

Atos Origin IT Services UK Limited

Report and Financial Statements

For the Year Ended

31 December 2007

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Atos Origin IT Services UK Limited

Report and Financial Statements For the Year Ended 31 December 2007

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Atos Origin IT Services UK Limited

Report and Financial Statements For the Year Ended 31 December 2007

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
Regent's 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 2007

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 2007

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 £14 million (2006: £80 million). The exceptional items during the year were:

- £31 million of post termination impairment of assets and ongoing costs in respect of the NHS Diagnostics contract that was terminated in July 2007,
- recognition of contract loss provisions (approximately £17 million) over several difficult contracts, and
- recognition of restructuring provisions of £5 million linked to the restructuring plan which began in the prior year.

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. 2007 turnover was 5% up on 2006 (£645 million in 2007 compared to £615 million in 2006). The increase in revenue was due to the commencement of full service of some significant contracts, such as the Ministry of Justice, National Farmers Union Mutual and the NHS Scotland which were won towards the end of the prior year.

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. Strong new business was signed during the year, including the Highways Agency, Royal Mail, BNP Paribas, Liverpool and Victoria and DWP ESA contracts. These contracts amount to a total contract value of £280 million.

The directors expect that the Company will continue to focus its efforts on improving organic growth and a recovery in operating profits during 2008. In 2008 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. The Company has a number of governance boards which seek to deliver specific goals. Namely, the UK Strategy Board consists of the UK Executive Team and its purpose is to deliver market growth, deepen client relationships and strengthen the UK's competitive position in the market through developing the three year strategic plan. This Board meets on a six-weekly basis. The UK Operations Board meets monthly and is focused on delivering current year business objectives and implementing the in-year actions related to the three year strategy as defined by the UK Strategy Board. This forum is responsible for the oversight of all operations and focuses where necessary on potential issues raised by the different parts of the UK business. The Sales and Marketing Board meets monthly and focuses on achieving the backlog for the current year. Material issues that cannot be resolved in this forum are raised at the UK Operations Board.

Atos Origin IT Services UK Limited

Directors' Report for the year ended 31 December 2007

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 66% of the total revenues (2006: 79%). The five largest clients in 2007 represented 34% of the Company's total revenues (2006: 45%) and no single client generated more than 12% of total revenues (2006: 15%).

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 2007 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 2007

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 £16,160,000 (2006 £74,700,000) The directors do not recommend the payment of a dividend (2006 £nil)

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.

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.

Atos Origin IT Services UK Limited

Directors' Report for the year ended 31 December 2007

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 24 days (2006: 25 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

On 31 March 2008, the Company signed a formal agreement with the trustees of the Atos Origin (Sema) Pension Scheme and Atos Origin Pension Fund. Under the terms of this agreement a number of changes were made to the scheme benefits (collectively entitled the 'New Deal') becoming effective from 31 March 2008. Details of the changes can be found in note 23.

Benefit changes relating to A-Day were made to the Atos Origin (CS) Pension Scheme from 1 April 2007, 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 has resulted in a gain within the scheme of £1,646,000.

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

Atos Origin IT Services UK Limited

Directors' Report for the year ended 31 December 2007

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

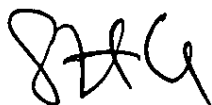
In so far as each person who was a director at the date of approving this report is aware

- 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
25 April 2008

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 2007 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 24. 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 2007 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 2007



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
London
20 May 2008

Atos Origin IT Services UK Limited

Profit and loss account

For the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	645,470	614,603
Cost of sales			
Exceptional	3	(48,424)	(19,642)
Other		(482,363)	(453,261)
Gross profit		<u>114,683</u>	<u>141,700</u>
Distribution expenses		(4,192)	(6,740)
Administration expenses			
Exceptional	3	(4,924)	(71,862)
Other		(119,382)	(142,680)
Operating loss	5	<u>(13,815)</u>	<u>(79,582)</u>
Loss before interest and taxation		(13,815)	(79,582)
Interest receivable	4	2,525	5,624
Interest payable	4	(737)	(800)
Loss on ordinary activities before taxation		<u>(12,027)</u>	<u>(74,758)</u>
Tax on loss on ordinary activities	7	(4,133)	58
Loss on ordinary activities after taxation	17/18	<u><u>(16,160)</u></u>	<u><u>(74,700)</u></u>

