

ATOS IT SERVICES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



ATOS IT SERVICES UK LIMITED

COMPANY INFORMATION

DIRECTORS

J Loughrey
J Maroo (resigned 16 February 2016)
U Morgenstern (resigned 1 December 2015)
A Gregory (appointed 1 December 2015)
B Hecker (appointed 16 February 2016)

COMPANY SECRETARY

J Loughrey

REGISTERED NUMBER

1245534

REGISTERED OFFICE

4 Triton Square
Regent's Place
London
NW1 3HG

INDEPENDENT AUDITOR

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

ATOS IT SERVICES UK LIMITED

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ATOS IT SERVICES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The Directors present their Strategic Report on the Company for the year ended 31 December 2015.

BUSINESS REVIEW

The operating profit for the year was £106m (2014: £87m). Operating profit for the year includes an exceptional profit of £13.8m (2014: £9.3m loss). This consists of an onerous lease provision release of £19.9m, a gain on disposal of the Occupational Health business of £4.9m, research and development tax credits totalling £10.5m and contract losses of £21.6m (2014: exceptional contract losses of £9.3m) see note 8.

In 2016 the Company will continue to focus on providing IT enabled business processes to select national and international markets, thereby continuing to deliver added value to our clients.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The Company has a number of governance boards which seek to deliver specific goals.

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. The Executive Board meets monthly to drive focus 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 as part of business planning.

This forum is responsible for the oversight of all operations and focuses, where necessary, on potential issues including risk related issues raised by the different parts of the UK business as part of monthly operational reviews covering either markets or service lines.

The Sales and Marketing Board meets monthly and focuses on achieving the backlog (see page 2) for the current year. Material issues that cannot be resolved in this forum are raised at the UK Executive Board.

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.

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. Mitigating actions are taken where appropriate.

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.

ATOS IT SERVICES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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.

FINANCIAL KEY PERFORMANCE INDICATORS

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

Increase in turnover (%)

This is defined as year on year increase in turnover for continuing operations expressed as a percentage. The increase in turnover was 1% of continuing operations (£1,436m in 2015 compared to £1,421m in 2014).

Backlog

This is defined as the sum of the value of turnover 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 2015 the full backlog was £2.8bn, representing 1.9 times 2015 turnover (2014: £2.7bn, representing 1.9 times 2014 turnover).

Headcount

This is defined as the number of full time equivalent (FTE) staff employed by the Company. The average number of FTE's decreased by 611 to 8,825 during 2015.

EXCEPTIONAL ITEMS

Operating profit for the year includes exceptional profits of £13.8m (2014: exceptional losses of £9.3m) see note 8. Included within this gain is a gain on disposal of £4.9m in respect of discontinued operations.


This report was approved by the board on

6/7/16

and signed on its behalf.



A Gregory
Director


B Hecker
Director

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report and the financial statements for the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, 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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- 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 are sufficient to show and explain the Company's transactions and 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.

The Directors are responsible for the maintenance and the integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

The Company delivers technology services, systems integration, business process outsourcing services, consulting and managed services. With its deep technology expertise and industry knowledge, it works with clients across the following market sectors: Manufacturing, Retail, Services; Public, Health & Transport; Financial Services; Telecoms, Media & Technology; Energy & Utilities. The Company is focused on business technology that powers progress and helps organisations to create their firm of the future.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £91.1m (2014 - £64.8m).

The Directors do not recommend payment of a dividend (2014: £NIL).

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS

The Directors who served during the period were:

J Loughrey
J Maroo (resigned 16 February 2016)
U Morgenstern (resigned 1 December 2015)
A Gregory (appointed 1 December 2015)

B Hecker was appointed as a Director on the 16 February 2016.

POLITICAL CONTRIBUTIONS

The Company made no (2014: £NIL) political contributions during the year.

ENVIRONMENTAL MATTERS

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; and
- to encourage staff to adopt environmentally friendly practices in their employment with the Company.

The Company's leadership role in the digital transformation of businesses enables it to improve the environmental efficiency of its operations by reducing energy and carbon intensity, as well as to develop collaborative tools that will enable it and its clients to reduce their overall global footprint.

Continuous improvements to the energy efficiency of operations and ambitious targets achieved in reducing the carbon intensity footprint and a sharp increase in the use of decarbonised electricity in the strategic datacenters.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future developments, its financial position, financial risk management objectives and its exposure to liquidity, credit, interest and currency risk are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

Based on the approved business plan and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DISABLED 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.

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

EMPLOYEE INVOLVEMENT

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. Within the bounds of commercial confidentiality, information is provided to all levels of staff about matters that affect the progress of the Company 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.

FINANCIAL RISK

Liquidity risk

The Company has access to an Atos SE Group cash pool for its day to day liquidity requirements. Throughout 2015 the Company held the majority of its cash holding in this cash pool arrangement. The Company's ultimate parent company, Atos SE, is responsible for the Company's overall liquidity management. Atos SE has access to a cost efficient €1.8bn multi-currency revolving credit facility maintained with a number of major financial institutions. This facility expires in November 2019.

Credit risk

The Company requires appropriate credit checks on customers before and after sales are made. The amount of exposure to any individual customer is reassessed periodically.

Currency risk

The Company aims to invoice in sterling to minimise foreign exchange risk. Where this is not possible the Company uses hedging instruments such as forward contracts to reduce exposure to foreign currency movements. No such instruments have been used in 2015 or 2014.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to all of its Directors against any potential liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

The Company also granted an indemnity to all of its Directors in connection with the Company's activities as trustee of the pension schemes, subject to conditions set out in section 235 of the Companies Act 2006. This qualifying pension scheme indemnity remains in force as at the date of approving the Directors' Report.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

ATOS IT SERVICES UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

PENSION SCHEMES

Atos IT Services UK Limited operates six 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 external actuaries. The DB schemes are as follows:

- Atos Origin (Sema) Pension Scheme;
- Atos Origin Pension Fund;
- Atos Origin (CS) Pension Scheme;
- Atos UK 2011 Pension Scheme;
- Railways Pension Scheme – Atos Section; and
- Industry Wide Coal Staff Superannuation Scheme (the 'IWCSSS')

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.

