,510)
Expenses not deductible for taxation purposes	2,131	764
Non taxable loan waiver	18,707	(2,569)
Depreciation in excess/(shortfall) of capital allowances	5,164	(2,694)
Movement of provisions	(441)	-
Unutilised losses carried forward	2,599	-
Actual current tax charge on (loss)/profit before taxation	-	5,966

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

8 Intangible fixed assets

	Software licences £000
Cost	
At 1 January 2006 and at 31 December 2006	<u>29,014</u>
Amortisation.	
At 1 January 2006	28,212
Charge for year	<u>731</u>
At 31 December 2006	<u>28,943</u>
Net book value	
At 31 December 2006	<u>71</u>
At 31 December 2005	<u>802</u>

Software licences are being amortised evenly over the period of the licence or the term of the sales contract, whichever is shorter

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

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 2006	1,769	1,513	28,241	38,968	70,491
Additions	-	-	13,859	12,780	26,639
Disposals	-	-	(500)	(579)	(1,079)
At 31 December 2006	<u>1,769</u>	<u>1,513</u>	<u>41,600</u>	<u>51,169</u>	<u>96,051</u>
Depreciation					
At 1 January 2006	1,025	1,513	18,205	24,464	45,207
Charge for the year	-	-	9,872	6,230	16,102
Disposal	-	-	(464)	(237)	(701)
At 31 December 2006	<u>1,025</u>	<u>1,513</u>	<u>27,613</u>	<u>30,457</u>	<u>60,608</u>
Net book value:					
At 31 December 2006	<u>744</u>	<u>-</u>	<u>13,987</u>	<u>20,712</u>	<u>35,443</u>
At 31 December 2005	<u>744</u>	<u>-</u>	<u>10,036</u>	<u>14,504</u>	<u>25,284</u>

There are no assets held under finance leases (2005 £nil)

At 31 December 2006, the Company has contracted for capital expenditure for which no provision has been made in the financial statements of £7,324,541 (2005 £6,026,000)

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

10 Investments

	Unlisted investments £000	Group undertakings £000	Total £000
Cost			
At 1 January 2006	15,810	1,530,166	1,545,976
Investment in VisitScotland Limited	60	(60)	-
At 31 December 2006	<u>15,870</u>	<u>1,530,106</u>	<u>1,545,976</u>
Provisions			
At 1 January 2006	15,810	64,981	80,791
Investment write down in VisitScotland Limited	60	-	60
Investment write down in Atos Consulting Limited	-	62,357	62,357
At 31 December 2006	<u>15,870</u>	<u>127,338</u>	<u>143,208</u>
Net book value			
At 31 December 2006	<u>-</u>	<u>1,402,768</u>	<u>1,402,768</u>
At 31 December 2005	<u>-</u>	<u>1,465,185</u>	<u>1,465,185</u>

In July 2006, the Company reduced its shareholding in VisitScotland Limited (formerly eTourism Limited) from 60% to 7% and reclassified it from investments in group undertakings to unlisted investments. Subsequently the investment in this company was fully written down.

An impairment review was carried out during the year. As a result of this impairment review, the carrying value of the Company's investment in Atos Consulting Limited was determined to be in excess of its recoverable amount, thereby requiring an impairment charge of £62,357,000 to be recognised.

The recoverable amount has been assessed by reference to this investment's underlying value in use. A discount rate of 12.3% was applied to forecast cash flows. Cash flows beyond the three year period after 31 December 2006 were extrapolated using an estimated perpetuity growth rate of 3.0%, which is higher than the long-term average growth rate of the UK economy but consistent with forecasts included in industry analysts' reports.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

10 Investments (continued)

On 31 December 2006, the Company had the following investments in group undertakings where the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital

	Voting rights and proportion held	Country of registration & operation	Nature of business
Atos Origin International Limited	74%	England and Wales	Holding company
Atos Origin Barbados Limited	100%	England and Barbados	Provision of information technology services
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	Provision of information technology services
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

11 Debtors

	2006 £000	2005 £000
Trade debtors	47,148	46,143
Amounts recoverable on contracts	109,386	121,870
Amounts owed by group undertakings	37,248	38,495
Deferred taxation (Note 14)	29,811	24,136
Other debtors	7,074	1,938
Prepayments and accrued income	11,124	11,205
	241,791	243,787

