

Atos Origin IT Services UK Limited

Report and Financial Statements

For the Year Ended

31 December 2010

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Atos Origin IT Services UK Limited

Report and Financial Statements For the Year Ended 31 December 2010

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Atos Origin IT Services UK Limited

Report and Financial Statements For the Year Ended 31 December 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Loughrey
K Wilman
J Maroo

SECRETARY

J Loughrey

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
Statutory Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Directors' Report for the year ended 31 December 2010

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 2010

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 been the provision of Systems Integration, Consulting, Managed Operations, Business Process Outsourcing and Hi-Tech Transactional Services (HTTS).

The operating profit for the year was £42 million (2009: £36 million). The exceptional items within operating profit during the year related to restructuring charges of £9 million linked to a restructuring plan which began in the year.

On 26 March 2010, the Company acquired the entire ordinary share capital of Shere Limited for cash consideration of £18m. Shere Limited is a leading provider of self-service and desktop ticketing and reservation systems in the UK rail, hotel and hospitality sectors.

On 31 December 2010, Shere Limited hived-up its assets, liabilities and trade into the Company.

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. In what was a difficult economic environment and in line with the Company's expectations, the decrease in revenue was limited to 4% (£751 million in 2010 compared to £781 million in 2009).

Backlog

This is defined as the sum of the value of revenue 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 2010 the full backlog was £2 billion, representing 2.7 times 2010 revenue.

Risk management

The Company has a number of governance boards which seek to deliver specific goals. Namely, the UK Executive 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 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 Executive 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.

Directors' Report for the year ended 31 December 2010

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped into business risks and market 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 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 levels of service. 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 common 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 IT-risk management processes, 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 2010 the Company held the majority of its cash holding in this Group cash pool arrangement. The Company's ultimate parent company, Atos Origin S A, is responsible for the Company's overall liquidity management. Atos Origin S A has access to a cost-efficient €1.2 billion multi-currency revolving credit facility maintained with a number of major financial institutions. This facility matures in May 2012.

- **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.

Directors' Report for the year ended 31 December 2010**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 £18 million (2009 £20 million). The directors do not recommend the payment of a dividend (2009 £nil)

Directors

The names of the present directors of the Company are as follows

J Loughrey
K Wilman
J Maroo

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 service 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.

Directors' Report for the year ended 31 December 2010

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 amounted to 28 days (2009: 14 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, and
- Industry Wide Coal Staff Superannuation Scheme (the 'IWCSSS')

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

Directors' Report for the year ended 31 December 2010

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 adequate 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 2006. 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.

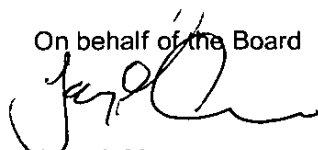
In so far as each of the directors is aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all 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

6 April 2011

Atos Origin IT Services UK Limited

Independent auditor's 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 2010 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Mark Cardiff
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

// April 2011

Atos Origin IT Services UK Limited

Profit and loss account For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	751,197	780,650
Cost of sales		(587,381)	(590,120)
Gross profit		163,816	190,530
Distribution expenses		(3,144)	(3,869)
Administration expenses			
Exceptional	3	(8,509)	(12,049)
Other		(109,785)	(138,329)
Operating profit	5	42,378	36,283
Profit before interest and taxation		42,378	36,283
Interest receivable and similar income	4	173	403
Interest payable and similar charges	4	(13,513)	(7,706)
Profit on ordinary activities before taxation		29,038	28,980
Tax on profit on ordinary activities	7	(10,801)	(9,119)
Profit on ordinary activities after taxation	18/19	18,237	19,861

