

# **Atos Origin IT Services UK Limited**

## **Report and Financial Statements**

**For the Year Ended**

**31 December 2008**

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# **Atos Origin IT Services UK Limited**

## **Report and Financial Statements For the Year Ended 31 December 2008**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>6</b>
<b>Independent auditors' report</b>	<b>7</b>
<b>Profit and loss account</b>	<b>9</b>
<b>Balance sheet</b>	<b>10</b>
<b>Statement of total recognised gains and losses</b>	<b>11</b>
<b>Notes to the accounts</b>	<b>12</b>

# **Atos Origin IT Services UK Limited**

## **Report and Financial Statements For the Year Ended 31 December 2008**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S Curl (resigned 29 May 2008)  
J Loughrey  
K Wilman  
J Maroo (appointed 1 August 2008)

#### **SECRETARY**

C Hickey (resigned 20 June 2008)  
J Loughrey (appointed 20 June 2008)

#### **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 2008**

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 2008.

### **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 profit for the year was £84 million (2007: £14 million loss). The exceptional items within operating profit during the year were:

- recognition of negative past service cost and curtailment gain of £41 million and £2 million respectively, in relation to the New Deal agreement that was signed by the Company and the trustees of the Atos Origin (Sema) Pension Scheme and Atos Origin Pension Fund in 2008;
- receipt of £11 million from a third party under a reimbursement agreement; and
- recognition of restructuring provisions of £9 million linked to the restructuring plan which began in the 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. 2008 turnover grew 10% over 2007 (£710 million in 2008 compared to £645 million in 2007). The increase in turnover is attributable to the commencement of full service of some significant contracts such as the Highways Agency, Liverpool and Victoria and BNP Paribas which were won towards the end of the prior year and strong organic growth generated on a number of other major client accounts.

### **Backlog**

This is defined as the sum of the value of revenues to be taken on contracts signed, plus orders and amendments which remain to be recognised over the remaining contracts duration, at a specific date. At the end of 2008 the full backlog was £1.7 billion, representing 2.4 times 2008 revenue.

### **Risk management**

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 2008

### 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 markets in order to limit the impact of contract losses. The Company also continues to diversify its client base in order to minimise its reliance on a small set of clients.

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 2008 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 2008

### 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. In some cases the Company uses derivative financial instruments to manage the risk of fluctuating exchange.

- **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 profit for the year after taxation and exceptional items amounted to £67,740,000 (2007 as restated: £16,300,000 loss). The directors do not recommend the payment of a dividend (2007: £nil).

### Directors

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

S Curl (resigned 29 May 2008)

J Loughrey

K Wilman

J Maroo (appointed 1 August 2008)

### 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 2008**

### **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 21 days (2007: 24 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 Pension Fund  
Atos Origin (CS) Pension Scheme  
Railways Pension Scheme – Atos Origin Section  
Industry Wide Coal Staff Superannuation Scheme (the 'IWCSSS')

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 19.

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 2008

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 of the directors is aware:

- there is no relevant audit information, of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the Board



Jayesh Maroo  
Director  
14 April 2009



# **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 2008 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 26. 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.

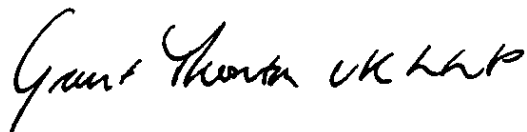
# Atos Origin IT Services UK Limited

## 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 2008 and of its profit 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.



GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
London

15 April 2009

# Atos Origin IT Services UK Limited

## Profit and loss account

For the year ended 31 December 2008

	Notes	2008 £000	Restated Note 24 2007 £000
<b>Turnover</b>	2	710,222	645,470
Cost of sales:			
Exceptional	3	-	(48,424)
Other		(542,446)	(482,563)
<b>Gross profit</b>		167,776	114,483
Distribution expenses		(4,091)	(4,192)
Administration expenses:			
Exceptional	3	45,849	(4,924)
Other		(125,787)	(119,382)
<b>Operating profit/(loss)</b>	5	83,747	(14,015)
<b>Profit /(loss) before interest and taxation</b>		83,747	(14,015)
Interest receivable	4	12,233	2,525
Interest payable	4	(1,110)	(737)
<b>Profit/(loss) on ordinary activities before taxation</b>		94,870	(12,227)
Tax on profit/(loss) on ordinary activities	7	(27,130)	(4,073)
<b>Profit/(loss) on ordinary activities after taxation</b>	17/18	67,740	(16,300)

