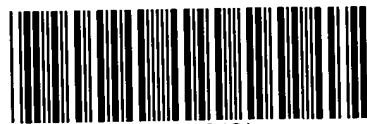


Registered number: 1245534

ATOS IT SERVICES UK LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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COMPANIES HOUSE

ATOS IT SERVICES UK LIMITED

COMPANY INFORMATION

DIRECTORS

J Loughrey
J Maroo
U Morgenstern

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

CONTENTS

	Page
Directors' report	1 - 4
Strategic report	5 - 7
Independent auditors' report	8 - 9
Profit and loss account	10
Statement of total recognised gains and losses	11
Balance sheet	12 - 13
Notes to the financial statements	14 - 35

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report, the Strategic 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments 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;
- 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 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. Atos 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 £69,628 thousand (2013 - £43,866 thousand).

The directors do not recommend payment of a dividend (2013: £NIL).

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS

The directors who served during the year were:

J Loughrey
J Maroo
U Morgenstern

POLITICAL CONTRIBUTIONS

The company has made no (2013: 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;
- to encourage staff to adopt environmentally friendly practices in their employment with the Company.

Atos, an international IT services company, offers carbon neutral hosting services across its worldwide datacenters to support clients on increasing their sustainable operations. The growing demand for energy-efficient data center services in Europe has encouraged Atos to build a new cloud data center project in Finland. In 2009 Atos implemented a drastic carbon abatement program and realized a 34% Carbon Footprint reduction in all its worldwide activities. On its journey to become a "Zero Carbon" Company, Atos has now set a new objective to reduce its Carbon Footprint by 50% by 2015 (2008 baseline).

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.

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL RISK

Liquidity risk

The Company has access to an Atos Group cash pool for its day to day liquidity requirements. Throughout 2014 the Company held the majority of its cash holding in this Group 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 €1.8 billion multi currency revolving credit facility maintained with a number of major financial institutions. This facility expires in November 2019.

Credit risk

The Company require 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 2014 or 2013.

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 AUDITORS

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

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

ATOS IT SERVICES UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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.

PENSIONS 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 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')

POST BALANCE SHEET EVENTS

On the 23rd April 2015, the Company signed a Business Transfer Agreement with Bull Information Systems Limited.

This report was approved by the board on

30/4/15

and signed on its behalf.



J Maroo
Director

ATOS IT SERVICES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report on the Company for the year ended 31 December 2014.

BUSINESS REVIEW

The operating profit for the year was £85 million (2013: £2 million). Operating profit for the year includes exceptional losses of £9.3m (2013: exceptional contract losses of £53m).

On 20 March 2014, 136,700,000 ordinary shares with aggregate nominal value of £136,700,000 were issued at £1 each to the immediate parent company.

In 2015 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. This Board meets on a weekly basis for information exchange. The Executive Board also 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 6) 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, where appropriate mitigating actions are taken.

ATOS IT SERVICES UK LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2014

Supplier risks

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

Partnerships and subcontractors

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

Technology and IT risks

The Company has IT risk management processes, covering security and backup systems and effective insurance coverage.

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 turnover for continuing operations increase expressed as a percentage. The increase in revenue was 8.6% (£1,451 million in 2014 compared to £1,336 million in 2013).

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 2014 the full backlog was £2.7 billion, representing 1.9 times 2014 turnover (2013: £3.4 billion, representing 2.4 times 2013 revenue). The decrease is indicative of a forthcoming general election in May 2015 causing a slowdown in awarding of government contracts.

Headcount

This is defined as the number of full time equivalent (FTE) staff employed by the Company. The average number of FTE's increased by 111 to 9,436 during 2014.

ATOS IT SERVICES UK LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

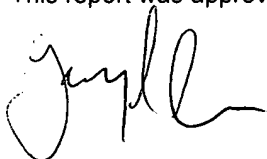
EXCEPTIONAL ITEMS

Operating profit for the year includes exceptional losses of £9.3m (2013: exceptional contract losses of £53m). During 2013 a gain on disposal of £54m was recognised in respect of discontinued operations.

This report was approved by the board on

30/4/15

and signed on its behalf.