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 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible assets	8	19,440	-
Tangible assets	9	52,834	50,889
Investments	10	1,407,344	1,402,241
		<u>1,479,618</u>	<u>1,453,130</u>
Current assets			
Stock	11	1,498	-
Debtors	12		
Due within one year		142,620	160,838
Due after one year		97,568	95,629
Cash at bank and in hand		96,055	70,813
		<u>337,741</u>	<u>327,280</u>
Creditors: amounts falling due within one year	13	(234,373)	(212,408)
		<u></u>	<u></u>
Net current assets		<u>103,368</u>	<u>114,872</u>
Total assets less current liabilities		<u>1,582,986</u>	<u>1,568,002</u>
Creditors: amounts falling due after more than one year	14	(56,555)	(49,093)
Provisions for liabilities	16	(11,401)	(16,990)
		<u></u>	<u></u>
Net assets excluding pension liability		<u>1,515,030</u>	<u>1,501,919</u>
Net pension liability	20	(203,703)	(148,674)
		<u></u>	<u></u>
Net assets		<u>1,311,327</u>	<u>1,353,245</u>
Capital and reserves			
Called up share capital	17	70,063	70,063
Share premium account	18	1,466,511	1,466,511
Share-based payments reserve	18	5,588	4,983
Profit and loss account	18	(230,835)	(188,312)
		<u></u>	<u></u>
Total shareholder's funds	19	<u>1,311,327</u>	<u>1,353,245</u>

These financial statements were approved by the Board of Directors

Jayesh Maroo
Director

6 April 2011

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 2010

	Notes	2010 £000	2009 £000
Profit on ordinary activities after taxation	18/19	18,237	19,861
Actuarial losses on defined benefit pension schemes	20	(80,923)	(161,891)
Movement in deferred tax asset related to the net pension liability	18	20,163	45,329
Total recognised gains and losses for the year		<u>(42,523)</u>	<u>(96,701)</u>
Total gains and losses recognised since the last financial statements		<u>(42,523)</u>	<u>-</u>

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2010

1 Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Companies Act 2006, under the historical cost convention and on a going concern basis (refer to the directors' report for an assessment of the principal risks and uncertainties) 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 s400 of the Companies Act 2006 from the requirement to prepare group accounts on the basis that group accounts are prepared for its ultimate parent undertaking, Atos Origin S A , a company established in France 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 they are incurred or foreseen

Outsourcing turnover (relating to Managed Operations and Business Process Outsourcing) 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 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

For contracts involving multiple deliverables, the Company applies the revenue recognition criteria to the separately identifiable components of the transaction, in order to appropriately reflect the substance of the arrangement

Intangible fixed assets

Purchased software licences for the provision of customer services and intellectual property rights over software acquired from third parties, are capitalised at cost Software licence costs are amortised on a straight-line basis over the period of the licence or the term of the sales contract, whichever is shorter Intellectual property rights are amortised on a straight-line basis over their useful economic life Amortisation is charged from the commencement of the assets' deployment

Goodwill

Purchased goodwill representing the fair value of the consideration given over the fair values of the identifiable net assets acquired is capitalised in the year of acquisition and amortised on a straight-line basis over 20 years, less any provision for impairment The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2010

1 Accounting policies (continued)

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 if required.

Tangible fixed assets

Tangible fixed assets are stated at cost less provision for depreciation and any impairment. 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.

Assets under construction

Assets under construction represent the cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is charged on these assets until construction is completed and the assets are transferred to the appropriate fixed asset category.

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.

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.

Leases

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding each period. Operating leases are those that are not classified as finance leases. Rentals 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'.

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2010

1 Accounting policies (continued)

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.

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.

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stock. Cost includes all direct costs and an appropriate portion of fixed and variable overheads. Net realisable value is based on the estimated selling price less any further costs expected to be incurred on completion and disposal.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 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 in its group accounts that are available to the public.

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 20. The actuarial assumptions, fair value of the schemes' assets and funding status disclosures required by FRS 17 are also included in note 20.

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 either from refunds from the scheme or through a reduction of future contributions.

The UK Government's announcement in 2010 to replace Retail Prices Index (RPI) with Consumer Prices Index (CPI) for the statutory minimum increase in pensions in defined benefit schemes will reduce the liabilities in some of the Company's schemes. In accordance with UITF Abstract 48, the presentation of the reduction in scheme liabilities is dependent on whether the obligation (contractual under the formal terms of the scheme or constructive) is to pay benefits with increases based on RPI, or more generally with inflation-linked increases. If the obligation is to pay benefit increases based on RPI the change in scheme liabilities is a change in benefit and gives rise to a 'negative' past service cost in accordance with FRS 17. If there is no obligation to pay benefit increases based on RPI, the change to CPI represents a change in the financial assumption about inflation used to measure the scheme liabilities and represents an actuarial gain in accordance with FRS 17.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

1 Accounting policies (continued)

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).