All of the turnover and results for both years derive from continuing activities

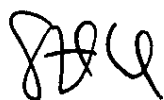
The accompanying accounting policies and notes form an integral part of these financial statements

Atos Origin IT Services UK Limited

Balance sheet as at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Intangible assets	8	4	71
Tangible assets	9	56,139	35,443
Investments	10	1,402,126	1,402,768
		<u>1,458,269</u>	<u>1,438,282</u>
Current assets			
Debtors	11		
Due within one year		202,705	204,543
Due after one year		56,013	37,248
Cash at bank and in hand		40,806	40,611
		<u>299,524</u>	<u>282,402</u>
Creditors amounts falling due within one year	12	<u>(201,084)</u>	<u>(157,259)</u>
Net current assets		<u>98,440</u>	<u>125,143</u>
Total assets less current liabilities		1,556,709	1,563,425
Creditors amounts falling due after more than one year	13	(1,332,988)	(1,320,743)
Provisions for liabilities and charges	15	<u>(48,638)</u>	<u>(46,428)</u>
Net assets excluding pension liability		175,083	196,254
Defined benefit pension liability	19	<u>(80,235)</u>	<u>(156,776)</u>
Net assets		<u>94,848</u>	<u>39,478</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	3,406	2,436
Profit and loss account	17	<u>(102,366)</u>	<u>(156,766)</u>
Total shareholder's funds	18	<u>94,848</u>	<u>39,478</u>

These financial statements were approved by the Board of Directors



Stuart Curl
Director
25 April 2008

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 2007

	Notes	2007 £000	2006 £000
Loss on ordinary activities after taxation		(16,160)	(74,700)
Actuarial gain on defined benefit pension schemes	19	70,560	2,887
Total gains and losses recognised since the last financial statements		<u>54,400</u>	<u>(71,813)</u>

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2007

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 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 2007

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.

Turnover relating to these contracts is recorded in 'Amounts recoverable on contracts' within debtors and represents services rendered. Amounts billed to the customers in excess of services rendered, are recorded as deferred income under 'Creditors' amounts falling due within one year'.

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.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

1 Accounting policies (continued)

Retirement benefits

The Company 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.

Scheme assets are measured at fair value. 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.

Share-based payments

In accordance with FRS 20, 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 as staff costs within cost of sales over the vesting period, based on the Company's best estimate of shares or options that will eventually vest. The offsetting credit is recognised directly in reserves (in the share-based payments reserve).

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

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 2007				
Third parties	623,141	568	701	624,410
Atos Origin Group undertakings	10,790	9,103	1,167	21,060
	<u>633,931</u>	<u>9,671</u>	<u>1,868</u>	<u>645,470</u>
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>

Turnover is derived by class of business as follows

	2007 £000	2006 £000
Outsourcing	419,829	383,032
Systems Integration	225,641	231,571
	<u>645,470</u>	<u>614,603</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

3 Exceptional items

	2007 £'000	2006 £'000
Gross profit is recognised after charging the following		
Provision for losses on key contracts (Note 15)	16,989	19,642
NHS Diagnostics charges	31,435	-
	<u>48,424</u>	<u>19,642</u>
Operating loss is recognised after charging the following		
Impairment of investment in Atos Consulting Limited	-	62,357
Restructuring provision (Note 15)	4,924	9,505
	<u>4,924</u>	<u>71,862</u>

The NHS Diagnostics charges relate to post termination impairment of assets and ongoing costs in respect of the termination of this contract in July 2007

Restructuring provisions are linked to recovery plans that began in 2006

The impairment of the investment in Atos Consulting Limited was recorded in 2006 due to a decline in this Company's profitability

4 Interest receivable and payable

	2007 £000	2006 £000
Interest receivable		
Interest on bank balances and short term investments	670	1,874
Pension scheme net finance income (Note 19)	1,855	3,750
	<u>2,525</u>	<u>5,624</u>
Interest payable		
Interest on bank overdrafts and loans	737	-
Interest on withholding tax payable	-	800
	<u>737</u>	<u>800</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