**J Maroo
Director**

ATOS IT SERVICES UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATOS IT SERVICES UK LIMITED

We have audited the financial statements of Atos IT Services UK Limited for the year ended 31 December 2014, which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement as set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 2014 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.

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.

ATOS IT SERVICES UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATOS IT SERVICES UK LIMITED

Grant Thornton UK LLP

David Miller (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

LONDON

Date: 30 APRIL 2015

ATOS IT SERVICES UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
TURNOVER	1,2		
Continuing operations		1,451,349	1,335,955
Discontinued operations		-	62,033
		<u>1,451,349</u>	<u>1,397,988</u>
Cost of sales	29	<u>(1,087,345)</u>	<u>(1,056,532)</u>
GROSS PROFIT		364,004	341,456
Administrative expenses		(269,673)	(286,368)
Exceptional administrative expenses	11	(9,273)	(53,227)
Total administrative expenses		<u>(278,946)</u>	<u>(339,595)</u>
OPERATING PROFIT	3		
Continuing operations		85,058	(5,383)
Discontinued operations		-	7,244
		85,058	1,861
EXCEPTIONAL ITEMS			
Gain on disposal of discontinued operations	11	-	53,916
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		85,058	55,777
Interest receivable and similar income	8	7	32
Interest payable and similar charges	9	(127)	(67)
Other finance income/(expense)	10	3,165	(4,546)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		88,103	51,196
Tax on profit on ordinary activities	12	<u>(18,475)</u>	<u>(7,330)</u>
PROFIT FOR THE FINANCIAL YEAR	22	<u>69,628</u>	<u>43,866</u>

The notes on pages 14 to 35 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
PROFIT FOR THE FINANCIAL YEAR		69,628	43,866
Actuarial loss related to pension schemes	24	(71,033)	(29,780)
Movement in deferred tax relating to net pension deficit including rate change		<u>27,508</u>	<u>(1,900)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>26,103</u>	<u>12,186</u>

The notes on pages 14 to 35 form part of these financial statements.

ATOS IT SERVICES UK LIMITED
REGISTERED NUMBER: 1245534

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	£000	2014 £000	2013 £000
FIXED ASSETS				
Intangible assets	13		38,653	44,240
Tangible assets	14		105,998	93,099
Investments	15		1,430,099	1,430,099
			<u>1,574,750</u>	<u>1,567,438</u>
CURRENT ASSETS				
Debtors: amounts falling due after more than one year	16	181,641	137,746	
Debtors: amounts falling due within one year	16	309,823	277,016	
Cash at bank and in hand		199,846	223,865	
		<u>691,310</u>	<u>638,627</u>	
CREDITORS: amounts falling due within one year	17	<u>(377,301)</u>	<u>(396,277)</u>	
NET CURRENT ASSETS			<u>314,009</u>	<u>242,350</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,888,759</u>	<u>1,809,788</u>
CREDITORS: amounts falling due after more than one year	18	(239,787)	(235,165)	
PROVISIONS FOR LIABILITIES				
Other provisions	20	(41,723)	(58,392)	
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>1,607,249</u>	<u>1,516,231</u>
Defined benefit pension scheme liability	24	(1,845)	(74,551)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>1,605,404</u>	<u>1,441,680</u>
CAPITAL AND RESERVES				
Called up share capital	21	260,896	124,196	
Share premium account	22	1,622,563	1,622,563	
Share based payment reserve	22	8,238	7,317	
Profit and loss account	22	(286,293)	(312,396)	
SHAREHOLDERS' FUNDS	23		<u>1,605,404</u>	<u>1,441,680</u>

ATOS IT SERVICES UK LIMITED

**BALANCE SHEET (continued)
AS AT 31 DECEMBER 2014**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
30 APRIL 2015



J Maroo
Director

The notes on pages 14 to 35 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Companies Act 2006, under the historical cost convention and on a going concern basis. The principal accounting policies of the Company are set out below and have remained unchanged from the previous year.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts on the basis that group accounts are prepared for its ultimate parent undertaking, Atos SE a company incorporated in France. These financial statements present information about the Company as an individual undertaking and not about any wider group.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover consists of amounts chargeable to customers and other group undertakings for services provided and are exclusive of Value Added Tax and other sales taxes.