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 2008

	Notes	2008 £000	Restated Note 24 2007 £000
<b>Fixed assets</b>			
Intangible assets	8	-	4
Tangible assets	9	59,121	56,139
Investments	10	1,402,332	1,402,126
		<u>1,461,453</u>	<u>1,458,269</u>
<b>Current assets</b>			
Debtors:	11		
Due within one year		180,806	202,705
Due after one year		97,514	56,013
Cash at bank and in hand		56,104	40,806
		<u>334,424</u>	<u>299,524</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(222,861)</u>	<u>(201,084)</u>
<b>Net current assets</b>		<u>111,563</u>	<u>98,440</u>
<b>Total assets less current liabilities</b>		1,573,016	1,556,709
<b>Creditors: amounts falling due after more than one year</b>	13	(1,168,238)	(1,332,988)
Provisions for liabilities and charges	15	<u>(33,939)</u>	<u>(49,418)</u>
<b>Net assets excluding pension liability</b>		370,839	174,303
Defined benefit pension asset	19	7,884	35,038
Defined benefit pension liability	19	<u>(50,137)</u>	<u>(115,914)</u>
<b>Net pension liability</b>	19	<u>(42,253)</u>	<u>(80,876)</u>
<b>Net assets</b>		<u>328,586</u>	<u>93,427</u>
<b>Capital and reserves</b>			
Called up share capital	16	22,001	12,750
Share premium	17	394,160	181,058
Share-based payments reserve	17	4,036	3,406
Profit and loss account	17	<u>(91,611)</u>	<u>(103,787)</u>
<b>Total shareholder's funds</b>	18	<u>328,586</u>	<u>93,427</u>

These financial statements were approved by the Board of Directors:

  
 Jayesh Maroo  
 Director  
 14 April 2009

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 2008

	Notes	2008 £000	Restated Note 24 2007 £000
Profit/(loss) on ordinary activities after taxation		67,740	(16,300)
Actuarial (losses)/gains on defined benefit pension schemes	19	(77,085)	98,954
Movement in deferred tax asset related to the net pension liability	19	21,521	(28,394)
		<hr/>	<hr/>
Total recognised gains and losses for the year		12,176	54,260
Prior year adjustment	24	(1,421)	-
		<hr/>	<hr/>
Total gains and losses recognised since the last financial statements		10,755	-
		<hr/>	<hr/>

# **Atos Origin IT Services UK Limited**

## **NOTES TO THE ACCOUNTS**

### **Year Ended 31 December 2008**

#### **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. 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
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 2008**

#### **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 2008**

#### **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. During the year the Company has also adopted the additional disclosure requirements included in the 'Amendment to FRS 17 Retirement Benefits', that became effective from periods beginning on or after 6 April 2007. 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. A surplus is assessed to be recoverable if at the balance sheet date it is expected that the Company will recover it from refunds from the scheme.

##### **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 2008**

**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
<b>Year ended 31 December 2008</b>				
Third parties	698,769	1,366	823	700,958
Atos Origin Group undertakings	64	8,645	555	9,264
	<u>698,833</u>	<u>10,011</u>	<u>1,378</u>	<u>710,222</u>
<b>Year ended 31 December 2007</b>				
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>

Turnover is derived by class of business as follows:

	2008 £000	2007 £000
Outsourcing	479,970	419,829
Systems Integration	230,252	225,641
	<u>710,222</u>	<u>645,470</u>

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**3 Exceptional items**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Gross profit is recognised after charging the following:		
Provision for losses on key contracts	-	16,989
NHS Diagnostics charges	-	31,435
	<u>-</u>	<u>48,424</u>
Operating profit/(loss) is recognised after (crediting)/charging the following:		
Negative past service cost and curtailment gain resulting from the New Deal agreement (Note 19)	(43,121)	-
Receipts from a third party under a reimbursement agreement	(11,392)	-
Restructuring provision (Note 15)	8,664	4,924
	<u>(45,849)</u>	<u>4,924</u>

Restructuring provisions in 2007 and 2008 are linked to recovery plans that began in 2006 and 2008 respectively.

In 2007, the NHS Diagnostics charges related to post termination impairment of assets and ongoing costs in respect of the termination of this contract in July 2007.

**4 Interest receivable and payable**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Interest receivable</b>		
Interest on bank balances and short term investments	474	670
Pension scheme net finance income (Note 19)	11,759	1,855
	<u>12,233</u>	<u>2,525</u>
<b>Interest payable</b>		
Interest on bank overdrafts and loans	1,110	737
	<u>1,110</u>	<u>737</u>

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**5 Operating profit/(loss)**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Operating profit/(loss) is stated after charging/(crediting) the following:		
Amortisation of intangible fixed assets (Note 8)	4	67
Depreciation of tangible fixed assets (Note 9)	24,739	17,213
Impairment of tangible fixed assets	-	7,638
Write down of investment (Note 10)	263	-
Profit on disposal of investment (Note 10)	(7)	-
Loss on disposal of fixed assets – tangible assets	59	133
Auditor's remuneration – audit services	586	695
Auditor's remuneration – non audit services	6	16
Foreign exchange loss	296	1,145
Operating leases:		
- Plant and machinery	1,788	2,080
- Other assets	14,029	13,960