Amounts falling due after more than one year and included above relate to intercompany loans of £25,774,002 (2005 £19,570,000) and deferred tax assets of £11,473,998 (2005 £18,187,000)

At the year end the Company had insured £34 million (2005 £43 million) of it's third party debts. This is done by securitising them at a Atos Origin Group level

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

12 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	9,196	19,335
Amounts owed to group undertakings	29,144	16,586
Corporation tax	13,738	13,738
Other taxation and social security	8,964	12,964
Accruals and deferred income	96,217	97,085
	<u>157,259</u>	<u>159,708</u>

13 Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Amounts owed to group undertakings	<u>1,320,743</u>	<u>1,347,624</u>

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

14 Deferred taxation asset

	£000
Balance at 1 January 2006	24,136
Prior year adjustment	(1,648)
Amount credited to the profit and loss account (Note 7)	<u>7,323</u>
Balance at 31 December 2006	<u>29,811</u>

The deferred taxation asset is represented by the following timing differences

	2006	2005
	£000	£000
Accelerated capital allowances	20,668	15,504
Short term timing differences	4,901	6,990
Losses	<u>4,242</u>	<u>1,642</u>
	<u>29,811</u>	<u>24,136</u>

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

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

15 Provisions for liabilities and charges

	Provisions for property £000	Provisions for contracts £000	Provisions for restructuring £000	Total £000
At 1 January 2006	6,283	25,457	-	31,740
Provided during the year	1,020	19,642	9,505	30,167
Reversed during the year	(240)	(4,741)	-	(4,981)
Utilised during the year	(870)	(4,920)	(4,708)	(10,498)
At 31 December 2006	<u>6,193</u>	<u>35,438</u>	<u>4,797</u>	<u>46,428</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.

Provisions for restructuring have been made in 2006 in line with the Company's recovery plans.

16 Share capital

	2006 £000	2005 £000
Authorised 15,000,000 ordinary shares of £1 each (2005 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 (2005 12,750,200)	<u>12,750</u>	<u>12,750</u>

17 Reserves

	Share-based payments reserve £000	Share premium £000	Profit & loss account £000
As at 1 January 2006 (as previously reported)	-	181,058	(84,181)
Prior year adjustment	<u>772</u>	<u>-</u>	<u>(772)</u>
As at 1 January 2006 (as restated)	772	181,058	(84,953)
Recognition of equity-settled share-based payments	1,664	-	-
Retained loss for the financial year	-	-	(74,700)
Actuarial gain on defined benefit pension schemes	-	-	2,887
At 31 December 2006	<u>2,436</u>	<u>181,058</u>	<u>(156,766)</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

18 Reconciliation of movement in shareholders' funds

	2006 £000	Restated 2005 £000
Shareholders' funds at 1 January	109,627	97,356
Retained (loss)/profit for the financial year	(74,700)	34,413
Other recognised gains and losses	2,887	(22,914)
Equity-settled share-based payments	1,664	772
Shareholders' funds at 31 December 2006	<u>39,478</u>	<u>109,627</u>

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
 IWCSSS 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 Sema Group scheme has been closed to new members since 1 July 2001. From 1 July 2003, the Sema Group Scheme 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 2003. The agreed contribution rate for 2006 was 22.1 per cent. A formal new Scheme Funding Valuation has been called as at 31 December 2006.

The most recent valuation (31 December 2006) was carried out by Towers Perrin on 22 February 2007.

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 agreed contribution rate for 2006 was 32.8 per cent.

The most recent valuation (31 December 2006) was carried out by Towers Perrin on 22 February 2007.

Railways Pension Scheme – Atos Origin Section

The Railways pension scheme is a shared cost scheme which provides benefits on a DB basis. The agreed contribution rate from 1st August 2006 for employee is 11.08 per cent and for employer was 16.62 per cent. The scheme is closed to new entrants.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

19 Retirement benefits (continued)

The most recent valuation (31 December 2006) was carried out by Towers Perrin on 22 February 2007

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 agreed contribution rate for the 2006 was 28.2 per cent. A formal new Scheme Funding Valuation has been called as at 31 December 2006.