5 Operating loss

	2007	2006
	£000	£000
Operating loss is stated after charging the following		
Impairment of investment	-	62,357
Amortisation of intangible fixed assets (Note 8)	67	731
Depreciation of tangible fixed assets (Note 9)	17,213	16,102
Impairment of tangible fixed assets (Note 9)	7,638	-
Loss on disposal of tangible fixed assets	133	-
Auditors' remuneration – audit services	695	633
Non audit services - Information Technology	16	-
Operating leases		
- Plant and machinery	2,080	2,706
- Other assets	13,960	13,412

6 Staff costs and directors' emoluments

The aggregate payroll costs during the year were as follows

	2007	2006
	£000	£000
Staff (including directors)		
Wages and salaries	234,259	231,553
Social security costs	22,654	21,634
Equity-settled share-based payments (Note 20)	970	1,664
Pension costs	18,029	16,433
	275,912	271,284

	2007	2006
	Number	Number
The average number of employees during the year was		
Production	4,561	4,582
Sales, marketing and administration	625	685
	5,186	5,267

Of the directors in office during the period, three (2006 two) were remunerated by the Company. The total emoluments of those three directors, excluding pension contributions, amounted to £1,353,346 (2006 £488,362). The emoluments of the highest paid director, excluding pension contributions, amounted to £784,169 (2006 £354,133). Payments on behalf of directors to Company pension schemes amounted to £78,888 (2006 £69,505). Amounts paid to the pension schemes of the highest paid director amounted to £15,000 (2006 £43,526). Two (2006 two) directors participated in a defined benefit scheme and one (2006 nil) director participated in a defined contribution scheme.

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 2007.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

7 Taxation on loss on ordinary activities

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

	2007	2006
	£000	£000
Current Tax		
On ordinary activities		
United Kingdom tax at 30% (2006 30%)	16	-
Prior year adjustment	900	-
	<u>916</u>	<u>-</u>
Deferred Tax		
Current year (Note 14)	(3,561)	7,323
Prior year (Note 14)	(812)	(1,648)
FRS17 deferred tax movement	7,590	(5,733)
	<u>4,133</u>	<u>(58)</u>

The current year tax assessed for the year is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007	2006
	£000	£000
Loss on ordinary activities before taxation	(12,027)	(74,758)
Tax credit on loss before tax at standard rate of 30% (2006 30%)	(3,608)	(22,427)
FRS17 adjustment	(3,946)	(5,733)
Expenses not deductible for taxation purposes	1,625	2,131
Non taxable loan waiver	-	18,707
Depreciation in excess of capital allowances	9,309	5,164
Movement of provisions	(765)	(441)
Unutilised losses carried forward	(2,599)	2,599
Prior year adjustment	900	-
	<u>916</u>	<u>-</u>
Actual current tax charge on loss before taxation		

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

8 Intangible fixed assets

	Software licences £000
Cost	
At 1 January 2007 and at 31 December 2007	<u>29,014</u>
Amortisation.	
At 1 January 2007	28,943
Charge for year	<u>67</u>
At 31 December 2007	<u>29,010</u>
Net book value	
At 31 December 2007	<u>4</u>
At 31 December 2006	<u>71</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 2007

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 2007	1,769	1,513	41,600	51,169	96,051
Additions	-	-	20,350	25,330	45,680
Disposals	-	(1,513)	(814)	(191)	(2,518)
Reclassification	-	-	3,561	(3,561)	-
At 31 December 2007	<u>1,769</u>	<u>-</u>	<u>64,697</u>	<u>72,747</u>	<u>139,213</u>
Depreciation.					
At 1 January 2007	1,025	1,513	27,613	30,457	60,608
Charge for the year	-	-	8,217	8,996	17,213
Disposal	-	(1,513)	(688)	(184)	(2,385)
Impairment charge	-	-	1,162	6,476	7,638
Reclassification	(6)	-	2,287	(2,281)	-
At 31 December 2007	<u>1,019</u>	<u>-</u>	<u>38,591</u>	<u>43,464</u>	<u>83,074</u>
Net book value					
At 31 December 2007	<u>750</u>	<u>-</u>	<u>26,106</u>	<u>29,283</u>	<u>56,139</u>
At 31 December 2006	<u>744</u>	<u>-</u>	<u>13,987</u>	<u>20,712</u>	<u>35,443</u>

There are no assets held under finance leases (2006 £nil)

At 31 December 2007, the Company has contracted for capital expenditure for which no provision has been made in the financial statements of £6,029,214 (2006 £7,324,541)