**6 Staff costs and directors' emoluments**

The aggregate payroll costs during the year were as follows:

	<b>2008</b>	<b>Restated Note 24 2007</b>
	<b>£000</b>	<b>£000</b>
Staff (including directors):		
Wages and salaries	252,340	234,359
Social security costs	25,372	22,654
Equity-settled share-based payments (Note 20)	630	970
Pension costs	14,717	18,129
	<b>293,059</b>	<b>276,112</b>

	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>
The average number of employees during the year was:		
Production	4,840	4,561
Sales, marketing and administration	595	625
	<b>5,435</b>	<b>5,186</b>

Of the directors in office during the period, four (2007: three) were remunerated by the Company. The total emoluments of those four directors, excluding pension contributions, amounted to £979,647 (2007: £1,353,346). The emoluments of the highest paid director, excluding pension contributions, amounted to £603,571 (2007: £784,169). Payments on behalf of directors to Company pension schemes amounted to £54,424 (2007: £78,888). Amounts paid to the pension schemes of the highest paid director amounted to £25,012 (2007: £15,000). Three (2007: two) directors participated in a defined benefit scheme and two (2007: one) directors 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 2008.

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**7 Taxation on profit/(loss) on ordinary activities**

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

	<b>2008</b>	<i>Restated</i>
	<b>£000</b>	<i>Note 24</i>
		<b>2007</b>
		<b>£000</b>
<b>Current tax</b>		
On ordinary activities:		
United Kingdom tax at 28% (2007: 30%)	9,715	16
Prior year adjustment	-	900
	<u>9,715</u>	<u>916</u>
<b>Deferred tax</b>		
Current year (Note 14)	(7,603)	(3,561)
Prior year (Note 14)	1,413	(812)
FRS17 deferred tax movement	23,605	7,530
	<u>27,130</u>	<u>4,073</u>

The current year tax assessed for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are explained below:

	<b>2008</b>	<i>Restated</i>
	<b>£000</b>	<i>Note 24</i>
		<b>2007</b>
		<b>£000</b>
Profit/(loss) on ordinary activities before taxation	94,870	(12,227)
Tax charge/(credit) on profit/(loss) before tax at standard rate of 28% (2007: 30%)	26,564	(3,668)
FRS17 adjustment	(23,605)	(3,946)
Expenses not deductible for taxation purposes	686	1,625
Depreciation in excess of capital allowances	6,272	9,309
Movement of provisions	1,123	(765)
Unutilised losses carried forward	(1,325)	(2,599)
Prior year adjustment	-	960
	<u>9,715</u>	<u>916</u>
Actual current tax charge on profit/(loss) before taxation		

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**8 Intangible fixed assets**

	<b>Software licences £000</b>
<b>Cost:</b>	
At 1 January 2008 and at 31 December 2008	<u>29,014</u>
<b>Amortisation:</b>	
At 1 January 2008	29,010
Charge for year	<u>4</u>
At 31 December 2008	<u>29,014</u>
<b>Net book value:</b>	
At 31 December 2008	<u>-</u>
At 31 December 2007	<u>4</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 2008**

**9 Tangible fixed assets**

	<b>Freehold land and buildings</b>	<b>Computer equipment</b>	<b>Office furniture, cars and equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2008	1,769	64,697	72,747	139,213
Reclassification	-	21,696	(21,696)	-
Additions	-	23,212	4,568	27,780
Disposals	-	(59)	-	(59)
At 31 December 2008	<u>1,769</u>	<u>109,546</u>	<u>55,619</u>	<u>166,934</u>
<b>Depreciation:</b>				
At 1 January 2008	1,019	38,591	43,464	83,074
Reclassification	-	13,643	(13,643)	-
Charge for the year	-	20,324	4,415	24,739
At 31 December 2008	<u>1,019</u>	<u>72,558</u>	<u>34,236</u>	<u>107,813</u>
<b>Net book value:</b>				
At 31 December 2008	<u>750</u>	<u>36,988</u>	<u>21,383</u>	<u>59,121</u>
At 31 December 2007	<u>750</u>	<u>26,106</u>	<u>29,283</u>	<u>56,139</u>

There are no assets held under finance leases (2007: £nil).

At 31 December 2008, the Company has contracted for capital expenditure for which no provision has been made in the financial statements of £22,451,369 (2007: £6,029,214).