The most recent valuation (31 December 2006) was carried out by Towers Perrin on 22 February 2007.

IWCSSS 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 2006) 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. The agreed contribution rate for the 2006 was 15.8 per cent.

Over the year to 31 December 2006, employer contributions to the various defined contribution schemes was £9,431,896 (2005: £9,000,000) while employer contributions in respect of defined benefit schemes amounted to £27,645,000 (2005: £22,900,000) over the same period. There are no outstanding or prepaid contributions at the balance sheet date (2005: £nil).

The Company has adopted FRS 17. The relevant disclosure notes for this standard have been prepared using the formal actuarial valuation of the schemes as at 31 December 2006, prepared by Towers Perrin, a qualified independent actuary.

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

Rates of Increase	2006	2005	2004	2003
Rate of increase in salaries	2.75 – 3.25%	2.75 – 3.25%	2.50 – 4.25%	3.50 – 4.00%
Rate of increase in pensions	2.75%	2.75%	2.50 – 2.75%	2.50%
Discount rate	5.00%	4.75%	5.25%	5.50%
Inflation	2.75%	2.75%	2.75%	2.50%

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

19 Retirement benefits (continued)

The rate of increase in salaries excludes promotional increases

Expected Returns	2006	2005	2004	2003
Equities	7.50%	8.25%	8.00 – 8.75%	7.90%
Corporate bonds	4.75 – 5.00%	4.75%	5.25 – 5.50%	5.50%
Fixed interest gilts	4.25 – 5.00%	4.00%	4.75%	4.80%
Index linked gilts	5.00%	4.00%	4.75%	4.50%
Property	7.50%	8.25%	8.75%	6.50%
Cash	3.00%	3.50%	4.00%	3.50%
Other	-	-	-	3.50%

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

	2006	2005	2004	2003
	£000	£000	£000	£000
Market value of assets	747,594	664,300	534,705	471,566
Present value of liabilities	(971,560)	(909,000)	(760,871)	(697,675)
Deficit in the schemes	(223,966)	(244,700)	(226,166)	(226,109)
Unrecoverable surplus	-	(2,500)	-	-
Related deferred tax asset	67,190	74,160	67,850	67,833
Net pension deficit	(156,776)	(173,040)	(158,316)	(158,276)

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

	2006	2005	2004
	£000	£000	£000
Bonds	163,058	151,100	130,010
Equities	525,998	470,600	373,777
Others	58,538	42,600	30,918
Total	747,594	664,300	534,705

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

19 Retirement benefits (continued)

The following amounts for 2004, 2005 and 2006 have been recognised in the profit and loss accounts for those periods. For 2003 the following amounts would have been recognised in the profit and loss accounts under the requirements of FRS17

	2006 £000	2005 £000	2004 £000	2003 £000
Operating profit				
Current service cost	15,516	17,400	15,109	15,500
Curtailments	(3,231)	-	(300)	-
Past service costs	-	(3,600)	-	5,000
Total operating charge	<u>12,285</u>	<u>13,800</u>	<u>14,809</u>	<u>20,500</u>

	2006 £000	2005 £000	2004 £000	2003 £000
Other finance income				
Interest on pension scheme liabilities	44,735	39,400	38,901	23,000
Expected return on pension scheme assets	(48,485)	(42,000)	(34,248)	(19,900)
Net return	<u>(3,750)</u>	<u>(2,600)</u>	<u>4,653</u>	<u>3,100</u>

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

	2006 £000	2005 £000
Actual return less expected return on pension schemes assets	16,400	52,427
Experience gains and (losses) arising on the schemes liability	(29,994)	(8,337)
Changes in the assumptions underlying the present value of the schemes liability	14,731	(62,734)
Unrecoverable surplus	<u>1,750</u>	<u>(4,270)</u>
Actuarial gain/ (loss) recognised in the statement of recognised gains and losses	<u>2,887</u>	<u>(22,914)</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