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 2010				
Third parties	738,845	2,564	1,032	742,441
Atos Origin Group undertakings	14	8,186	556	8,756
	<u>738,859</u>	<u>10,750</u>	<u>1,588</u>	<u>751,197</u>
Year ended 31 December 2009				
Third parties	765,557	3,279	2,063	770,899
Atos Origin Group undertakings	20	8,377	1,354	9,751
	<u>765,577</u>	<u>11,656</u>	<u>3,417</u>	<u>780,650</u>

Turnover is derived by class of business as follows

	2010 £000	2009 £000
Outsourcing (including HTTS)	566,296	553,862
Systems Integration	184,901	226,788
	<u>751,197</u>	<u>780,650</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

3 Exceptional items

	2010	2009
	£'000	£'000
Operating profit is recognised after charging the following		
Restructuring provisions (Note 16)	8,509	1,440
Property rationalisation provisions	-	10,609
	<u>8,509</u>	<u>12,049</u>

Restructuring provisions in 2010 and 2009 are linked to plans that began in 2010 and 2009 respectively

Property rationalisation provisions related to onerous lease contracts resulting from the Company's property rationalisation programme which began in 2009

4 Interest receivable and payable

	2010	2009
	£000	£000
Interest receivable and similar income		
Interest on bank balances and short term investments	<u>173</u>	<u>403</u>
Interest payable and similar charges		
Pension scheme net finance expense (Note 20)	12,435	6,771
Other	<u>1,078</u>	<u>935</u>
	<u>13,513</u>	<u>7,706</u>

5 Operating profit

	2010	2009
	£000	£000
Operating profit is stated after charging/(crediting) the following		
Staff costs (Note 6)	315,274	312,751
Amortisation of intangible fixed assets (Note 8)	472	-
Depreciation of tangible fixed assets (Note 9)	22,235	26,750
Loss on disposal of fixed assets – tangible assets	61	9
Auditor's remuneration – audit services	578	578
Auditor's remuneration – non audit services	29	20
Foreign exchange (gain)/loss	(525)	2,125
Operating leases		
- Plant and machinery	1,200	877
- Other assets	<u>13,176</u>	<u>15,159</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

6 Staff costs and directors' emoluments

The aggregate payroll costs during the year were as follows

	2010	2009
	£000	£000
Staff (including directors)		
Wages and salaries	267,676	266,016
Social security costs	28,132	28,329
Equity-settled share-based payments (Note 21)	605	947
Pension costs	18,861	17,459
	<u>315,274</u>	<u>312,751</u>

	2010	2009
	Number	Number
The average number of employees during the year was		
Production	5,182	5,325
Sales, marketing and administration	487	574
	<u>5,669</u>	<u>5,899</u>

Of the directors in office during the period, three (2009 three) were remunerated by the Company. The total emoluments of those three directors, excluding pension contributions, amounted to £1,333,280 (2009 £1,128,344). The emoluments of the highest paid director, excluding pension contributions, amounted to £771,519 (2009 £626,166). Payments on behalf of directors to Company pension schemes amounted to £71,531 (2009 £70,771). Amounts paid to the pension schemes of the highest paid director amounted to £28,350 (2009 £28,350). Though no director (2009 none) is accruing benefits under a defined benefit scheme, two (2009 two) directors are members of a defined benefit scheme. Three (2009 three) directors are members of a defined contribution scheme.

Three (2009 three) directors participate in equity-based plans operated by the Company's ultimate parent undertaking, Atos Origin S A. Refer to Note 21 for details of these plans. 2 directors exercised share options during the year.