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**10 Investments**

	Unlisted investments £000	Group undertakings £000	Other investments £000	Total £000
<b>Cost</b>				
At 1 January 2008	15,870	1,690,964	-	1,706,834
Additions	-	-	469	469
Disposal of investment	(60)	-	-	(60)
Liquidation of investment	-	(1,286)	-	(1,286)
At 31 December 2008	15,810	1,689,678	469	1,705,957
<b>Provisions</b>				
At 1 January 2008	15,870	288,838	-	304,708
Disposal of investment	(60)	-	-	(60)
Investment write down	-	263	-	263
Liquidation of investment	-	(1,286)	-	(1,286)
At 31 December 2008	15,810	287,815	-	303,625
<b>Net book value:</b>				
At 31 December 2008	-	1,401,863	469	1,402,332
At 31 December 2007	-	1,402,126	-	1,402,126

Other investments relate to the cost of acquisition of derivative financial instruments during 2008.

The investment in Syntax Managed Services Limited was fully written down during the year as this company is currently in the process of being liquidated.

During 2008, Computer Analysts and Programmers Limited, a wholly owned subsidiary of the Company was liquidated.

In December 2008, the Company sold its 7% holding in eTourism Limited for cash consideration of £7,000. This resulted in a profit on disposal of £7,000.

On 31 December 2008, the Company had the following investments in group undertakings where the Company 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
Convergent Group Europe Limited	100%	England and Wales	Dormant
Barabas 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 2008**

**11 Debtors**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	53,372	49,196
Amounts recoverable on contracts	90,275	110,933
Amounts owed by group undertakings	65,660	41,416
Deferred taxation (Note 14)	40,374	34,184
Other debtors	14,759	6,930
Prepayments and accrued income	13,880	16,059
	<u>278,320</u>	<u>258,718</u>

Amounts falling due after more than one year and included above relate to intercompany loans of £62,423,811 (2007: £35,009,527) and deferred tax assets of £35,090,221 (2007: £21,002,678).

**12 Creditors: amounts falling due within one year**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	6,926	13,802
Amounts owed to group undertakings	1,879	3,274
Corporation tax	23,700	14,654
Other taxation and social security	19,773	20,332
Accruals and deferred income	170,583	149,022
	<u>222,861</u>	<u>201,084</u>

**13 Creditors: amounts falling due after more than one year**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	<u>1,168,238</u>	<u>1,332,988</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 2008**

**14 Deferred tax asset**

	<b>£000</b>
Balance at 1 January 2008	34,184
Prior year adjustment (Note 7)	(1,413)
Amount credited to the profit and loss account (Note 7)	7,603
	<hr/>
Balance at 31 December 2008	40,374
	<hr/>

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

	<b>2008 £000</b>	<b>2007 £000</b>
Accelerated capital allowances	35,090	28,818
Short term timing differences	5,014	3,833
Losses	270	1,533
	<hr/>	<hr/>
	40,374	34,184
	<hr/>	<hr/>

**15 Provisions for liabilities and charges**

	<b>Property provisions £000</b>	<b>Contract provisions £000</b>	<b>Restructuring provisions £000</b>	<b>Restated Note 24 Other £'000</b>	<b>Restated Note 24 Total £000</b>
At 1 January 2008	5,462	41,079	2,097	780	49,418
Provided during the year	730	591	8,664	898	10,883
Reversed during the year	(271)	(3,771)	(1,463)	-	(5,505)
Utilised during the year	(148)	(18,345)	(2,364)	-	(20,857)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	5,773	19,554	6,934	1,678	33,939
	<hr/>	<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 2008 and 2007 in line with the Company's recovery plans.

Other provisions include provisions for costs that the Company expects to incur under a number of employees' long service award schemes.

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**16 Share capital**

	<b>2008 £000</b>	<b>2007 £000</b>
Authorised: 22,000,781 ordinary shares of £1 each (2007:15,000,000)	<u>22,001</u>	<u>15,000</u>
Allotted, called-up and fully-paid: 22,000,781 ordinary shares of £1 each (2007:12,750,200)	<u>22,001</u>	<u>12,750</u>
In April 2008, 1,740,474 ordinary shares of £1 each were issued at £29.30 per share. In December 2008, 7,510,107 ordinary shares of £1 each were issued at £22.82 per share.		

**17 Reserves**

	<b>Share-based payment reserve £000</b>	<b>Share premium £000</b>	<b>Profit &amp; loss account £000</b>
At 1 January 2008 (as previously reported)	3,406	181,058	(102,366)
Prior year adjustment (Note 24)	-	-	(1,421)
At 1 January 2008 (as restated)	<u>3,406</u>	<u>181,058</u>	<u>(103,787)</u>
Recognition of equity-settled share-based payments	630	-	-
Retained profit for the financial year	-	-	67,740
New shares issues	-	213,102	-
Actuarial loss on defined benefit pension schemes	-	-	(77,085)
Movement in deferred tax asset related to the net pension liability	-	-	21,521
At 31 December 2008	<u>4,036</u>	<u>394,160</u>	<u>(91,611)</u>