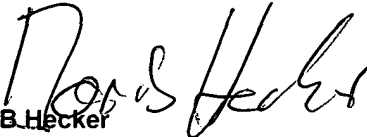
This report was approved by the board on

6/7/16

and signed on its behalf.



A Gregory
Director



B Hecker
Director

ATOS IT SERVICES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ATOS IT SERVICES UK LIMITED

We have audited the financial statements of Atos IT Services UK Limited for the year ended 31 December 2015, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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, 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 Financial Reporting Council'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ATOS IT SERVICES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ATOS IT SERVICES UK LIMITED

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.



David Miller (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditors
Chartered Accountants

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Date: 13 July 2016

ATOS IT SERVICES UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000	Continuing operations 2014 £000	Discontinued operations 2014 £000	Total 2014 £000
	Note						
Turnover	3	1,436,178	32,824	1,469,002	1,420,652	30,697	1,451,349
Cost of sales		(1,102,136)	(26,138)	(1,128,274)	(1,063,534)	(23,810)	(1,087,344)
Gross profit		334,042	6,686	340,728	357,118	6,887	364,005
Administrative expenses		(244,475)	(4,280)	(248,755)	(264,031)	(3,741)	(267,772)
Exceptional profit/(loss)	8	8,894	4,913	13,807	(9,273)	-	(9,273)
Operating profit	4	98,461	7,319	105,780	83,814	3,146	86,960
Interest receivable	9	165	-	165	7	-	7
Interest payable	10	(3,520)	-	(3,520)	(5,182)	-	(5,182)
Other finance credits / (costs)	11	122	-	122	(977)	-	(977)
Profit before tax		95,228	7,319	102,547	77,662	3,146	80,808
Tax on profit	12	(10,655)	(820)	(11,475)	(15,414)	(624)	(16,038)
Profit for the year		84,573	6,499	91,072	62,248	2,522	64,770
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Actuarial loss on defined benefit schemes	25			(14,527)			(66,891)
Deferred tax movement on pension asset/(liability)	19			(5,786)			26,679
				(20,313)			(40,212)
Total comprehensive income for the year				70,759			24,558

ATOS IT SERVICES UK LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	2015 £000	2014 £000
Fixed assets			
Other intangible assets	13	51,971	52,896
Tangible assets	14	89,482	96,646
Investments	15	1,296,801	1,430,099
		<u>1,438,254</u>	<u>1,579,641</u>
Current assets			
Debtors: amounts fall due after more than one year	16	78,609	89,151
Debtors: amounts falling due within one year	16	415,588	401,742
Cash at bank and in hand		205,112	199,846
		<u>699,309</u>	<u>690,739</u>
Creditors: amounts falling due within one year	18	(433,766)	(613,207)
Net current assets		<u>265,543</u>	<u>77,532</u>
Total assets less current liabilities		<u>1,703,797</u>	<u>1,657,173</u>
Provisions for liabilities			
Other provisions	20	(38,113)	(41,723)
		<u>(38,113)</u>	<u>(41,723)</u>
Net assets excluding pension asset/(liability)		<u>1,665,684</u>	<u>1,615,450</u>
Pension asset/(liability)		19,601	(2,050)
Net assets		<u><u>1,685,285</u></u>	<u><u>1,613,400</u></u>

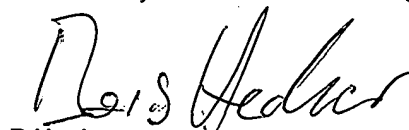
ATOS IT SERVICES UK LIMITED

STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Capital and reserves			
Called up share capital	21	260,896	260,896
Share premium account		1,622,563	1,622,563
Share based payment reserve		9,364	8,238
Profit and loss account		(207,538)	(278,297)
Total shareholders' funds		<u>1,685,285</u>	<u>1,613,400</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


A Gregory
Director


B Hecker
Director
6/1/16

The notes on pages 14 to 53 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2015	260,896	1,622,563	8,238	(278,297)	1,613,400
Profit for the year:	-	-	-	91,072	91,072
Actuarial losses on pension schemes	-	-	-	(14,527)	(14,527)
Movement of deferred tax relating to net pension asset	-	-	-	(5,786)	(5,786)
Total other comprehensive income for the year	-	-	-	(20,313)	(20,313)
Total comprehensive income for the year	-	-	-	70,759	70,759
Contributions by and distributions to owners					
Equity settled share based payments charge	-	-	1,126	-	1,126
Total transactions with owners	-	-	1,126	-	1,126
At 31 December 2015	260,896	1,622,563	9,364	(207,538)	1,685,285

ATOS IT SERVICES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2014	124,196	1,622,563	7,317	(312,396)	1,441,680
Adjustments on transition to FRS 101	-	-	-	9,541	9,541
At 1 January 2014 (as restated)	<u>124,196</u>	<u>1,622,563</u>	<u>7,317</u>	<u>(302,855)</u>	<u>1,451,221</u>
Profit for the year	-	-	-	64,770	64,770
Actuarial losses on pension schemes	-	-	-	(66,891)	(66,891)
Movement of deferred tax relating to net pension liability	-	-	-	26,679	26,679
Total other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,212)</u>	<u>(40,212)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,558</u>	<u>24,558</u>
Contributions by and distributions to owners					
Shares issued during the year	136,700	-	-	-	136,700
Equity settled share based payments charge	-	-	921	-	921
Total transactions with owners	<u>136,700</u>	<u>-</u>	<u>921</u>	<u>-</u>	<u>137,621</u>
At 31 December 2014	<u><u>260,896</u></u>	<u><u>1,622,563</u></u>	<u><u>8,238</u></u>	<u><u>(278,297)</u></u>	<u><u>1,613,400</u></u>

The notes on pages 14 to 53 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 General information

Atos IT Services UK Limited is incorporated and domiciled in England and Wales. The address of its registered office and principal place of business is disclosed in the introduction to the financial statements. The principal activities of the Company are described in the Directors' Report.