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 2010.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

7 Taxation on profit on ordinary activities

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

	2010	2009
	£000	£000
Current tax		
On ordinary activities		
United Kingdom tax at 28% (2009 28%)	3,846	3,471
	<u>3,846</u>	<u>3,471</u>
Deferred tax		
Current year (Note 15)	(1,770)	(1,044)
Prior year	-	231
FRS17 deferred tax movement	8,725	6,461
	<u>10,801</u>	<u>9,119</u>

The current year tax assessed for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010	2009
	£000	£000
Profit on ordinary activities before taxation	29,038	28,980
Tax charge on profit before taxation at standard rate of 28% (2009 28%)	8,131	8,114
FRS17 adjustment	(8,269)	(6,461)
Expenses not deductible for taxation purposes	624	774
Depreciation in excess of capital allowances	3,449	4,325
Movement of provisions	(89)	(3,242)
Unutilised losses carried forward	-	(39)
	<u>3,846</u>	<u>3,471</u>
Actual current tax charge on profit before taxation		

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

8 Intangible fixed assets

	Purchased goodwill	Software licenses	Other intangibles	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2010	-	29,014	-	29,014
Additions	-	-	6,274	6,274
Hived-up from Shere Limited	-	-	649	649
Transfer from cost of investment on hive-up of trade of Shere Limited	13,222	-	-	13,222
At 31 December 2010	<u>13,222</u>	<u>29,014</u>	<u>6,923</u>	<u>49,159</u>
Amortisation:				
At 1 January 2010	-	29,014	-	29,014
Charge for the year	-	-	472	472
Hived-up from Shere Limited	-	-	233	233
At 31 December 2010	<u>-</u>	<u>29,014</u>	<u>705</u>	<u>29,719</u>
Net book value:				
At 31 December 2010	<u>13,222</u>	<u>-</u>	<u>6,218</u>	<u>19,440</u>
At 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Hive-up of trade, assets and liabilities of Shere Limited

The trade, assets and liabilities of Shere Limited, a wholly-owned subsidiary of the Company, were hived-up to the Company on 31 December 2010. The consideration for this transfer was in the form of an intra-group loan account, was based on the book value of the subsidiary's net assets and took no account of goodwill inherent in the subsidiary's business. This resulted in an apparent overvaluation of the investment held in the Company's books, though there was no overall loss to the Group. That apparent overvaluation amounts to £13,222,000 and was recognised as purchased goodwill. Purchased goodwill is amortised on a straight-line basis over 20 years.

The directors consider that no adjustments are necessary in calculating the fair values of the hived-up net assets of Shere Limited. In addition to the £13,222,000 transferred from cost of investments to purchased goodwill as described above, the effect of the hive-up on the Company's financial statements is as follows:

	£'000
Intangible assets	416
Tangible assets	236
Cash	2,223
Stock	1,498
Debtors	6,122
Creditors and provisions for liabilities	(5,360)
Total net assets hived-up	<u>5,135</u>
Consideration paid in the form of an intra-group loan	<u>(5,135)</u>

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

9 Tangible fixed assets

	Assets under construction	Freehold land and buildings	Computer equipment	Office furniture, cars and equipment	Total
Cost	£000	£000	£000	£000	£000
At 1 January 2010	-	1,769	113,821	59,595	175,185
Additions	6,710	-	2,905	15,300	24,915
Disposals	-	-	(565)	(646)	(1,211)
Other	-	-	(238)	(742)	(980)
Hived-up from Shere Limited	-	-	-	745	745
At 31 December 2010	<u>6,710</u>	<u>1,769</u>	<u>115,923</u>	<u>74,252</u>	<u>198,654</u>
Depreciation					
At 1 January 2010	-	1,019	86,085	37,192	124,296
Charge for the year	-	-	11,643	10,592	22,235
Disposals	-	-	(517)	(633)	(1,150)
Other	-	-	(59)	(11)	(70)
Hived-up from Shere Limited	-	-	-	509	509
At 31 December 2010	<u>-</u>	<u>1,019</u>	<u>97,152</u>	<u>47,649</u>	<u>145,820</u>
Net book value:					
At 31 December 2010	<u>6,710</u>	<u>750</u>	<u>18,771</u>	<u>26,603</u>	<u>52,834</u>
At 31 December 2009	<u>-</u>	<u>750</u>	<u>27,736</u>	<u>22,403</u>	<u>50,889</u>