19 Retirement benefits (continued)

The movements in the deficit during the year have been

	2006 £000	2005 £000	2004 £000
Deficit in schemes at 1 January	(244,700)	(226,166)	(226,109)
Re-alignment of schemes	-	-	(533)
Current service cost	(15,516)	(17,400)	(15,109)
Curtailments	3,231	-	300
Contributions	27,645	22,900	24,710
Other finance income	3,750	2,600	(4,653)
Actuarial gain/(loss)	1,624	(26,634)	(4,772)
Deficit in scheme at 31 December	<u>(223,966)</u>	<u>(244,700)</u>	<u>(226,166)</u>

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

Difference between actual and expected return on scheme assets

	2006 £000	2005 £000	2004 £000	2003 £000
(Gain)/loss on scheme assets	(23,428)	(74,895)	(13,207)	(29,600)
% of scheme assets at end of year	3%	(11%)	(3%)	(8%)
Experience (gain)/loss on scheme liabilities	42,849	8,339	(4,893)	18,300
% of scheme liabilities at end of year	2%	<1%	<(1%)	3 2%
Total actuarial (gain)/loss at end of year	(1,624)	26,634	4,772	44,800
% of scheme liabilities at end of year	3%	3%	3%	8%

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

20 Share based payments

Atos Origin S A , the ultimate parent of the Company, made awards of instruments over its ordinary shares to the Company's employees, under two equity-based plans the Stock option plan and the Employee Share Purchase Plan "Sprint"

The Company recognised a total expense of £1,664,000 (2005 £772,000) in respect of these two plans during the year split as follows

- £1,078,000 (2005 £772,000) related to the Stock Option plan
- £586,000 (2005 £nil) related to the Sprint plan

Stock option plan

Stock options are measured at fair value on the date of the grant using the binomial option pricing model. Their fair value is not re-measured after the grant date. The fair value of share options is recognised as staff costs within cost of sales, on a straight-line basis over their vesting period, with the offsetting credit recognised directly in reserves (in the share-based payments reserve).

Options are exercisable at a price equal to the average of the last 20 closing prices preceding the date of grant. The vesting period is gradual: options vest on successive portions over 3 years. Options expire if they remain unexercised after a period of 10 years from the date of grant. Options are forfeited if the employee leaves the Company before the options vest.

Details of share options outstanding at the end of the year were as follows

	2006		2005	
	Number of shares	Weighted average exercise price €	Number of shares	Weighted average exercise price €
Outstanding at 1 January	136,800	49.81	-	-
Granted during the year	127,090	59.92	141,800	49.81
Forfeited during the year	(25,377)	54.81	(5,000)	49.75
Transfers in during the year	6,400	55.99	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	244,913	54.70	136,800	49.81
Exercisable at 31 December	-	-	-	-

Options outstanding at the end of the year have a weighted average remaining contractual life of 6.4 years (2005 6.2 years) and have the following exercise prices

Expiry date	Exercise price €	2006 Number	2005 Number
10 January 2015	49.75	125,473	135,800
26 October 2015	58.04	1,000	1,000
29 March 2016	59.99	117,940	-
19 December 2016	43.16	500	-

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

20 Share based payments (continued)

No options were exercised during the year

The fair values were calculated using the binomial option pricing model. The inputs into the model were as follows:

Date of grant	29 March 2006	10 January 2005
Share price at grant date	60.95	51.80
Exercise price	59.99	49.70
Expected volatility	25.0%	34.1%
Expected life	48 months	48 months
Risk free rate	3.42%	2.78%
Expected dividend yield	0%	0%
Fair value of options granted (Euros)	16.0	16.8

Expected volatility has been determined based on the implicit volatility of the Atos Origin S.A.'s share price at the respective expected maturity dates of the underlying options. In the absence of liquid option markets on the Atos Origin S.A.'s share, the implicit life volatility has been derived from a quote obtained from a representative market maker. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Employee Share Purchase Plan "Sprint"

In 2006, Atos Origin S.A. initiated the 'Sprint' plan which offers its employees and employees in its subsidiaries the opportunity to invest in its ordinary shares at a discounted price.