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

10 Investments

	Unlisted investments £000	Restated Group undertakings £000	Total £000
Cost			
At 1 January 2007	15,870	1,692,867	1,708,737
Liquidation of investment	-	(1,903)	(1,903)
	<u>15,870</u>	<u>1,690,964</u>	<u>1,706,834</u>
At 31 December 2007			
Provisions			
At 1 January 2007	15,870	290,099	305,969
Liquidation of investment	-	(1,261)	(1,261)
	<u>15,870</u>	<u>288,838</u>	<u>304,708</u>
At 31 December 2007			
Net book value			
At 31 December 2007	-	1,402,126	1,402,126
	<u>-</u>	<u>1,402,126</u>	<u>1,402,126</u>
At 31 December 2006	-	1,402,768	1,402,768
	<u>-</u>	<u>1,402,768</u>	<u>1,402,768</u>

The restatement of the prior year balances relates to the cost of and provision against the Company's investment in Group undertakings that were both found to be understated by £162,761,000 respectively. The restatement had no impact on the Company's net assets.

During 2007, Atos Origin Compower Limited and Perthcrest Limited, two wholly owned subsidiaries of the Company were liquidated.

On 31 December 2007, 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
Sema Investments Limited	100%	England and Wales	Dormant
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
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
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

11 Debtors

	2007	2006
	£000	£000
Trade debtors	49,196	47,148
Amounts recoverable on contracts	110,933	109,386
Amounts owed by group undertakings	41,416	37,248
Deferred taxation (Note 14)	34,184	29,811
Other debtors	6,930	7,074
Prepayments and accrued income	16,059	11,124
	<u>258,718</u>	<u>241,791</u>

Amounts falling due after more than one year and included above relate to intercompany loans of £35,009,527 (2006 £25,774,002) and deferred tax assets of £21,002,678 (2006 £11,473,998)

At the year end the Company had insured £30 million (2006 £34 million) of its third party debts. This is done by securitising them at Atos Origin Group level

12 Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	13,802	9,196
Amounts owed to group undertakings	3,274	29,144
Corporation tax	14,654	13,738
Other taxation and social security	20,332	8,964
Accruals and deferred income	149,022	96,217
	<u>201,084</u>	<u>157,259</u>

13 Creditors: amounts falling due after more than one year

	2007	2006
	£000	£000
Amounts owed to group undertakings	<u>1,332,988</u>	<u>1,320,743</u>

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

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

14 Deferred tax asset

	£000
Balance at 1 January 2007	29,811
Prior year adjustment	812
Amount credited to the profit and loss account (Note 7)	3,561
	<hr/>
Balance at 31 December 2007	34,184
	<hr/>

The deferred taxation asset is represented by the following timing differences

	2007 £000	2006 £000
Accelerated capital allowances	28,818	20,668
Short term timing differences	3,833	4,901
Losses	1,533	4,242
	<hr/>	<hr/>
	34,184	29,811
	<hr/>	<hr/>

The current year deferred tax credit of £3,561,000 includes a charge of £1,987,000 relating to the impact of the change in the standard rate of Corporation Tax in the UK from 30% to 28%, on deferred tax balances recognised in prior periods. The 28% Corporation Tax rate was substantially enacted as at 31 December 2007.

15 Provisions for liabilities and charges

	Provisions for property	Provisions for contracts	Provisions for restructuring	Total
	£000	£000	£000	£000
At 1 January 2007	6,193	35,438	4,797	46,428
Provided during the year	986	24,040	4,924	29,950
Reversed during the year	(1,140)	(7,051)	(740)	(8,931)
Utilised during the year	(577)	(11,348)	(6,884)	(18,809)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	5,462	41,079	2,097	48,638
	<hr/>	<hr/>	<hr/>	<hr/>

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 and 2007 in line with the Company's recovery plans.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

16 Share capital

	2007 £000	2006 £000
Authorised		
15,000,000 ordinary shares of £1 each (2006 15,000,000)	15,000	15,000
Allotted, called-up and fully-paid		
12,750,200 ordinary shares of £1 each (2006 12,750,200)	12,750	12,750

17 Reserves

	Share-based payment reserve £000	Share premium £000	Profit & loss account £000
As at 1 January 2007	2,436	181,058	(156,766)
Recognition of equity-settled share-based payments	970	-	-
Retained loss for the financial year	-	-	(16,160)
Actuarial gain on defined benefit pension schemes	-	-	70,560
At 31 December 2007	3,406	181,058	(102,366)

18 Reconciliation of movement in shareholder's funds

	2007 £000	2006 £000
Shareholder's funds at 1 January	39,478	109,627
Retained loss for the financial year	(16,160)	(74,700)
Other recognised gains and losses	70,560	2,887
Equity-settled share-based payments	970	1,664
Shareholder's funds at 31 December	94,848	39,478

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

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 2007 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 2007) was carried out by Towers Perrin on 22 February 2008.