The Company is exempt by virtue of section 400 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 SE, a company incorporated in France. These financial statements present information about the Company as an individual undertaking and not about any wider group.

The principal accounting policies adopted by the Company are set out below:

1.2 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under UK GAAP to FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The Company has used a true and fair view override in respect of the non amortisation of goodwill (see note 1.5).

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. In the transition to FRS 101, the Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 29.

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006 and in accordance with FRS 101. The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment, because:
 - (i) the share-based payment arrangement concerns the instruments of another group entity
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (c) the requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held for Sale and Discontinued operations;
- (d) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (f) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (g) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A-D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (h) the requirement to prepare a Statement of Cash Flows and related notes;
- (i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (k) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of assets;
- (l) the requirements in IAS 8.30 and IAS 8.31 to disclose new standards and interpretations; and
- (m) the requirements of paragraph 5(c) of the FRS 101 Reduced Disclosure Framework.

1.3 Going concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured.

Turnover consists of amounts chargeable to customers and other group undertakings for goods and services provided and are exclusive of value added tax ("VAT") 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 Services and Business Process Outsourcing) is recognised as services are delivered.

The Company's product turnover is derived from the sale of equipment, licences for software, maintenance and related services, which include installation and consulting services. Turnover from these sales is recognised on delivery to the customer and once the item is available for use by that customer and over the licence or maintenance term where relevant. Where services are provided, turnover derived from the contract is recognised based on the percentage of completion basis.

Turnover from consulting and training is recognised when the services are performed and recovery deemed probable.

Other turnover includes intra group recharges recognised in accordance with the underlying turnover stream.

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.

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.

The assessment of the stage of completion is dependent on the nature of the contract, but will generally be based on cost incurred to the extent that these relate to services performed up to the reporting date or achievement of contractual milestones. Provision is made for any losses as soon as they are foreseen. Turnover recognised on services delivered in advance of invoicing 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 IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

New customer transition costs

New customer transition costs are incurred during the 'onboard' phase of a new contract and are either expensed as incurred or recognised in cost of goods sold on a percentage of completion basis over the transition phase.

Only in rare instances where the services rendered during the transition phase cannot be separately identified, costs can be deferred and expensed over the contract term if it can be demonstrated that they are recoverable.

In the event the contract turns out to be loss making, capitalised transition costs are impaired for the related forecast loss, before recognising an additional provision for estimated losses on completion when necessary.

1.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to the Statement of Comprehensive Income. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non amortisation of goodwill is a required departure, for the overriding purpose of giving a true and fair view.

Software licenses and other intangibles

Software licenses acquired are stated at cost less accumulated amortisation. Amortisation is charged to the Statement of Comprehensive Income on a straight line basis over the license period.

The estimated useful life is as follows:

Software	-	3	years
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1.6 Tangible fixed assets

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Statement of Comprehensive Income during the period in which they are incurred.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

Land is not depreciated.

The estimated useful lives range as follows:

Land and buildings	-	50 years
Office furniture, cars and equipment	-	between 3 and 7 years
Computer equipment	-	between 3 and 5 years

1.7 Investments

Investments are stated at cost less provision for any permanent impairment.

1.8 Financial assets and liabilities

Financial assets and liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments comprise trade debtors, cash, loans and borrowings and trade creditors.

Trade debtors and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are recognised at fair value at initial recognition and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash includes cash-in-hand, and with banks.

Trade creditors are stated at amortised cost. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost.

Impairment of assets

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.8 Financial assets and liabilities (continued)

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Statement of Comprehensive Income.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For certain categories of financial asset such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of debtors could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on debtors.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors where the carrying amount is reduced through the use of an allowance account. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Income.

1.9 Financial currency translation

Functional and presentation currency

The financial statements are presented in Pound Sterling (£), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Pound Sterling (£) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.10 Share-based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.11 Pensions

Defined contribution scheme

The Company operates defined contribution pension schemes and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Defined benefit scheme

The Company operates defined benefits pension schemes and the pension charge is based on an actuarial valuation dated 31 December 2015.

The cost of providing benefits under the defined benefit schemes is determined separately for each scheme using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on an actuarial valuation. Past service costs are recognised in the Statement of Comprehensive Income. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the Statement of Comprehensive Income during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the Statement of Comprehensive Income as other finance income or expense.

Remeasurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Past service credits and costs are recognised when plan amendments are made.

Further details of the schemes are provided in note 25.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.12 Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. These provisions include:

Property provisions

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 surveyors' reports and estimated costs per square foot for each affected property.

Restructuring provisions

A provision is made for restructuring activities once a commitment has been made to undertake those activities using a best estimate of total costs to be incurred.

Employee related provisions

A provision is made to recognise the future cost of long service awards payable to employees. This is calculated using the projected unit credit method.

Other provisions

Provision are made for legal claims once the Company becomes aware of the existence of the claim and considers an economic outflow to be probable, the value of the provision is based upon best estimate of this outflow. Where the Company becomes aware of a loss making contract a provision is recognised for the best estimate of the loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.13 Taxation

Income tax expense represents the sum of the corporation tax and deferred tax charges. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1.14 Exceptional items

The Company presents as exceptional items on the face of the Statement of Comprehensive Income, those significant items of income and expense which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods to assess trends in financial performance more readily.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.15 Business combination under common control

Where the Company acquires a business from another party which is under common control, the Company first determines whether or not the transaction meets the definition of a business under IFRS 3. If this definition is met, the Company applies either the pooling of interests method or the acquisition method to the transaction. To be able to apply the acquisition method to business combinations under common control, the Company has to be able to demonstrate that the transaction has substance. Where the definition of a business is not met, the Company treats the transaction as an asset acquisition.

1.16 Leases

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.17 Discontinued operations

A discontinued operation is a component of the Company that has either been disposed of or meets the criteria to be classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

The results of discontinued operations are analysed separately from continuing operations on the face of the Statement of Comprehensive Income. The results of all operations are presented in total.