In the UK, the Sprint plan offered eligible employees two formulae:

- The 'Sprint Dynamic' formula: employees subscribe at a 20% discount to the reference price with a 5 year lock-in period. The initial investment is not protected.
- The 'Sprint Secure' formula: the leveraged structure implemented with a bank, allows the employees to receive after the five-year locked-up period the highest between their initial investment (guaranteed in euro) and ten times the average monthly increase in Atos Origin S.A.'s shares. The initial employee investment and the potential increase is guaranteed by the bank which benefits from the 20% discount on the shares.

These awards are measured at fair value at the grant date taking into account:

- the exercise price based on the average opening share prices quoted over the twenty trading days preceding the date of grant,
- the 20% discount granted to employees,
- the consideration of the five-year lock-up restriction to the extent it affects the price that a knowledgeable, willing market participant would pay for the share, and
- the grant date: date on which the plan and its term and conditions, including the exercise price, is announced to employees.

The fair value of Sprint awards is not re-measured after the grant date. It is recognised as staff costs, within cost of sales, on a straight-line basis over their vesting period, with the offsetting credit recognised directly in reserves.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2006

20 Share based payments (continued)

332 employees of the Company participated in Sprint 9,014 units were purchased by employees in the Dynamic formula and 11,218 units in the Secure formula. This equates to 20,232 shares issued to employees and 100,962 issued to the bank (in respect of the secure formula) at a reference price of Euros 43.45. The 5 year lock-up period restriction factored into the fair value assessment of the compensation received by employees amounts to 1% per year over 5 years of the reference share price, leading to the value the compensation received by employees to 15% of the share price.

21 Guarantees and other financial commitments

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

	2006	2005
	£000	£000
In respect of land and buildings		
Commitments expiring		
- within one year	1,220	918
- between one and five years	3,019	2,935
- after five years	4,869	5,540
	<u>9,108</u>	<u>9,393</u>
In respect of other assets		
Commitments expiring		
- within one year	1,360	862
- between one and five years	3,750	5,149
	<u>5,110</u>	<u>6,011</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 £11,511,047 (2005 £1,070,610).

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.

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2006

22 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 25

23 Prior year adjustment

As disclosed in the accounting policies section, during the year the Company adopted FRS20, 'Share-based Payments', which became fully effective for accounting periods commencing on or after 1 January 2006

The change has been made as a prior year adjustment as if the new policy had always been in place. The adoption of FRS20 has resulted in an increase and decrease of cost of sales and profit for the year of £1,664,000 (2005 £772,000), respectively. For the years ended 31 December 2006 and 2005, the adoption of FRS20 had no impact on the Company's net assets.

The comparative figures in the accounts have been restated to reflect these changes.

24 Post balance sheet events

Termination of Diagnostics contract

On 25 July, 2007, the Department of Health announced that planned diagnostics services that should have been provided by the Company in North West and South West regions will not proceed.

Following this termination, the Company will conduct the required procedures to mitigate its effects. As of the date of signing these financial statements, an uncertainty remains with regards to the financial consequences of this situation. The Company is assessing the recoverable value of the assets, due to their customizations and complexity as well as claims in respect of compensation from the Department of Health.

As at 31 December 2006, the balance sheet position relating to the Diagnostics contract is

	2006
	£000
Tangible assets	2,300
Transition costs	2,200
Other liabilities	(758)
Net assets	<u>3,742</u>

This position does not take into account any potential contingent asset nor liabilities associated with the termination of the contracts.

The Company is working to achieve a mutually satisfactory financial closure to the contracts with the client.

Change in tax rates

Deferred tax assets included in these financial statements have been measured using the current UK statutory tax rate of 30%.

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24 Post balance sheet events (continued)

Post the balance sheet date, the March 2007 Budget announced a prospective change in the rate of UK corporation tax from 30% to 28%. The Finance bill containing the proposed rate change became law in July 2007, with the rate change being effective from 1 April 2008.

Under UK GAAP, deferred tax assets should be measured using tax rates which are expected to apply at the time the assets reverse, but based on rates enacted or substantively enacted at the balance sheet date.

Accordingly, and due to the long term nature of the deferred tax assets, it is expected that these will be measured at 28% in the financial statements for the year to 31 December 2007. The diminution in value of the assets will be recorded in the 2007 profit and loss account.

25 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.