Atos Origin (CS) Pension Scheme

This scheme is provided for new staff 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 2007 was 32.8 per cent.

The most recent valuation (31 December 2007) was carried out by Towers Perrin on 22 February 2008.

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 is 16.62 per cent. The scheme is closed to new entrants.

The most recent valuation (31 December 2007) was carried out by Towers Perrin on 22 February 2008.

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 2007 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 2007) was carried out by Towers Perrin on 22 February 2008.

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 2007) was carried out by Towers Perrin on 22 February 2008.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

19 Retirement benefits (continued)

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 2007 was 15.8 per cent.

Over the year to 31 December 2007, employer contributions to the various defined contribution schemes was £9,336,903 (2006: £9,431,896) while employer contributions in respect of defined benefit schemes amounted to £24,989,242 (2006: £27,644,968) over the same period. There are no outstanding or prepaid contributions at the balance sheet date (2006: £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 2007 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	2007	2006	2005	2004
Rate of increase in salaries	3.00 – 3.25%	2.75 – 3.25%	2.75 – 3.25%	2.50 – 4.25%
Rate of increase in pensions	3.00%	2.75%	2.75%	2.50 – 2.75%
Discount rate	5.75%	5.00%	4.75%	5.25%
Inflation	3.00%	2.75%	2.75%	2.75%

The rate of increase in salaries excludes promotional increases.

Expected Returns	2007	2006	2005	2004
Equities	8.25%	7.50%	8.25%	8.00 – 8.75%
Corporate bonds	5.75%	4.75 – 5.00%	4.75%	5.25 – 5.50%
Fixed interest gilts	4.35%	4.25 – 5.00%	4.00%	4.75%
Index linked gilts	4.35%	5.00%	4.00%	4.75%
Property	8.25%	7.50%	8.25%	8.75%
Cash	3.50%	3.00%	3.50%	4.00%

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

19 Retirement benefits (continued)

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

	2007	2006	2005	2004
	£000	£000	£000	£000
Market value of assets	803,843	747,594	664,300	534,705
Present value of liabilities	(915,281)	(971,560)	(909,000)	(760,871)
Deficit in the schemes	(111,438)	(223,966)	(244,700)	(226,166)
Unrecoverable surplus	-	-	(2,500)	-
Related deferred tax asset	31,203	67,190	74,160	67,850
Net pension deficit	(80,235)	(156,776)	(173,040)	(158,316)

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

	2007	2006	2005
	£000	£000	£000
Bonds	176,503	163,058	151,100
Equities	559,391	525,998	470,600
Others	67,949	58,538	42,600
Total	803,843	747,594	664,300

The following amounts for 2004, 2005, 2006 and 2007 have been recognised in the profit and loss accounts for those periods

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

19 Retirement benefits (continued)

	2007 £000	2006 £000	2005 £000	2004 £000
Operating profit				
Current service cost	15,485	15,516	17,400	15,109
Curtailments	(148)	-	-	(300)
Past service costs	(1,646)	(3,231)	(3,600)	-
Total operating charge	<u>13,691</u>	<u>12,285</u>	<u>13,800</u>	<u>14,809</u>
	2007 £000	2006 £000	2005 £000	2004 £000
Other finance income				
Interest on pension scheme liabilities	48,519	44,735	39,400	38,901
Expected return on pension scheme assets	(50,374)	(48,485)	(42,000)	(34,248)
Net return	<u>(1,855)</u>	<u>(3,750)</u>	<u>(2,600)</u>	<u>4,653</u>