The results of discontinued operations include the post-tax profit or loss on the discontinued operation along with the post-tax gain or loss recognised on the remeasurement of the non-current assets of the discontinued operation to fair value less costs to sell, and the consequent gain or loss on the disposal of the discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.18 Research and development

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the intangible asset ;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- intangible asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Research and development above the line tax credits are shown above operating profit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes.

Goodwill impairment tests

The Company tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policies stated above. The recoverable amounts of cash generating units are determined based on value-in-use calculations or on their fair value reduced by the costs of sales. These calculations require the use of estimates.

Measurement of recognised deferred tax assets

Deferred tax assets are recognised when it is probable that taxable profit will be available against which the deferred tax assets can be utilised. Estimates of taxable profits and utilisations of deferred tax assets are prepared on the basis of profit and loss forecasts as included in the 3-year business plans.

Revenue recognition and associated costs on long-term contracts

Revenue recognition and associated costs, including forecast losses on completion are measured according to policies stated. Total projected contract costs are based on various operational assumptions such as forecast volume or variance in the delivery costs. These have a direct influence on the level of revenue and possible forecast losses on completion that are recognised.

Pensions

The Company uses actuarial assumptions and methods to measure pension costs and provisions. The value of plan assets is determined based on valuations provided by the external custodians of pension funds and following complementary investigations carried-out when appropriate. The estimation of pension liabilities, as well as valuations of plan assets requires the use of estimates and assumptions.

Over a number of years the Company has made special pension contributions which the pension schemes have invested in a number of Scottish Limited Partnerships which entitle the pension schemes to an annual income. These interests are treated as plan assets as this financial instrument is not issued by the Company itself. This is a matter of judgement with the alternate accounting treatment classifying such amounts as prepaid pension contributions.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. ANALYSIS OF TURNOVER

An analysis of turnover by class of business is as follows:

	2015	2014
	£000	£000
Business Process Outsourcing	401,111	386,243
Systems Integration	213,203	221,797
Managed Services	695,461	674,719
Consulting	51,397	42,656
Other	8,199	12,857
Atos group undertakings	99,631	113,077
	<u>1,469,002</u>	<u>1,451,349</u>

Analysis of turnover by country of destination:

	2015	2014
	£000	£000
United Kingdom	1,401,948	1,438,249
Rest of Europe	62,895	8,875
Rest of the world	4,159	4,225
	<u>1,469,002</u>	<u>1,451,349</u>

	2015	2014
	£000	£000
Categories of turnover		
Sales of services	1,364,188	1,354,063
Sale of goods	104,814	97,286
	<u>1,469,002</u>	<u>1,451,349</u>

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £000	2014 £000
Research and development cost	41,503	39,969
Depreciation of tangible fixed assets	38,159	35,686
Amortisation of intangible assets	5,428	5,558
Exchange differences	(383)	672
(Gain)/loss on disposal of fixed assets	(1,462)	344
Share-based payment charge	1,126	921
Defined contribution pension cost	18,343	18,634
Defined benefit pension (credit)/cost	(14,258)	13,524
Operating lease payments		
- Plant and machinery	3,570	3,768
- Other leases	17,463	18,849

5. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2015 £000	2014 £000
Fees for the audit of the Company	388	338
Audit related services	147	140
All other assurance services	73	39
	608	517

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. EMPLOYEES

Staff costs, including Directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	404,477	424,722
Social security costs	42,900	45,483
Defined benefit pension (credit)/cost	(14,258)	13,524
Cost of defined contribution scheme	18,343	18,634
	<u>451,462</u>	<u>502,363</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2015 No.	2014 No.
Production	8,186	8,886
Sales, marketing and administration	639	550
	<u>8,825</u>	<u>9,436</u>

7. DIRECTORS' REMUNERATION

	2015 £000	2014 £000
Directors' emoluments	1,377	1,372
Directors' pension costs	44	42
	<u>1,421</u>	<u>1,414</u>

The highest paid Director received remuneration of £673k (2014 - £744k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £1k (2014 - £NIL).

During the year 4 Directors (including the highest paid Director) received/exercised free shares under the long term incentive schemes (2014 - 3).

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

8. EXCEPTIONAL PROFIT/(LOSS)

	2015 £000	2014 £000
Onerous lease provision release (refer note 20)	19,949	-
Occupational Health business disposal (refer note 23)	4,913	-
Contract losses	(21,586)	(9,273)
Research and development tax credit	10,531	-
Dividend income from subsidiary undertaking	173,415	-
Impairment of subsidiary undertaking (refer note 15)	(173,415)	-
	<u>13,807</u>	<u>(9,273)</u>

9. INTEREST RECEIVABLE

	2015 £000	2014 £000
Other interest receivable	<u>165</u>	<u>7</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	2014 £000
Other loan interest payable to group undertakings	<u>3,520</u>	<u>5,182</u>

11. OTHER FINANCE CREDITS /-(COSTS)

	2015 £000	2014 £000
Net interest on net defined benefit asset/(liability)	<u>122</u>	<u>(977)</u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. TAXATION

	2015	2014
	£000	£000
Corporation tax		
Current tax on profits for the year	1,676	891
Adjustments in respect of previous periods	(803)	(104)
Withholding taxes	-	258
Total current tax	<u>873</u>	<u>1,045</u>
Deferred tax		
Origination and reversal of timing differences	20,707	(12,639)
Deferred tax movement on defined benefit pension	(2,051)	27,632
Adjustment in respect of previous periods	(8,054)	-
Total deferred tax	<u>10,602</u>	<u>14,993</u>
Taxation on profit on ordinary activities	<u><u>11,475</u></u>	<u><u>16,038</u></u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is different from (2014 - *different from*) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015	2014
	£000	£000
Profit on ordinary activities before tax	<u>102,547</u>	<u>80,808</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	20,766	17,374
Effects of:		
Expenses not deductible for tax purposes	1,452	843
Adjustments to tax charge in respect of prior periods	(8,856)	313
Impact of tax rate changes	(1,980)	(1,093)
Withholding taxes	-	258
Changes in provisions leading to a (decrease) in the tax charge	(173)	-
Transfer pricing adjustments with other UK group companies	266	251
Group relief from other UK Group companies	-	(1,908)
Total tax charge for the year	<u><u>11,475</u></u>	<u><u>16,038</u></u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. TAXATION (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Due to the availability of brought forward tax losses, capital allowance pools arising from capital investment, and the effect of large pension contributions, the Company's current tax charge in future years is expected to be significantly below the profits multiplied by the standard rate of corporation tax in the UK.