**18 Reconciliation of movement in shareholder's funds**

	<b>2008 £000</b>	<b>Restated Note 24 2007 £000</b>
Retained profit/(loss) for the financial year	67,740	(16,300)
New shares issues	222,353	-
Other recognised gains and losses	(55,564)	70,560
Equity-settled share-based payments	<u>630</u>	<u>970</u>
Net movement in shareholder's funds	<u>235,159</u>	<u>55,230</u>
Shareholder's funds at 1 January (as previously reported)	94,848	39,478
Prior year adjustment	<u>(1,421)</u>	<u>(1,281)</u>
Shareholder's funds at 1 January (as restated)	93,427	38,197
Net movement in shareholder's funds	<u>235,159</u>	<u>55,230</u>
Shareholder's funds at 31 December	<u>328,586</u>	<u>93,427</u>

# **Atos Origin IT Services UK Limited**

## **NOTES TO THE ACCOUNTS**

### **Year Ended 31 December 2008**

#### **19 Retirement benefits**

Atos Origin IT Services UK Limited operates five defined benefit (DB) and a number of defined contribution (DC) pension schemes. It also operates a post-retirement healthcare benefits plan.

The DB pension schemes are all final salary pension schemes. They are funded based on the level of contributions recommended by qualified independent actuaries and their assets are held in separate trustee administered funds. The DB schemes are as follows:

Atos Origin (Sema) Pension Scheme  
Atos Origin Pension Fund  
Atos Origin (CS) Pension Scheme  
Railways Pension Scheme – Atos Origin Section  
Industry Wide Coal Staff Superannuation Scheme (the 'IWCSSS')

Details of each DB scheme are set out below:

##### **Atos Origin (Sema) Pension Scheme**

The Atos Origin (Sema) Pension Scheme is a hybrid scheme with both a DB and DC section. Only the DB component gives rise to a valuation of long term commitments for the Company, under FRS 17. The scheme has been closed to new members since 1 July 2001 and members have ceased accruing benefits on both the DC and DB sections since the New Deal agreement was signed on 31 March 2008 (see below). It has been agreed with the trustees that no contributions will be made to the scheme by scheme participants after 31 March 2008.

A formal new Scheme Funding Valuation has been called as at 31 March 2008.

##### **Atos Origin Pension Fund**

The Atos Origin Pension Fund is a hybrid scheme with both a DB and DC section. Only the DB component gives rise to a valuation of long term commitments for the Company, under FRS 17. The scheme is closed to new entrants and members have ceased accruing benefits on both the DC and DB sections since the New Deal agreement was signed on 31 March 2008 (see below). It has been agreed with the trustees that no contributions will be made to the scheme by scheme participants after 31 March 2008.

A formal new Scheme Funding Valuation has been called as at 31 March 2008.

##### **Atos Origin (CS) Pension Scheme**

The Atos Origin (CS) Pension 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. From 1 July 2008 contributions made by participants to the scheme were at a rate of 1.5% of pensionable salaries. It has been agreed with the trustees that contributions will remain at that level until 30 June 2009.

A formal new Scheme Funding Valuation has been called as at 31 March 2007.

##### **Railways Pension Scheme – Atos Origin Section**

The Railways Pension Scheme is an industry-wide sectionalised pension scheme. The cost of providing the retirement benefits is shared between the participants and their employer. The Atos Origin Section of the scheme is closed to new entrants. From 1 August 2006 contributions made by participants to the Atos Origin Section were at a rate of 11.08% of pensionable salaries.

A formal Scheme Funding Valuation has been called as at 31 December 2007.

# **Atos Origin IT Services UK Limited**

## **NOTES TO THE ACCOUNTS**

### **Year Ended 31 December 2008**

#### **19 Retirement benefits (continued)**

##### **Industry Wide Coal Staff Superannuation Scheme**

This scheme provides a combination of pension and lump sum benefits on a range of contingencies. It was established for staff who were contributing to the British Coal Staff Superannuation Scheme (BCSSS) scheme at 29 December 1994. It 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 the 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. From 1 July 2008 contributions made by participants to the scheme were at a rate of 6% of pensionable salaries. It has been agreed with the trustees that contributions will remain at that level until 1 April 2009.

A formal Scheme Funding Valuation has been called as at 31 December 2007.

##### **Post-retirement healthcare benefits plan**

This is an unfunded plan where the benefits are paid directly by the Company. Under this plan eligible employees and covered dependants receive medical benefits after retirement. As at 31 December 2008, some 46 retired employees and covered dependants currently benefit from this scheme and some 21 current employees will be eligible on their retirement. The method of accounting for this plan is similar to that used for the defined benefit pension schemes.