Systems Integration turnover is recognised on a percentage of completion basis for fixed price contracts and as the services are delivered for time and materials contracts. Losses on fixed price contracts are recognised in the first period they are incurred or foreseen.

Outsourcing turnover (relating to Managed 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 annual maintenance and support is deferred and recognised over the term of the contract. Turnover from consulting and training is recognised when the services are performed and recovery deemed probable.

Other turnover includes intra group recharges recognised in accordance with the underlying revenue stream. Non-novating High-Tech Transactional Services (HTTS) contracts are recognised as services are provided to external customers.

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.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.4 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 dependant 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'.

1.5 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.

1.6 Goodwill and Intangible fixed assets

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life of not more than 20 years. Goodwill is subsequently measured at cost accumulated amortisation and impairment losses.

Other intangible fixed assets are software licenses which are amortised over the license period and are stated at cost less amortisation.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

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

1.8 Investments

Investments are stated at cost less provision for any permanent impairment. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, in which case an impairment provision is recorded if required.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account 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.

1.10 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.11 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.12 Retirement benefits

Defined contributions schemes

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 schemes

The Company operates defined benefits pension schemes and the pension charge is based on a full actuarial valuation dated 31 December 2014

Scheme assets are measured at fair value. Interests in financial instruments not issued by the Company itself are recognised as plan assets. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. A net surplus is recognised only to the extent that it is recoverable by the company. A surplus is assessed to be recoverable if at the balance sheet date it is expected that the company will recover it either from refunds from the scheme or through a reduction of future contributions.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.13 Provision

Property

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

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

A provision is made to recognise the future cost of long service awards payable to employees.

Other

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.

1.14 Share-based payment

The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments concerned at the grant date and is recognised as an expense over the vesting period, which ends on the date on which the relevant employee becomes fully entitled to the award. The fair value is determined using the binomial option-pricing model. Changes in the fair value of options after the grant date have no impact on the initial valuation.

The cost of equity-settled transactions is expensed in the profit and loss account as staff costs over the vesting period, based on the company's best estimate of shares or options that will eventually vest. The offsetting credit is recognised directly in reserves.

1.15 Hive up transactions

When the trade and assets of subsidiaries are transferred to the Company (or "hived up") the acquisition method of accounting is applied and goodwill is recognised. Where the carrying value of investment exceeds the consideration for the hive up and there has been no overall loss to the Company the excess of the investment value over the consideration paid is transferred to goodwill.

1.16 Exceptional items

The Company presents as exceptional items on the face of the profit and loss account, 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 2014

2. TURNOVER

The Company is a wholly owned subsidiary of Atos SE. The group financial statements of Atos SE provide full segmental disclosures in accordance with International Financial Reporting Standards (IFRS). Consequently, the Company has taken the exemption from preparing additional segmental disclosures as allowed by SSAP 25.

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

	2014 £000	2013 £000
Business Process Outsourcing	391,992	320,293
Systems Integration	241,957	225,945
High-Tech Transactional Services (HTTS)	-	62,033
Managed Services	746,830	673,722
Consulting	42,300	35,030
Other	28,270	80,965
	<u>1,451,349</u>	<u>1,397,988</u>

Other turnover includes HTTS non novated contracts of £8.4m (2013: £80.9m) and intercompany recharges of £19.8m (2013: £15.5m).

A geographical analysis of turnover is as follows:

	2014 £000	2013 £000
United Kingdom	1,328,187	1,327,563
Rest of world	10,085	9,679
Atos group undertakings rest of world	30,147	32,041
Atos group undertakings United Kingdom	82,930	28,705
	<u>1,451,349</u>	<u>1,397,988</u>

Continuing and discontinued activities are disclosed in note 29.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. OPERATING PROFIT

The operating profit is stated after charging:

	2014	2013
	£000	£000
Amortisation of goodwill	4,890	5,491
Depreciation of tangible fixed assets:		
- owned by the company	40,547	44,774
Operating lease rentals:		
- plant and machinery	3,768	478
- other operating leases	18,849	22,068
Difference on foreign exchange	672	1,022
Amortisation of other intangible assets	697	566
Loss on disposal of tangible fixed assets	344	195
	<u>50,767</u>	<u>74,594</u>