There are no assets held under finance leases (2009 £nil)

At 31 December 2010, the Company has contracted for capital expenditure for which no provision has been made in the financial statements of £7,506,249 (2009 £3,910,833)

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

10 Investments

	Group undertakings £000	Other £000	Total £000
Cost			
At 1 January 2010	1,688,833	378	1,689,211
Additions	18,357	-	18,357
Disposal of investment	-	(32)	(32)
Transfer to purchased goodwill on hive-up of trade of Shere Limited	(13,222)	-	(13,222)
At 31 December 2010	<u>1,693,968</u>	<u>346</u>	<u>1,694,314</u>
Provisions			
At 1 January and 31 December 2010	<u>286,970</u>	<u>-</u>	<u>286,970</u>
Net book value.			
At 31 December 2010	<u>1,406,998</u>	<u>346</u>	<u>1,407,344</u>
At 31 December 2009	<u>1,401,863</u>	<u>378</u>	<u>1,402,241</u>

On 26 March 2010, the Company acquired the entire share capital of Shere Limited for cash consideration of £18,357,000

Other investments relate to the cost of acquisition of derivative financial instruments. When such instruments mature, they are presented as 'disposal of investment'.

On 31 December 2010, 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	Dormant
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
Barabas Limited	100%	England and Wales	Dormant
Shere Limited	100%	England and Wales	Provision and support of ticketing systems

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 2010

11 Stock

	2010	2009
	£000	£000
Brought-in components	1,247	-
Finished goods	222	-
Work in progress	29	-
	<u>1,498</u>	<u>-</u>

12 Debtors

	2010	2009
	£000	£000
Trade debtors	52,873	59,332
Amounts recoverable on contracts	66,265	73,079
Amounts owed by group undertakings	58,053	65,470
Deferred taxation (Note 15)	42,924	41,187
Other debtors	3,383	3,329
Prepayments and accrued income	16,690	14,070
	<u>240,188</u>	<u>256,467</u>

Amounts recoverable after more than one year and included above relate to intercompany loans of £56,281,000 (2009 £56,214,319) and deferred tax assets of £41,287,000 (2009 £39,415,000)

13 Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	24,945	10,355
Amounts owed to group undertakings	2,113	13,046
Corporation tax	29,880	26,082
Other taxation and social security	20,528	17,681
Accruals and deferred income	155,110	145,244
Other creditors	1,797	-
	<u>234,373</u>	<u>212,408</u>

14 Creditors: amounts falling due after more than one year

	2010	2009
	£000	£000
Amounts owed to group undertakings	55,976	49,093
Other creditors	579	-
	<u>56,555</u>	<u>49,093</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 2010

15 Deferred tax asset

	£000
Balance at 1 January 2010	41,187
Amount credited to the profit and loss account (Note 7)	1,770
Hived-up from Shere Limited	(33)
	<u>42,924</u>
Balance at 31 December 2010	<u>42,924</u>

The deferred taxation asset is represented by the following timing differences

	2010 £000	2009 £000
Accelerated capital allowances	41,287	39,415
Short term timing differences	1,622	1,772
Losses	15	-
	<u>42,924</u>	<u>41,187</u>

The deferred tax asset is expected to be fully utilised against taxable profits generated by the Company in the future. The current year deferred tax credit of £1,770,000 includes a charge of £1,471,000 relating to the impact of the change in the standard rate of Corporation Tax in the UK from 28% to 27%, on deferred tax balances recognised in prior periods. The 27% Corporation Tax rate was substantively enacted as at 31 December 2010.

16 Provisions for liabilities

	Property provisions £000	Restructuring provisions £000	Other £'000	Total £000
At 1 January 2010	14,981	750	1,259	16,990
Provided during the year	684	8,509	895	10,088
Reversed during the year	(3,772)	(302)	(41)	(4,115)
Utilised during the year	(4,014)	(8,041)	(100)	(12,155)
Hived-up from Shere Limited	593	-	-	593
	<u>8,472</u>	<u>916</u>	<u>2,013</u>	<u>11,401</u>
At 31 December 2010	<u>8,472</u>	<u>916</u>	<u>2,013</u>	<u>11,401</u>

The property provisions comprise

- provisions for onerous lease contracts linked to the Company's property rationalisation programme that commenced in 2009, and
- obligations to reinstate certain properties to their former condition at the end of the lease period or other potential exit dates. The provision 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 for restructuring have been made in line with the Company's recovery plans.