##### **The 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 were:

- defined benefit accrual ceased on 31 March 2008 and former active members were treated as deferred members from that day;
- 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 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 is to be followed by monthly payments thereafter, calculated so as to eliminate the agreed deficit (as calculated originally on 31 March 2008) over a five year 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 impact of the New Deal was a £43m reduction of the defined benefit obligation in the Atos Origin (Sema) Pension Scheme, as at 31 March 2008. This was attributable to:

- a curtailment gain of £2 million resulting from the cessation of the defined benefit accruals; and
- a negative past service cost of £41 million resulting from the removal of discretionary increases on all pension benefits accrued before 6 April 1997 which was partly offset by the one-off 5% increase that was applied to pensions accrued before 6 April 1997.

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**19 Retirement benefits (continued)**

The most recent actuarial valuation of all five DB schemes was at 31 December 2008. The valuations used the projected unit method and were carried out by Towers Perrin professionally qualified actuaries. The principal assumptions at 31 December for all post-retirement benefit plans were:

	<b>2008</b>	<b>2007</b>
Discount rate	6.35%	5.75%
Future salary increases (excluding promotional increases)	2.75 – 3.00%	3.00 – 3.25%
Future pension increases	2.75%	3.00%
Inflation	2.75%	3.00%
Life expectancy of a male aged 65 at end of year	19.6	19.6
Life expectancy of a female aged 65 at end of year	23.5	23.5
Annual increase in healthcare costs	6%	6%
Expected return on scheme assets at 31 December	6.35%	7.36%

The assumption of the expected rate of return on scheme assets was developed using a building block approach based on the scheme's actual asset allocation at the measurement date and the assumed return on assets for each asset category.

The actual return on scheme assets in the year was a negative return of £144 million (2007: £48 million positive return).

Assumed healthcare cost trend rates have an insignificant effect on the amounts recognised in the profit and loss account and in the balance sheet.

**Amounts recognised in the balance sheet are as follows:**

	<b>Defined benefit pension schemes</b>		<b>Post-retirement healthcare plan</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of funded scheme liabilities	(779,586)	(915,281)	-	-	(779,586)	(915,281)
Present value of unfunded scheme liabilities	-	-	(1,046)	(890)	(1,046)	(890)
Market value of assets	709,026	803,843	-	-	709,026	803,843
Deficit in the schemes	(70,560)	(111,438)	(1,046)	(890)	(71,606)	(112,328)
Related deferred tax asset	29,060	31,203	293	249	29,353	31,452
Net pension liability	(41,500)	(80,235)	(753)	(641)	(42,253)	(80,876)

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**19 Retirement benefits (continued)**

The net pension liability comprises of:

	Related deferred tax asset/(liability)		Net pension asset/(liability)		Related deferred tax asset/(liability)		Net pension asset/(liability)	
	2008	2008	2008	2007	2007	2007	2007	2007
	£000	£000	£000	£000	£000	£000	£000	£000
Surpluses	10,950	(3,066)	7,884	48,664	(13,626)	35,038		
Deficits	(82,556)	32,419	(50,137)	(160,992)	45,078	(115,914)		
	<u>(71,606)</u>	<u>29,353</u>	<u>(42,253)</u>	<u>(112,328)</u>	<u>31,452</u>	<u>(80,876)</u>		

**Reconciliation of present value of scheme liabilities**

	Defined benefit pension schemes		Post- retirement healthcare plan		Total	
	2008	2007	2008	2007	2008	2007
	£000	£000	£000	£000	£000	£000
At 1 January	915,281	971,560	890	790	916,171	972,350
Current service cost	6,650	15,485	100	100	6,750	15,585
Contribution by scheme participants	2,026	3,216	-	-	2,026	3,216
Past service cost	(41,006)	(1,646)	-	-	(41,006)	(1,646)
Curtailment gain	(2,115)	(148)	-	-	(2,115)	(148)
Interest cost	49,338	48,519	56	-	49,394	48,519
Benefits paid	(22,462)	(21,183)	-	-	(22,462)	(21,183)
Transferred in liabilities	152	1,209	-	-	152	1,209
Actuarial gains	(128,278)	(101,731)	-	-	(128,278)	(101,731)
At 31 December	<u>779,586</u>	<u>915,281</u>	<u>1,046</u>	<u>890</u>	<u>780,632</u>	<u>916,171</u>

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**19 Retirement benefits (continued)**

**Reconciliation of fair value of scheme assets**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	803,843	747,594
Expected return on scheme assets	61,153	50,374
Contributions by scheme participants	2,026	3,216
Benefits paid	(22,462)	(21,183)
Contributions paid by employer	69,451	24,989
Transferred in assets	378	1,630
Actuarial gains	(205,363)	(2,777)
	<hr/>	<hr/>
At 31 December	709,026	803,843
	<hr/>	<hr/>

Scheme assets do not include any of the Company's own financial instruments or any property occupied by the Company.