4. AUDITORS' REMUNERATION

	2014	2013
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual accounts	473	548
Fees payable to the company's auditor in respect of:		
Auditors remuneration - non audit services	44	32
	<u>517</u>	<u>580</u>

5. STAFF COSTS

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

	2014	2013
	£000	£000
Wages and salaries	424,722	425,656
Social security costs	45,367	47,250
Other pension costs (Note 24)	29,623	23,788
Equity settled share-based payments (Note 7)	921	905
	<u>500,633</u>	<u>497,599</u>

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

	2014	2013
	No.	No.
Production	8,886	8,712
Sales, marketing and administration	550	613
	<u>9,436</u>	<u>9,325</u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

6. DIRECTORS' REMUNERATION

	2014 £000	2013 £000
Remuneration	1,372	1,501
Company pension contributions to defined contribution pension schemes	42	41

During the year retirement benefits were accruing to 2 directors (2013 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £744 thousand (2013 - £832 thousand).

7. SHARE BASED PAYMENTS

Atos SE, the ultimate parent of the Company, made awards of instruments over its ordinary shares to the Company's employees, under three equity-based plans: the Stock Option Plan, the Long-Term Incentive Plans and the Management Investment Plans.

The Company recognised a total expense of £921,000 (2013: £905,000) in respect of these three plans during the year.

8. INTEREST RECEIVABLE

	2014 £000	2013 £000
Other interest receivable	7	32

9. INTEREST PAYABLE

	2014 £000	2013 £000
Other interest payable	127	67

10. OTHER NET FINANCE COST

	2014 £000	2013 £000
Expected return on pension scheme assets	74,881	61,883
Interest on pension scheme liabilities	(71,716)	(66,429)
	3,165	(4,546)

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11. EXCEPTIONAL ITEMS

Exceptional items in administrative expenses

During 2014 the Company recognised net contract losses of £9.3m (2013: £53m).

Exceptional items elsewhere in the profit and loss account

During 2013 a gain on disposal of £54m was recognised in respect of discontinued operations, see note 29.

12. TAXATION

	2014 £000	2013 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	891	-
Adjustments in respect of prior periods	(104)	4,729
	<u>787</u>	<u>4,729</u>
Withholding taxes	258	-
Total current tax	<u>1,045</u>	<u>4,729</u>
Deferred tax		
Origination and reversal of timing differences	(11,628)	(15,323)
Effect of change in tax rate	-	9,415
FRS17 deferred tax movement	29,058	8,509
Total deferred tax (Note 19)	<u>17,430</u>	<u>2,601</u>
Tax on profit on ordinary activities	<u>18,475</u>	<u>7,330</u>

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

12. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - *lower than*) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	88,103	51,196
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	18,942	11,903
Effects of:		
Disallowable costs	1,895	2,597
Depreciation in excess of capital allowances	512	10,566
Utilisation of tax losses brought forward	(5,080)	(336)
Adjustments in respect of previous years	(104)	4,729
Pension contributions in excess of FRS17 pension charges	(11,076)	(11,570)
Withholding taxes	258	-
Gain on inter-company asset sale not taxable in current period	-	(12,535)
Movement in provisions	(2,645)	-
Free group relief (from)/to other UK group companies	(1,908)	145
Transfer pricing adjustments with other UK group companies	251	(770)
Current tax charge for the year (see note above)	1,045	4,729

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.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. INTANGIBLE FIXED ASSETS

	Software Licences £000	Other Intangibles £000	Goodwill £000	Total £000
Cost				
At 1 January 2014 and 31 December 2014	29,014	5,000	196,517	230,531
Amortisation				
At 1 January 2014	29,014	2,039	155,238	186,291
Charge for the year	-	697	4,890	5,587
At 31 December 2014	29,014	2,736	160,128	191,878
Net book value				
At 31 December 2014	-	2,264	36,389	38,653
At 31 December 2013	-	2,961	41,279	44,240