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

	2007 £000	2006 £000
Actual return less expected return on pension schemes' assets	(1,980)	16,400
Experience gains and (losses) arising on the schemes' liabilities	7,138	(29,994)
Changes in the assumptions underlying the present value of the schemes' liabilities	65,402	14,731
Unrecoverable surplus	-	1,750
Actuarial gain recognised in the statement of total recognised gains and losses	<u>70,560</u>	<u>2,887</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

19 Retirement benefits (continued)

The movements in the deficit during the year have been

	2007	2006	2005
	£000	£000	£000
Deficit in schemes at 1 January	(223,966)	(244,700)	(226,166)
Current service cost	(15,485)	(15,516)	(17,400)
Curtailments	148	-	-
Past service costs	1,646	3,231	3,600
Contributions	24,989	27,645	22,900
Other finance income	1,855	3,750	2,600
Transferred in net pension surplus	421	-	-
Actuarial gain/(loss)	98,954	1,624	(30,234)
	<hr/>	<hr/>	<hr/>
Deficit in scheme at 31 December	<u>(111,438)</u>	<u>(223,966)</u>	<u>(244,700)</u>

Difference between actual and expected return on scheme assets

	2007	2006	2005	2004	2003
	£000	£000	£000	£000	£000
(Gain)/loss on scheme assets	2,777	(23,428)	(74,895)	(13,207)	(29,600)
% of scheme assets at end of year	1%	3%	(11%)	(3%)	(8%)
Experience (gain)/loss on scheme liabilities	(10,008)	42,849	8,339	(4,893)	18,300
% of scheme liabilities at end of year	1%	4%	<1%	<(1%)	3 2%
Total actuarial (gain)/loss at end of year	(98,954)	(1,624)	26,634	4,772	44,800
% of scheme liabilities at end of year	11%	<1%	3%	3%	8%

The increase in the actuarial gains during the year is primarily attributable to the increase in the discount rate assumption from 5% as at 31 December 2006 to 5.75% as at 31 December 2007

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

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 four equity-based plans the Stock Option Plan, the Long-Term Incentive Plan, the Management Investment Plan and the Employee Share Purchase Plan, "Sprint"

The Company recognised a total expense of £970,000 (2006 £1,664,000) in respect of these four plans during the year, split as follows

- £259,000 (2006 £1,078,000) related to the Stock Option Plan,
- £208,000 (2006 £nil) related to the Long- Term Incentive Plan,
- £170,000 (2006 £nil) related to the Management Investment Plan, and
- £333,000 (2006 £586,000) 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 (since the 2005 stock options grant) 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

	2007		2006	
	Number of shares	Weighted average exercise price €	Number of shares	Weighted average exercise price €
Outstanding at 1 January	244,913	54 70	136,800	49 81
Granted during the year	20,000	40 35	127,090	59 92
Forfeited during the year	(17,448)	56 59	(25,377)	54 81
Transfers in during the year	-	-	6,400	55 99
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at 31 December	247,465	53 41	244,913	54 70
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at 31 December	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

No options were exercised during the year

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

20 Share based payments (continued)

Options outstanding at the end of the year have a weighted average remaining contractual life of 7.8 years (2006: 6.4 years) and have the following exercise prices

Expiry date	Exercise price €	2007 Number	2006 Number
10 January 2015	49.75	119,799	125,473
26 October 2015	58.04	334	1,000
29 March 2016	59.99	106,832	117,940
19 December 2016	43.16	500	500
09 October 2017	40.35	20,000	-

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	9 February 2004
Share price at grant date	60.95	51.80	56.4
Exercise price	59.99	49.70	54.1
Expected volatility	25.0%	34.1%	34.1%
Expected life	48 months	48 months	35 months
Risk free rate	3.42%	2.78%	3.02%
Expected dividend yield	0%	0%	0%
Fair value of options granted (euros)	16.0	16.8	15.5

Expected volatility has been determined in 2006 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.