In March 2016 the UK Government announced proposals to reduce the main rate of corporation tax in the UK to 17% from April 2020. Once enacted, this change will result in a reduction in the carrying value of the net deferred tax assets to reflect the enacted rate of tax at which those assets are expected to reverse. This is expected to result in a approximately £4m reduction in the carrying value of deferred tax assets.

13. INTANGIBLE ASSETS

	Software Licences £000	Other Intangibles £000	Goodwill £000	Total £000
Cost				
At 1 January 2015	86,137	5,000	196,517	287,654
Additions	9,900	-	-	9,900
Transfer to investments (refer to note 15)	-	-	(5,397)	(5,397)
At 31 December 2015	96,037	5,000	191,120	292,157
Amortisation				
At 1 January 2015	76,784	2,736	155,238	234,758
Charge for the year	4,862	566	-	5,428
At 31 December 2015	81,646	3,302	155,238	240,186
Net book value				
At 31 December 2015	14,391	1,698	35,882	51,971
<i>At 31 December 2014</i>	<i>9,353</i>	<i>2,264</i>	<i>41,279</i>	<i>52,896</i>

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

13. INTANGIBLE ASSETS (continued)

Goodwill is allocated to Cash Generating Units (CGUs). The Goodwill of £36m relates to the acquisition of the UK part of Siemens IT Solutions and Services business in 2012. Considering the synergistic benefits of the ex-Siemens business the acquired business complements a number of existing business divisions. Therefore, goodwill is monitored and tested by the Company on an annual basis at a company level.

The recoverable amount of the Goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial business plans approved by management, covering a three year period. They are also based on the following assumptions:

- Terminal value is calculated after the three-year period, using an estimated perpetuity growth rate of 2.5%. This rate reflects specific perspectives of the IT sector, and
- Discount rate is applied based on the Company's weighted average costs of capital adjusted to take into account tax rates and risk related to the business. The Company considers the weighted average cost of capital should be determined based on an historical equity premium of 6.2% in order to reflect the long term assumptions factored in the impairment tests. As a result, the discount rate used was 9.8%.

Based on the 2015 Goodwill impairment test, which was carried out at the reporting date, no impairment losses were recognised at 31 December 2015.

An analysis of the calculation's sensitivity to a combined change in the key parameters (operating margin, discount rate and perpetuity growth rate) based on reasonable probable assumptions of the variations of +/- 50bp for each of these parameters was performed and did not identify any probable scenario where the goodwill recoverable amount would fall below its carrying amount.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14. TANGIBLE FIXED ASSETS

	Land and buildings £000	Office furniture, cars and equipment £000	Computer equipment £000	Assets under construction £000	Total £000
Cost					
At 1 January 2015	3,398	80,464	235,942	1,162	320,966
Additions	12	13,046	29,642	2,425	45,125
Transfers intra group	2,521	1,153	3,091	-	6,765
Disposals	(2,521)	(15,436)	(10,074)	-	(28,031)
Transfers between classes	-	361	3,152	(3,513)	-
At 31 December 2015	3,410	79,588	261,753	74	344,825
Depreciation					
At 1 January 2015	-	39,315	185,005	-	224,320
Charge owned for the year	-	10,913	27,246	-	38,159
Transfers intra group	2,521	1,117	2,524	-	6,162
Disposals	(2,521)	(2,916)	(7,861)	-	(13,298)
At 31 December 2015	-	48,429	206,914	-	255,343
Net book value					
At 31 December 2015	3,410	31,159	54,839	74	89,482
<i>At 31 December 2014</i>	<i>3,398</i>	<i>41,149</i>	<i>50,937</i>	<i>1,162</i>	<i>96,646</i>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

15. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At 1 January 2015	1,717,069
Additions	40,117
At 31 December 2015	<u>1,757,186</u>
Impairment	
At 1 January 2015	286,970
Impairment of subsidiary undertaking (refer note 8)	173,415
At 31 December 2015	<u>460,385</u>
Net book value	
At 31 December 2015	<u>1,296,801</u>
<i>At 31 December 2014</i>	<u><u>1,430,099</u></u>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Atos International IT Limited	England and Wales	Ordinary	73.81 %	Holding company
Atos Consulting Limited	England and Wales	Ordinary	100 %	Information technology and consulting solutions
Syan Holdings Limited	England and Wales	Ordinary	100 %	Holding company
Atos IT Solutions and Services Ltd	England and Wales	Ordinary	100 %	Dormant
Syan Technology Limited	England and Wales	Ordinary	100 %	Dormant
Atos IT Outsourcing Limited	England and Wales	Ordinary	100 %	Information technology
Anix Group Limited	England and Wales	Ordinary	100 %	Dormant

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

15. FIXED ASSET INVESTMENTS (continued)

PR Systems Limited	England and Wales	Ordinary	100 % Dormant
VBHG Limited	England and Wales	Ordinary	100 % Dormant
Anix Holdings Limited	England and Wales	Ordinary	100 % Dormant
Blue River Systems Limited	England and Wales	Ordinary	100 % Dormant
Positiv Limited	England and Wales	Ordinary	100 % Dormant
Red Squared Limited	England and Wales	Ordinary	100 % Dormant
Atos Investments Limited	England and Wales	Ordinary	100 % Dormant
Sema Investments UK Ltd	England and Wales	Ordinary	100 % Holding company
Barabas Limited	England and Wales	Ordinary	100 % Dormant
Shere Limited	England and Wales	Ordinary	100 % Dormant
BR Business Systems Limited	England and Wales	Ordinary	100 % Dormant