Purchased goodwill is amortised on a straight-line basis over its useful economic life.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 2014	750	57,961	256,221	10,386	325,318
Additions	2,648	25,346	22,524	3,272	53,790
Disposals	-	-	(1,021)	-	(1,021)
Transfer between classes	-	(2,843)	15,339	(12,496)	-
At 31 December 2014	<u>3,398</u>	<u>80,464</u>	<u>293,063</u>	<u>1,162</u>	<u>378,087</u>
Depreciation					
At 1 January 2014	-	28,376	203,843	-	232,219
Charge for the year	-	10,080	30,467	-	40,547
On disposals	-	-	(677)	-	(677)
At 31 December 2014	<u>-</u>	<u>38,456</u>	<u>233,633</u>	<u>-</u>	<u>272,089</u>
Net book value					
At 31 December 2014	<u>3,398</u>	<u>42,008</u>	<u>59,430</u>	<u>1,162</u>	<u>105,998</u>
At 31 December 2013	<u>750</u>	<u>29,585</u>	<u>52,378</u>	<u>10,386</u>	<u>93,099</u>

There are no assets held under finance leases (2013: £nil).

15. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2014 and 31 December 2014	<u>1,717,069</u>
Impairment	
At 1 January 2014 and 31 December 2014	<u>286,970</u>
Net book value	
At 31 December 2014	<u>1,430,099</u>
At 31 December 2013	<u>1,430,099</u>

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15. FIXED ASSET INVESTMENTS (continued)

On 31 December 2014 the Company had the following investments in subsidiary undertakings where the Company holds 20% or more of the nominal value of any class of share capital.

Subsidiary undertakings	Voting rights and proportion held	Country of Registration	Nature of business
Atos IT Solutions and Services Limited	100%	England and Wales	Non trading
Atos International IT Limited	74%	England and Wales	Holding company
Atos Consulting Limited	100%	England and Wales	Provision of information technology consulting solutions
Atos Investments Limited	100%	England and Wales	Dormant
Sema Investment UK Limited	100%	England and Wales	Holding company
BR Business Systems Limited	100%	England and Wales	Dormant
Barabas Limited	100%	England and Wales	Dormant
Shere Limited	100%	England and Wales	Dormant

In the opinion of the directors the value of the company's investment in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

16. DEBTORS

	2014 £000	2013 £000
Due after more than one year		
Amounts owed by group undertakings	91,918	59,651
Deferred tax asset (see note 19)	89,723	78,095
	181,641	137,746
Due within one year		
Trade debtors	109,721	89,803
Amounts owed by group undertakings	17,031	8,837
Other debtors	12,290	11,249
Prepayments and accrued income	40,730	57,591
Amounts recoverable on long term contracts	130,051	109,536
	309,823	277,016

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

17. CREDITORS:

Amounts falling due within one year

	2014 £000	2013 £000
Bank loans and overdrafts	8,750	-
Trade creditors	35,934	37,991
Amounts owed to group undertakings	1,977	1,653
Group relief in respect of corporation tax	11,566	10,779
Other taxation and social security	34,195	31,420
Accruals and deferred income	284,879	314,434
	<u>377,301</u>	<u>396,277</u>

18. CREDITORS:

Amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owed to group undertakings	<u>239,787</u>	<u>235,165</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2014 £000	2013 £000
Repayable other than by instalments	<u>239,787</u>	<u>235,165</u>

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

19. DEFERRED TAX ASSET

Included within other movements for 2013 is a deferred tax asset disposal of £5,970,000, relating to discontinued operations.

	2014 £000	2013 £000
At beginning of year	78,095	76,972
Profit and loss account movement for the year	11,628	5,908
Other movement	-	(4,785)
At end of year	<u>89,723</u>	<u>78,095</u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

19. DEFERRED TAX ASSET (continued)

The deferred tax asset is made up as follows:

	2014 £000	2013 £000
Depreciation in excess of capital allowances	62,043	61,647
Short term timing differences	27,680	16,448
	<u>89,723</u>	<u>78,095</u>

The deferred tax is expected to be fully utilised against taxable profits generated by the Company in the future.

In addition to the deferred tax asset disclosed within debtors (note 16), there is a deferred tax asset of £0.2m (2013 £1.7m) relating to the defined benefit pensions scheme (disclosed in note 24).