**The major categories of scheme assets as a percentage of total scheme assets are as follows:**

	<b>2008</b>	<b>2007</b>
Bonds	32%	22%
Equities	45%	70%
Property	5%	5%
Cash	18%	3%

**The amounts recognised in the profit and loss account are as follows:**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	6,750	15,585
Past service cost	(41,006)	(1,646)
Curtailment gain	(2,115)	(148)
Expected return on pension scheme assets	(61,153)	(50,374)
Interest on pension scheme liabilities	49,394	48,519
	<hr/>	<hr/>
Total (credit)/ charge	(48,130)	11,936
	<hr/>	<hr/>

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**19 Retirement benefits (continued)**

In both 2008 and 2007 the current service cost, past service cost and curtailment gain were included within operating profit. In both 2008 and 2007 the net of the expected return on pension scheme assets and interest on pension scheme liabilities (£12 million and £2 million net income in 2008 and 2007 respectively) was included within interest receivable.

**Cumulative amounts of actuarial gains and losses recognised in the statement of total recognised gains and losses are as follows:**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Cumulative actuarial (gains)/losses at 1 January	(65,548)	33,406
Actuarial losses/(gains) arising in the year	77,085	(98,954)
	<hr/>	<hr/>
Cumulative actuarial losses/(gains) at 31 December	11,537	(65,548)
	<hr/>	<hr/>

The related deferred tax asset allocated to the actuarial gains and losses increased by £21,521,000 during the year (2007: £28,394,000 decrease).

**Amounts for current period and previous four periods are as follows:**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of scheme liabilities	(780,632)	(916,171)	(972,350)	(909,690)	(761,461)
Scheme assets	709,026	803,843	747,594	664,300	534,705
Deficit	(71,606)	(112,328)	(224,756)	(245,390)	(226,756)
Experience actuarial losses/(gains) on scheme assets	205,363	2,777	(23,428)	(74,895)	(13,207)
Experience actuarial losses/(gains) on scheme liabilities	3,119	(10,008)	42,849	8,339	(4,893)
Total actuarial (gains) and losses recognised in the statement of total recognised gains and losses	77,085	(98,954)	(1,624)	26,634	4,772

The Company expects to contribute £24 million to its defined benefit pension schemes in 2009.

Over the year to 31 December 2008, employer contributions to the various defined contribution schemes was £11,285,430 (2007: £9,336,903) while employer contributions in respect of defined benefit schemes, including the £51,000,000 contributions made under the New Deal agreement, amounted to £69,451,000 (2007: £24,989,242) over the same period. There are no outstanding or prepaid contributions at the balance sheet date (2007: £nil).



**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**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 £630,000 (2007: £970,000) in respect of these four plans during the year, split as follows:

- £121,000 (2007: £259,000) related to the Stock Option Plan;
- £271,000 (2007: £208,000) related to the Long-Term Incentive Plan;
- £238,000 (2007: £170,000) related to the Management Investment Plan; and
- £nil (2007: £333,000) 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. The vesting of options that were granted in December 2008 is also subject to the realisation of group internal performance conditions. 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:

	2008		2007	
	Number of shares	Weighted average exercise price €	Number of shares	Weighted average exercise price €
Outstanding at 1 January	247,465	54.31	244,913	54.70
Granted during the year	30,000	22.27	20,000	40.35
Forfeited during the year	(3,529)	59.99	(17,448)	56.59
Transfers in during the year	(500)	59.99	-	-
Exercised during the year	(1,000)	49.75	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	272,436	49.90	247,465	53.41
Exercisable at 31 December	118,799	49.75	-	-

1,000 options were exercised during the year at an exercise price of €49.75 per option.

Options outstanding at the end of the year have a weighted average remaining contractual life of 7.1 years (2007: 7.8 years) and have the following exercise prices:

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**20 Share based payments (continued)**

<b>Expiry date</b>	<b>Exercise price €</b>	<b>2008 Number</b>	<b>2007 Number</b>
10 January 2015	49.75	118,799	119,799
26 October 2015	58.04	334	334
29 March 2016	59.99	102,803	106,832
19 December 2016	43.16	500	500
09 October 2017	40.35	20,000	20,000
23 December 2018	18.40	10,002	-
23 December 2018	22.00	9,999	-
23 December 2018	26.40	9,999	-

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

<b>Date of grant</b>	<b>23 December 2008</b>	<b>29 March 2006</b>	<b>10 January 2005</b>
Share price at grant date (euros)	17.43	60.95	51.80
Exercise price (euros)	18.40/22.00/26.40	59.99	49.70
Expected volatility	29.7%	25.0%	34.1%
Expected life	60 months	48 months	48 months
Risk free rate	2.78%	3.42%	2.78%
Expected dividend yield	1%	0%	0%
Fair value of options granted (euros)	4.50/3.50/2.50	16.0	16.8