Following the receipt of dividend income from Atos IT Solutions and Services Limited of £173m to the Company, the corresponding investment was impaired at the same amount. Also during the year the Company invested £34.7m into Syan Holdings Limited, a holding company, for the purpose of acquiring Atos IT Outsourcing Services Limited (previously Xerox IT Outsourcing Limited). Furthermore, during the year the Company transferred over from Goodwill (see note 13) an additional investment value of £5.4m relating to the previous hive up of Atos IT Solutions and Services Limited.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

16. DEBTORS

	2015 £000	2014 £000
Due after more than one year		
Other tax asset	2,287	-
Other debtors	3,559	-
Deferred tax asset	72,763	89,151
	<u>78,609</u>	<u>89,151</u>
	2015 £000	2014 £000
Due within one year		
Trade debtors	61,547	109,721
Amounts owed by group undertakings	173,520	108,952
Other debtors	6,386	12,290
Prepayments and accrued income	38,577	40,728
Amounts recoverable on long term contracts	135,558	130,051
	<u>415,588</u>	<u>401,742</u>

17. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	<u>205,112</u>	<u>199,846</u>
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ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18. CREDITORS: Amounts falling due within one year

	2015	2014
	£000	£000
Bank overdrafts	12,782	8,750
Trade creditors	55,315	35,934
Amounts owed to group undertakings	94,105	237,881
Group relief payable	13,020	11,566
Taxation and social security	28,869	34,195
Accruals and deferred income	229,675	284,881
	<u>433,766</u>	<u>613,207</u>

19. DEFERRED TAXATION

	Deferred tax
	£000
At 1 January 2015	89,151
Charged to the Statement of Comprehensive Income (see note 12)	(10,602)
Charged to other comprehensive income	(5,786)
At 31 December 2015	<u>72,763</u>

The deferred tax asset is made up as follows:

	2015	2014
	£000	£000
Accelerated capital allowances	63,920	62,043
Pension surplus	(3,528)	205
Short term timing differences	12,371	26,903
	<u>72,763</u>	<u>89,151</u>

Amounts charged to other comprehensive income comprise a gain of £2.6m on the actuarial movement for the year and a loss of £8.4m due to the rate change on the opening cumulative actuarial losses that have historically been charged to other comprehensive income.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

20. PROVISIONS

	Property provisions £000	Restructuring provisions £000	Other provisions £000	Employee related provisions £000	Total £000
At 1 January 2015	6,921	1,109	30,081	3,612	41,723
Charged to the Statement of Comprehensive Income	128	3,178	12,075	336	15,717
Arising on business hive up (see note 24)	20,491	-	-	-	20,491
Utilised in year	(2,530)	(1,109)	(16,055)	(175)	(19,869)
Release in year	(19,949)	-	-	-	(19,949)
At 31 December 2015	5,061	3,178	26,101	3,773	38,113

During the year an onerous lease provision was released, as the lease of the property was assigned to a third party (refer note 8).

Property provisions

The property provisions comprise:

- provisions for onerous lease contracts linked to the Company's property rationalisation programme; 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 surveyor reports and estimated costs per square foot for each affected property.

Restructuring provisions

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

Employee related provisions

Employee related provisions relate to a number of employees' long service award schemes.

Other provisions

Other provisions include costs that the Company expects to incur for legal claims and contract losses.

21. SHARE CAPITAL

	2015 £000	2014 £000
Authorised, allotted, called up and fully paid		
260,895,913 Authorised shares of £1 each	260,896	260,896

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. SHARE-BASED PAYMENT

Atos SE, the ultimate parent of the Company, made awards of instruments over its ordinary shares to the Company's employees, under four long term incentive plans.

Free shares were issued under options whereby the vesting period is gradual: options vest on successive portions over 4 years. The vesting options that were granted in 2011 and 2013 are 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.

At the end of the year the market value of one Atos SE share was Euros 77.45 (2014: - Euros 66.30).

The Company recognised a total expense £1,126k (2014: £921k) in respect of the five plans during the year. Details of share options outstanding at the end of the year are as follows:

	2015	2014
Number of options or shares		
Outstanding at 1 January	135,370	92,330
Granted during the year	54,953	53,400
Forfeited during the year	(40,940)	(10,360)
Outstanding at 31 December	<u>149,383</u>	<u>135,370</u>

Options in issues in 2015

	22/12/2011	24/07/2013	28/07/2014	28/07/2015	01/07/2015
Outstanding at 1 January	43,600	38,370	53,400	-	-
Granted during the year	-	-	-	54,610	343
Forfeited during the year	(14,500)	(12,240)	(14,200)	-	-
Outstanding at 31 December	<u>29,100</u>	<u>26,130</u>	<u>39,200</u>	<u>54,610</u>	<u>343</u>

Options outstanding at the reporting date have a weighted average remaining contractual life of 2.46 years (2014: 2.53 years).

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. SHARE-BASED PAYMENTS (continued)

Options outstanding at the reporting date have a weighted average remaining contractual life of:

Date of plan/grant	Expiry date	Years to expiry	Outstanding shares
22/12/2011	17/03/2016	0.21	29,100
24/07/2013	24/07/2017	1.56	26,130
28/07/2014	28/07/2018	2.58	39,200
28/07/2015	02/01/2020	4.01	54,610
01/07/2015	01/07/2017	1.50	343
			149,383
			149,383

23. DISCONTINUED OPERATIONS

In 2015, the Board announced its decision to dispose of the Operational Health business. The resultant gain on disposal of £4,913k was recognised within the Statement of Comprehensive Income in 2015.