Other provisions include 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 2010

17 Share capital

	2010	2009
	£000	£000
Authorised		
70,062,885 ordinary shares of £1 each (2009 70,062,885)	<u>70,063</u>	<u>70,063</u>
Allotted, called-up and fully-paid		
70,062,885 ordinary shares of £1 each (2009 70,062,885)	<u>70,063</u>	<u>70,063</u>

18 Reserves

	Share-based payment reserve £000	Share premium account £000	Profit & loss account £000
At 1 January 2010	4,983	1,466,511	(188,312)
Recognition of equity-settled share-based payments	605	-	-
Retained profit for the financial year	-	-	18,237
Actuarial loss on defined benefit pension schemes	-	-	(80,923)
Movement in deferred tax asset related to the net pension liability	-	-	20,163
At 31 December 2010	<u>5,588</u>	<u>1,466,511</u>	<u>(230,835)</u>

19 Reconciliation of movement in shareholder's funds

	2010	2009
	£000	£000
Retained profit for the financial year	18,237	19,861
New shares issued	-	1,120,413
Other recognised losses	(60,760)	(116,562)
Equity-settled share-based payments	605	947
Net movement in shareholder's funds	<u>(41,918)</u>	<u>1,024,659</u>
Shareholder's funds at 1 January	1,353,245	328,586
Net movement in shareholder's funds	<u>(41,918)</u>	<u>1,024,659</u>
Shareholder's funds at 31 December	<u>1,311,327</u>	<u>1,353,245</u>

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2010

20 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, and
- 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. 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 agreed as at 31 December 2007.

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. 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 agreed as at 31 December 2007.

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 2018.

A formal new Scheme Funding Valuation has been agreed as at 31 March 2009.

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 July 2008, contributions made by participants to the Atos Origin Section were at a rate of 11.68% of pensionable salaries. It has been agreed with the trustees that contributions will remain at that level until 31 July 2018.

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

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

20 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) 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 the retail price index. From 1 April 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 30 April 2018.

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

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 2010, 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.

Principal valuation assumptions

The most recent actuarial valuation of all five DB schemes was at 31 December 2010. The valuations used the projected unit method and were carried out by Towers Watson professionally qualified actuaries. The principal assumptions at 31 December for all post-retirement benefit plans were:

	2010	2009
Discount rate	5.30%	5.80%
Future salary increases (excluding promotional increases)	2.75 - 3.50%	2.75 - 3.50%
Future pension increases	2.75 - 3.25%	3.25%
Inflation	3.50%	3.50%
Life expectancy of a male aged 65 at end of year	21.9	21.8
Life expectancy of a female aged 65 at end of year	24.1	24.1
Annual increase in healthcare costs	6.00%	6.00%
Expected return on scheme assets at 31 December	6.07%	6.06%

The assumption of the expected rate of return on scheme assets was developed using a building block approach based on the schemes' 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 positive return of £58 million (2009: £78 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.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

20 Retirement benefits (continued)

Amounts recognised in the balance sheet are as follows.

	Defined benefit pension schemes		Post-retirement healthcare plan		Total	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
Present value of funded scheme liabilities	(1,139,214)	(1,007,520)	-	-	(1,139,214)	(1,007,520)
Present value of unfunded scheme liabilities	-	-	(1,286)	(1,166)	(1,286)	(1,166)
Market value of assets	857,105	791,758	-	-	857,105	791,758
Deficit in the schemes	(282,109)	(215,762)	(1,286)	(1,166)	(283,395)	(216,928)
Related deferred tax asset	79,345	67,928	347	326	79,692	68,254
Net pension liability	(202,764)	(147,834)	(939)	(840)	(203,703)	(148,674)