Long-Term Incentive Plan

In 2007 Atos Origin S.A. set up a performance-related share plan called the "Long-Term Incentive Plan". The aim of this plan is the reinforcement of the Group's capability to reach challenging financial targets, in line with the goal of shareholders' value creation. 26,143 shares were granted to Company's employees under this plan. The transfer of these shares to the eligible employees has been deferred to the vesting date. Holders have the right to receive a number of common shares, ranging from zero to three for each deferred share at the specified vesting date. The actual number of shares received for each deferred one, depends on the level of performance against the following vesting conditions:

- achievement of group financial objectives,
- achievement of individual objectives, and
- continuous employment of the holder by the Company throughout the vesting period

The vesting period of shares under the plan is:

- two years followed by a lock-up period of two years, or
- four years and no lock-up period

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

20 Share based payments (continued)

The total cost for this plan represents the fair value of compensation that would be received by the holders should the performance objectives be reached at the vesting date and it corresponds to the market value of the free shares at the grant date (Euro 43 98), adjusted for the lock-up period and the effect of expected employee turnover. The fair value of the compensation 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).

Management Investment Plan

In 2007 Atos Origin S A set up a 'free shares' plan, the "Management Investment Plan", under which free shares are granted to eligible employees when they purchase an equivalent number of shares of this company. The aim of this plan is the promotion of employee ownership and retention. 25,668 shares were granted to Company's employees under this plan.

The vesting period of shares under the plan is

- two years followed by a lock-up period of two years, or
- four years and no lock-up period

Vesting conditions are subject to

- continuous employment of the holder by the Company throughout the vesting period, and
- holder's investment in shares of Atos Origin S A throughout the vesting period

The total cost for this plan represents the fair value of compensation that would be received by the holders should they satisfy the vesting conditions at the vesting date and it corresponds to the market value of the free shares at the grant date (Euro 45 64), adjusted for the cost of the lock-up period and the effect of expected employee turnover. The fair value of the compensation 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).

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

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2007

20 Share based payments (continued)

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 (in the share-based payments reserve).

139 (2006: 332) employees of the Company participated in Sprint. 2,130 (2006: 9,014) units were purchased by employees in the Dynamic formula and 4,496 (2006: 11,218) units in the Secure formula. This equates to 6,627 (2006: 20,232) shares issued to employees and 40,466 (2006: 100,962) issued to the bank (in respect of the secure formula) at a reference price of Euros 40.08 (2006: Euros 43.45). The cost related to Sprint takes into account the effect of the 5 years lock-up period restriction calculated based on the following parameters:

- risk free interest rate of 4.57%,
- credit spread of 1%, and
- borrowing-lending spread of 1.5%

These parameters lead to the value of the compensation received by employees to be 22% (2006: 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:

	2007 £000	2006 £000
In respect of land and buildings		
Commitments expiring		
- within one year	1,828	1,220
- between one and five years	4,190	3,019
- after five years	2,725	4,869
	<u>8,743</u>	<u>9,108</u>
In respect of other assets		
Commitments expiring		
- within one year	1,846	1,360
- between one and five years	2,096	3,750
	<u>3,942</u>	<u>5,110</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 £13,564,369 (2006: £11,511,047).

The Company is also party to an unlimited cross-party guarantee between itself, fellow group company Atos Consulting Limited and Barclays Bank Plc. This guarantee has been issued in connection with banking facilities.

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 SA, Atos Origin UK Holdings Limited's parent company, on the grounds that accounts are publicly available from the address stated in note 24.

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23 Post balance sheet events

Pension New Deal

On 31 March 2008, the Company signed a formal agreement with the trustees of the Atos Origin (Sema) Pension scheme and Atos Origin Pension Fund, which introduced a number of changes to the scheme benefits (collectively entitled the 'New Deal'), effective from 31 March 2008. These changes are

- defined benefit accrual ceased on 31 March 2008 and former active members will be treated as deferred members from that day onwards,
- active members were given the choice to either retain or surrender salary linkage on past service benefits,
- members that chose to surrender salary linkage, became eligible to join the Atos Origin Stakeholder plan with the benefit of company matching contributions,
- the Company has accelerated the funding of the respective plans, ahead of its statutory obligations by making a contribution of £51 million into the two pension funds on 1 April 2008. This contribution will be followed by monthly payments thereafter, calculated so as to eliminate the agreed deficit (as calculated originally on 31 March 2008) over a five years period, and,
- for active and pensioner members of the Atos Origin (Sema) Pension Scheme, a one-off increase of 5% was applied to pensions accrued before 6 April 1997, coupled with the removal of discretionary increases on all pension benefits accrued prior to 6 April 1997 going forward.

The estimated impact of the proposed changes above is a reduction in the defined benefit obligation of approximately £49 million, as at 31 March 2008.

24 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 UK Holdings Limited, the 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.