	£000
Cash proceeds	11,560
Net assets disposed of:	
Tangible fixed assets	(116)
Debtors	(3,644)
Prepayments	(1,525)
Deferred income	43
	(5,242)
Liabilities to be settled by the Company	(1,405)
Profit on disposal before tax	(4,913)

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

24. HIVE UP OF BULL INFORMATION SYSTEMS LIMITED

The trade, assets and liabilities of Bull Information Systems Ltd (BISL), a fully owned subsidiary within the Atos SE Group, were hived up to the Company effective as at 1 January 2015. The consideration for this transfer was in the form of an intra-group loan account and was based on the fair value of BISL's net assets as at this date and were as follows:

	£000
Investments	1
Fixed assets	603
Inventory	160
Debtors	65,560
Cash	234
Creditors	(15,670)
Provision	(20,491)
	<hr/>
	30,397
	<hr/>

The consideration payable was in the form of an intercompany loan of £30,397k. The revenue and profit of BISL post hive up cannot be reliably determined as operations were merged within several service lines of the Company.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

25. PENSION COMMITMENTS

The Atos IT Services UK Limited operates six (2014 - six) defined benefit (DB) and a number of defined contribution (DC) pension schemes.

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;
- Atos UK 2011 Pension Scheme;
- Railways Pension Scheme – Atos 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 IAS 19. 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 was agreed as at 31 December 2012.

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 IAS 19. 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 was agreed as at 31 December 2012.

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 2012.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

25. PENSION COMMITMENTS (continued)**Atos UK 2011 Pension Scheme**

The Atos UK 2011 Pension Scheme was set up on 1 July 2011 by Atos IT Solutions and Services Limited and was transferred to the Company on 1 January 2012 as part of the hive up. The scheme is designed to accommodate new pension accruals of active employees who joined the Company at 1 July 2011 and provide similar benefits to the Siemens Benefit Scheme. Contributions made by participants were at a rate of 1.5% or 6% of pensionable salaries for the SaverPlan Plus and Tower Plan sections of the plan respectively. A formal valuation was been agreed as at 31 March 2012.

Railways Pension Scheme – Atos 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 Section of the scheme is closed to new entrants. From 1 July 2008, contributions made by participants to the Atos 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 was agreed as at 31 December 2013.

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 was agreed as at 31 December 2012.

The amounts recognised at the reporting date were as follows:

	2015	2014
	£000	£000
Present value of funded obligations	(1,682,635)	(1,749,523)
Fair value of scheme assets	1,721,248	1,766,814
Surplus in scheme	38,613	17,291
Present value of unfunded obligations	(19,012)	(19,341)
Asset / (liability)	19,601	(2,050)

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

25. PENSION COMMITMENTS (continued)

	2015	2014
	£000	£000
Fair value of plan assets	1,721,248	1,766,814
Present value of plan liabilities	(1,701,647)	(1,768,864)
Net asset/(liability)	<u>19,601</u>	<u>(2,050)</u>

The amounts recognised in total comprehensive income are as follows:

	2015	2014
	£000	£000
Current service cost	(14,277)	(13,166)
Interest (expense)	(64,485)	(71,716)
Expected return on plan assets	64,607	70,739
Past service credit	28,302	114
Gains/(Losses) on curtailments and settlements	111	505
Amount recognised in the Statement of Comprehensive Income	<u>14,258</u>	<u>(13,524)</u>
Actuarial (losses) arising in the year	(14,527)	(66,891)
Amount recognised in other comprehensive income	<u>(269)</u>	<u>(80,415)</u>

The Company and its parent undertaking expects to make total contributions of £36m during 2016.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

25. PENSION COMMITMENTS (continued)

Changes in the present value of the defined benefit obligation were as follows:

	2015	2014
	£000	£000
Opening defined benefit obligation	1,768,864	1,507,845
Current service cost	14,277	13,166
Contributions by scheme participants	2,842	3,048
Interest cost	64,485	71,716
Actuarial (gains) and losses	(46,710)	217,373
Past service (credits)	(28,302)	(114)
(Gains) on curtailments	(111)	(505)
Settlements	(18,740)	(6,890)
Reclassification of obligations from creditors	-	14,300
Benefits paid	(54,958)	(51,075)
Closing defined benefit obligation	1,701,647	1,768,864

Changes in the fair value of funded scheme assets were as follows:

	2015	2014
	£000	£000
Opening fair value of scheme assets	1,766,814	1,434,526
Actuarial (losses) and gains	(61,237)	150,482
Expected return on assets	64,607	70,739
Settlements	(18,140)	(6,982)
Contributions by employer	20,584	166,006
Contributions by scheme participants	2,842	3,048
Benefits paid	(54,222)	(51,005)
Closing fair value of scheme assets	1,721,248	1,766,814

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

25. PENSION COMMITMENTS (continued)

Over the year to 31 December 2015, employer contributions to the various defined contribution schemes amounted to £18.3m (2014 - £18.6m), while employer contributions in respect of defined benefit schemes amounted to £20.6m (2014 - £166m) over the same period. There are no outstanding or prepaid contributions at the reporting date (2014 - £NIL).

During the year the Company made plan amendments in respect of two of its defined benefit schemes, resulting in a past service credit of £28.3m.

During 2014 the Company made special contributions of £95.7m and £41m to the Atos Origin (Sema) Pension Scheme and Atos Origin Pension Fund respectively. The pension schemes invested these special contributions in Atos ASPS Scotland Limited Partnership (SLP) and Atos APF Scotland Limited Partnership (SLP). The pension schemes will be entitled to an annual income from this investment. The interests in the SLPs are treated as a plan asset as this financial instrument is not issued by the Company itself. As at 31 December 2015 the value of these plan assets was £168m (2014 - £174m).

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2015	2014
Discount rate at 31 December	3.90 %	2.70 %
Future salary increases	2.70 %	2.60 %
Future pension increases	3.00 %	2.90 %
RPI Inflation	3.10 %	3.00 %

	2015 £000	2014 £000
The major categories of scheme assets as a percentage of total scheme assets were as follows:		
Equity	18 %	17 %
Property	4 %	4 %
Bonds	76 %	78 %
Cash	1 %	- %
Other	1 %	1 %

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

25. PENSION COMMITMENTS (continued)

Principal valuation assumptions:

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets. The most recent actuarial valuation of all six DB schemes was at 31 December 2015. The valuations used the projected unit method and were carried out by KPMG a firm of professionally qualified actuaries. Principal actuarial assumptions at the reporting date (expressed as weighted averages) were:

	2015 Years	2014 Years
Life expectancy for male currently aged 65	22.4	22.6
Life expectancy for female currently aged 65	24.4	24.9
Life expectancy at 65 for male currently aged 45	24.1	24.4
Life expectancy at 65 for female currently aged 45	26.3	26.8

The mortality assumptions are based on the recent actual mortality experience of Plan's members, and allow for expected future improvements in mortality rates.