Reconciliation of present value of scheme liabilities

	Defined benefit pension schemes		Post-retirement healthcare plan		Total	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
At 1 January	1,007,520	779,586	1,166	1,046	1,008,686	780,632
Current service cost	4,805	3,918	67	67	4,872	3,985
Contributions by scheme participants	1,607	1,612	-	-	1,607	1,612
Interest cost	57,992	49,043	53	53	58,045	49,096
Benefits paid	(26,506)	(23,978)	-	-	(26,506)	(23,978)
Actuarial losses	93,796	197,339	-	-	93,796	197,339
At 31 December	1,139,214	1,007,520	1,286	1,166	1,140,500	1,008,686

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

20 Retirement benefits (continued)

Reconciliation of fair value of scheme assets

	2010	2009
	£'000	£'000
At 1 January	791,758	709,026
Expected return on scheme assets	45,611	42,325
Contributions by scheme participants	1,606	1,612
Benefits paid	(26,505)	(23,978)
Contributions paid by employer	31,762	27,325
Actuarial gains	12,873	35,448
	<hr/>	<hr/>
At 31 December	857,105	791,758
	<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

	2010	2009
Bonds	64%	47%
Equities	32%	39%
Property	3%	2%
Cash	1%	12%

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

	2010	2009
	£'000	£'000
Current service cost	4,872	3,985
Expected return on pension scheme assets	(45,611)	(42,325)
Interest on pension scheme liabilities	58,045	49,096
	<hr/>	<hr/>
Total charge	17,306	10,756
	<hr/>	<hr/>

In both 2010 and 2009, the current service cost was included within administration expenses in operating profit. In both 2010 and 2009, the net of the expected return on pension scheme assets and interest on pension scheme liabilities (£12 million and £7 million net expense in 2010 and 2009 respectively) was included within interest payable and similar charges.

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

20 Retirement benefits (continued)

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

	2010	2009
	£'000	£'000
Cumulative actuarial losses at 1 January	173,428	11,537
Actuarial losses arising in the year	80,923	161,891
Cumulative actuarial losses at 31 December	254,351	173,428

The related deferred tax asset allocated to the actuarial gains and losses increased by £20,163,000 during the year (2009 £45,329,000 increase)

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

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(1,140,500)	(1,008,686)	(780,632)	(916,171)	(972,350)
Scheme assets	857,105	791,758	709,026	803,843	747,594
Deficit	(283,395)	(216,928)	(71,606)	(112,328)	(224,756)
Experience actuarial losses/(gains) on scheme assets	(12,874)	(35,448)	205,363	2,777	(23,428)
Experience actuarial losses/(gains) on scheme liabilities	(20,024)	4,774	3,119	(10,008)	42,849
Total actuarial (gains) and losses recognised in the statement of total recognised gains and losses	80,923	161,891	77,085	(98,954)	(1,624)

The Company expects to contribute £33 million to its defined benefit pension schemes in 2011

Over the year to 31 December 2010, employer contributions to the various defined contribution schemes amounted to £13,989,000 (2009 £13,473,597) while employer contributions in respect of defined benefit schemes, amounted to £31,762,000 (2009 £27,325,000) over the same period. There are no outstanding or prepaid contributions at the balance sheet date (2009 £nil)

The adoption of UITF 48 has had no effect on the current year

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

21 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 three equity-based plans the Stock Option Plan, the Long-Term Incentive Plans and the Management Investment Plans

The Company recognised a total expense of £605,000 (2009 £947,000) in respect of these three plans during the year, split as follows

- £468,000 (2009 £652,000) related to the Stock Option Plan,
- £73,000 (2009 £121,000) related to the Long-Term Incentive Plans, and
- £64,000 (2009 £174,000) related to the Management Investment Plans

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 twenty closing prices preceding the date of grant. The vesting period is gradual: options vest on successive portions over three years. The vesting of options that were granted in 2010 is also subject to the realisation of group internal performance conditions. Options expire if they remain unexercised after a period of ten 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