Expected volatility was determined in 2008 based on the smoothed historical volatility of the Atos Origin S.A.'s share price observed over a period consistent with the expected life of the options. Because of the atypical volatility observed recently in equity markets, a smoothing technique has been used as suggested by FRS 20, leading to the elimination of daily variations greater than 5% in the calculation of the annualised historical volatility. 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 Plans**

In 2008 Atos Origin S.A. set up a performance-related share plan called the "2008 Long-Term Incentive Plan", similar to the one set up in 2007. The aim of both the 2008 and 2007 plans is the reinforcement of the Group's capability to reach challenging financial targets, in line with the goal of shareholders' value creation. 25,428 and 26,143 shares were granted to Company's employees under the 2008 and 2007 plans respectively. 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 both plans 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 2008**

**20 Share based payments (continued)**

The total cost for these plans 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 (€32.87 and €43.98 for the 2008 and 2007 plans respectively), 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).

The cost related to the 2008 Long-Term Incentive Plan takes into account the effect of the 2 years lock-up period restriction, whenever applicable, calculated based on the following parameters:

- risk free interest rate: 5.1%
- credit spread: 1.0%
- borrowing-lending spread: 1.5%
- employee turnover ratio: 4.0%

**Management Investment Plan**

In 2008 Atos Origin S.A. set up a 'free shares' plan, the "2008 Management Investment Plan", similar to the one set up in 2007, under which free shares are granted to eligible employees when they purchase an equivalent number of shares of this company. The aim of both the 2008 and 2007 plans is the promotion of employee ownership and retention. 6,376 and 25,668 shares were granted to Company's employees under the 2008 and 2007 plans respectively.

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 (€38.69 and €45.64 for the 2008 and 2007 plans respectively), 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).

The cost related to the 2008 Management Investment Plan takes into account the effect of the 2 years lock-up period restriction, whenever applicable, calculated based on the same parameters used in the calculation of the lock-up period restriction under the 2008 Long-Term Incentive Plan as detailed above.

**Employee Share Purchase Plan "Sprint"**

In 2006, Atos Origin S.A. initiated the 'Sprint Plan' which offered its employees and employees in its subsidiaries the opportunity to invest in its ordinary shares at a discounted price in both 2006 and 2007. The 'Sprint Plan' was discontinued during 2008.

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**21 Guarantees and other financial commitments**

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

	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
In respect of land and buildings:		
Commitments expiring:		
- within one year	1,278	1,828
- between one and five years	6,336	4,190
- after five years	2,465	2,725
	<u>10,079</u>	<u>8,743</u>
In respect of other assets		
Commitments expiring:		
- within one year	572	1,846
- between one and five years	2,473	2,096
	<u>3,045</u>	<u>3,942</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 £7,567,471 (2007: £13,564,369).

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 S.A., Atos Origin UK Holdings Limited's parent company, on the grounds that accounts are publicly available from the address stated in note 26.

**23 Derivative financial instruments**

The fair value of the (liability)/ asset in relation to derivative financial instruments at 31 December was:

	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Forward exchange contracts	(5,378)	-
Foreign currency options	838	-
	<u>(4,540)</u>	<u>-</u>

The Company expects to receive and pay cash flows denominated in foreign currencies under specific contracts between 2009 to 2012. It therefore uses forward exchange contracts and foreign currency options to hedge a portion of these cash flows. As at 31 December 2008 the Company had hedged future cash flows of €51,400,000 and \$3,850,000.

**Atos Origin IT Services UK Limited**  
**NOTES TO THE ACCOUNTS**  
**Year Ended 31 December 2008**

**24 Restatement of prior year balances**

The restatement of the prior year balances relates to provisions in relation to the Company's obligations under the post retirement healthcare plan and the employees' long service award schemes, that were both found to be omitted from the previous year's financial statements. The restatement has resulted in an increase of staff costs by £200,000 (2007: £200,000), an increase in the interest cost by £56,000 (2007: £nil) and a decrease of the tax charge by £72,000 (2007: £60,000). Profit for the year decreased by £184,000 (2007: £140,000). For the year ended 31 December 2008, the defined benefit pension liability and provisions for liabilities and charges have increased by £753,000 (2007: £641,000) and £880,000 (2007: £780,000) respectively and net assets have decreased by £1,633,000 (2007: £1,421,000). The comparative figures in the accounts have been restated to reflect these changes.

The prior year adjustment of £1,421,000 is disclosed on the face of the statement of total recognised gains and losses.

**25 Post balance sheet events**

On 16 March 2009, the Company issued 48,062,104 shares of £1 each at £23.32 per share, to its immediate parent undertaking Atos Origin IT Services Limited. The total consideration of £1,120,413,482 was in the form of the novation of amounts owed by the Company to other group undertakings, to Atos Origin IT Services Limited. These amounts were presented within 'Creditors: amounts falling due after more than one year' in the financial statements for the year ended 31 December 2008.

**26 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.