The impact of changing material assumptions on the defined benefit obligation can be demonstrated as follows:

Impact of changing material assumptions 2015

	Increase/ decrease in assumption	Indicative effect on scheme liabilities
Discount rate	0.30%	-5.07/5.52%
Inflation assumption	0.25%	+/-4.00%

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

25. PENSION COMMITMENTS (continued)

	Increase by 1 year assumption	Decrease by 1 year assumption
	Increase of obligation by	Decrease of obligation by
Life expectancy	3.70%	3.80%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised.

26. COMMITMENTS UNDER OPERATING LEASES

	Land and buildings 2015 £000	<i>Land and buildings 2014 £000</i>	Other 2015 £000	<i>Other 2014 £000</i>
Expiry date				
Within 1 year	12,095	14,548	5,652	3,130
Between 2 and 5 years	22,806	21,318	12,524	3,222
After more than 5 years	17,418	24,207	3,551	-
	<u>52,319</u>	<u>60,073</u>	<u>21,727</u>	<u>6,352</u>

27. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at the reporting date with other related parties, are as follows:

Siemens AG holds shares in Atos SE, the company's ultimate parent. By virtue of this Siemens AG and its subsidiaries are related to the company. During the year the company made sales of £28,172k (2014 - £37,912k) and at 31 December 2015 £3,357k (2014 - £6,387k) was due to the Company.

All amounts due to or due from related parties are unsecured and will be settled in cash. No guarantees have been given by the Company. The Company has received guarantees from other wholly owned group companies in respect of certain customer contracts. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

28. ULTIMATE GROUP UNDERTAKINGS

The ultimate parent and controlling company is Atos SE, a company incorporated in France by virtue of its controlling interest in Atos IT Services 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 SE. Copies of these accounts are available to the public and may be obtained from Atos SE, River Ouest, 80 Quai Voltaire, F – 95877 Bezons, Cedex.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

29. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 First time adoption of International Financial Reporting Standards.

Restated Statement of Financial Position

	Notes	31 December 2014 £000	1 January 2014 £000
Shareholders' funds under previous UK GAAP		1,605,404	1,441,680
Goodwill	A	4,890	-
Loans	B	3,883	8,937
Pensions	C	-	2,989
Taxation	D	(777)	(2,385)
Restated shareholders' funds		<u>1,613,400</u>	<u>1,451,221</u>

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

29. Transition to FRS 101 (continued)

Restated profit and loss for the year ended 31 December 2014

	Notes	£000s
Profit after tax under previous UK GAAP		69,628
Goodwill amortisation	A	4,890
Revaluation of loans	B	(5,054)
Pensions	C	(7,131)
Taxation	D	<u>2,437</u>
Restated profit		<u>64,770</u>
Other comprehensive income under previous UK GAAP		(43,525)
Pensions	C	4,142
Taxation	D	<u>(829)</u>
Restated other comprehensive income for the year		<u>(40,212)</u>
Restated total comprehensive income for the year		<u><u>24,558</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

29. Transition to FRS 101 (continued)

The following reclassification and remeasurement differences arose on transition from old UK GAAP to FRS 101:

[A] Goodwill amortisation

Under old UK GAAP goodwill was amortised over its useful life. In accordance with IAS 38, goodwill is considered to have an indefinite life, and is tested annually for impairment in accordance with IAS 36. On transition to FRS 101 the Company took advantage of the exemption under IFRS 1 not to restate its business combinations and the carrying value of goodwill as at the date of transition at 1 January 2014 remains unchanged. Accordingly the goodwill amortisation charge previously recognised under old UK GAAP of £4,890k for the year ended 31 December 2014 was derecognised in the year and shareholders' funds increased by the same amount as at 31 December 2014.

[B] Loans

At the date of transition to FRS 101, the Company had one loan which did not incur any interest and was not repayable on demand. In accordance with the requirements of IAS 39 to recognise financial instruments at fair value at initial recognition, the Company remeasured this loan at 1 January 2014 and at 31 December 2014 which resulted in an increase of £8,937k and £3,883k to net assets, respectively, and a reduction to profit of £5,054k for the year ended 31 December 2014. The loan was repaid during 2015.

[C] Pensions

On transition to FRS 101, the Company was required to recognise and measure its defined benefit pension schemes under IAS 19 which resulted in a decrease in the pension deficit of £2,989k at 1 January 2014. This amount related to a pension surplus in one of the Company's pension schemes which became fully recoverable under IAS 19 and which was previously not fully recoverable under FRS 17.

In addition, under old UK GAAP the pension liability or asset was required to be shown net of the related deferred tax asset or liability. Under FRS 101 the pension liability or asset is required to be shown gross, and the related deferred tax asset or liability included within the deferred tax asset or liability line on the Statement of Financial Position.

[D] Deferred tax

IAS 12 defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement. As a result of the transition to FRS 101, a number of recognition and measurement adjustments are required to the financial statements as outlined in points [A] to [C] above. The deferred tax impact of these adjustments has also been recognised, and at 1 January 2014 resulted in a transitional deferred tax reserves charge of £2,385k. For the year ended 31 December 2014, the deferred tax impact of points [A] to [C] resulted in a tax credit of £2,437k and an increased tax charge to other comprehensive income of £829k. The overall net impact to shareholders' equity at 31 December 2014, including the transitional adjustment at 1 January 2014, was to decrease shareholders' equity by £777k.

[E] Software costs reclassification

Under IAS 16 and IAS 38, software which is not integral to a piece of hardware is reclassified from tangible assets to intangible assets. At 1 January 2014, £5,608k worth of net book value of software was reclassified to intangible assets, with the amount at 31 December 2014 being £9,353k.