	2010		2009	
	Number of shares	Weighted average exercise price €	Number of shares	Weighted average exercise price €
Outstanding at 1 January	634,214	37.11	272,436	49.90
Granted during the year	17,500	48.75	368,000	27.63
Forfeited during the year	(11,664)	31.43	(5,722)	33.78
Transfers in during the year	-	-	(500)	59.99
Exercised during the year	(58,676)	21.27	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	581,374	39.18	634,214	37.11
Exercisable at 31 December	241,214	53.28	221,214	54.48

58,676 options were exercised during the year

Atos Origin IT Services UK Limited
NOTES TO THE ACCOUNTS
Year Ended 31 December 2010

21 Share based payments (continued)

Options outstanding at the end of the year have a weighted average remaining contractual life of 6.9 years (2009: 8.1 years) and have the following exercise prices:

Expiry date	Exercise price	2010 Number	2009 Number
	€		
10 January 2015	49.75	118,799	118,799
26 October 2015	58.04	334	334
29 March 2016	59.99	101,581	101,581
19 December 2016	43.16	500	500
09 October 2017	40.35	20,000	20,000
23 December 2018	18.40	3,003	10,002
23 December 2018	22.00	9,999	9,999
23 December 2018	26.40	9,999	9,999
26 March 2019	20.64	20,342	60,006
26 March 2019	24.57	59,997	59,997
26 March 2019	29.49	59,997	59,997
3 July 2019	25.00	46,019	59,700
3 July 2019	30.00	54,661	59,659
3 July 2019	35.00	54,643	59,641
4 September 2019	34.28	1,334	1,334
4 September 2019	40.81	1,334	1,334
4 September 2019	48.97	1,332	1,332
31 December 2020	40.41	5,834	-
31 December 2020	48.11	5,833	-
31 December 2020	57.74	5,833	-

The fair value of stock options granted in 2010 was calculated using the binomial option pricing model. The inputs into the model were as follows:

Date of grant	31 December 2010
Share price at grant date (euros)	39.84
Exercise price (euros)	40.41/48.11/57.74
Expected volatility	37.01%
Expected life	32 months
Risk free rate	1.362%
Expected dividend yield	1.3%
Expected employee turnover	4% per year
Fair value of options granted (euros)	9.01/6.64/4.57

Expected volatility was determined in 2010 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 ('LTI plans')

Atos Origin S.A. did not set up new LTI plans in 2010. The aim of both the 2008 and 2007 plans was the reinforcement of the Group's capability to reach challenging financial targets, in line with the goal of shareholders' value creation. Shares were granted to the Company's employees under the 2008

Atos Origin IT Services UK Limited

NOTES TO THE ACCOUNTS

Year Ended 31 December 2010

21 Share based payments (continued)

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

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).

Management Investment Plans ('MIP plans')

Atos Origin S.A. did not set up new MIP plans in 2010. The aim of both the 2008 and 2007 plans was the promotion of employee ownership and retention. Shares were granted to the 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).

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22 Guarantees and other financial commitments

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

	2010	2009
	£000	£000
In respect of land and buildings		
Commitments expiring		
- within one year	2,777	762
- between one and five years	5,554	7,021
- after five years	1,798	2,232
	<u>10,129</u>	<u>10,015</u>
In respect of other assets		
Commitments expiring		
- within one year	662	319
- between one and five years	2,421	2,345
	<u>3,083</u>	<u>2,664</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 £3,227,325 (2009 £7,090,820)

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

23 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 25.

24 Derivative financial instruments

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

	2010	2009
	£000	£000
Forward exchange contracts	(1,455)	(2,028)
Foreign currency options	69	280
	<u>(1,386)</u>	<u>(1,748)</u>

The Company expects to receive and pay cash flows denominated in foreign currencies under specific contracts between 2011 to 2012. It therefore uses forward exchange contracts and foreign currency options to hedge a portion of these cash flows. As at 31 December 2010 the Company had hedged future cash flows of €34,300,000.

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25 Ultimate parent undertaking

The ultimate parent and controlling company is Atos Origin S A , a company incorporated in France by virtue of its controlling interest in Atos Origin 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 , River Oust, 80 Quai Voltaire, F – 95877 Bezons, Cedex.