20. PROVISIONS

	Property provisions £000	Restructuring provisions £000	Employee related £000	Other £000	Total £000
At 1 January 2014	13,694	447	3,074	41,177	58,392
Additions	154	1,109	337	8,874	10,474
Amounts used	(6,927)	(447)	(256)	(19,970)	(27,600)
Disposal	-	-	457	-	457
At 31 December 2014	<u>6,921</u>	<u>1,109</u>	<u>3,612</u>	<u>30,081</u>	<u>41,723</u>

Property provisions

The property provisions comprise:

- provisions for onerous lease contracts linked to the Company's property rationalisation programme that commenced in 2009; and
- obligations to reinstate certain properties to their former condition at the end of the lease period or other potential exit dates. The provision is made by reference to surveyors 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 restructuring plans.

Employee related

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

Other

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

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

21. SHARE CAPITAL

	2014 £000	2013 £000
Authorised, allotted, called up and fully paid		
260,895,923 (2013 - 124,195,913) Authorised shares of £1 each	260,896	124,196

On 20 March 2014 the company issued 136,700,010 shares at £1 each to its immediate parent company.

22. RESERVES

	Share premium account £000	Share based payment reserve £000	Profit and loss account £000
At 1 January 2014	1,622,563	7,317	(312,396)
Profit for the financial year	-	-	69,628
Actuarial loss relating to pension scheme	-	-	(43,525)
FRS 20 equity settled share based payments	-	921	-
At 31 December 2014	1,622,563	8,238	(286,293)

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Opening shareholders' funds	1,441,680	1,391,819
Profit for the financial year	69,628	43,866
Shares issued during the year	136,700	36,770
Other recognised gains and losses during the year	(43,525)	(31,680)
FRS20 equity-settled share-based payments	921	905
Closing shareholders' funds	1,605,404	1,441,680

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

24. PENSION COMMITMENTS

Atos IT Services UK Limited operates six (2013: 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 FRS 17. The scheme has been closed to new members since 1 July 2001 and members have ceased accruing benefits on both the DC and DB sections since the New Deal agreement was signed on 31 March 2008. It has been agreed with the trustees that no contributions will be made to the scheme by scheme participants after 31 March 2008.

A formal new Scheme Funding Valuation 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 FRS 17. The scheme is closed to new entrants and members have ceased accruing benefits on both the DC and DB sections since the New Deal agreement was signed on 31 March 2008. It has been agreed with the trustees that no contributions will be made to the scheme by scheme participants after 31 March 2008.

A formal new Scheme Funding Valuation 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 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 Atos group 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 salary for the SaverPlan Plus and Tower Plan sections of the plan

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

24. PENSION COMMITMENTS (continued)

respectively.

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 2010.

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 March 2011.

The amounts recognised in the Balance sheet are as follows:

	2014 £000	2013 £000
Present value of funded obligations	(1,752,513)	(1,507,968)
Fair value of scheme assets	1,769,804	1,434,527
Surplus/(deficit) in scheme	17,291	(73,441)
Present value of unfunded obligations	(19,341)	(2,865)
Deficit	(2,050)	(76,306)
Related deferred tax asset	205	1,755
Net liability	(1,845)	(74,551)

The related deferred tax asset is stated after the deduction of a valuation allowance amounting to £0.2m (2013: £13.5m).

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

24. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows:

	2014 £000	2013 £000
Current service cost	(13,168)	(15,489)
Interest on obligation	(71,716)	(66,429)
Expected return on scheme assets	74,881	61,883
Past service credit/(cost)	114	11,358
Gain/(loss) on curtailments and settlements	413	(11)
Business combinations	-	-
Reversal of asset ceiling cap	2,989	-
Total	(6,487)	(8,688)

In both 2014 and 2013 the current service and past service cost were included within administration expenses in operating profit. In both 2014 and 2013 the net of expected return on pension scheme assets and interest on pension scheme liabilities (£5.4 million in 2014 and £4.5 million in 2013) were included within other finance costs.

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

	2014 £000	2013 £000
Opening defined benefit obligation	1,510,833	1,495,104
Current service cost	13,168	15,489
Interest cost	71,716	66,429
Contributions by scheme participants	3,048	2,716
Actuarial Losses	217,373	19,070
Past service (credit)	(114)	(11,359)
Gains on curtailments	(505)	-
Reclassification of obligations from creditors	14,300	-
Benefits paid	(51,075)	(37,940)
Obligations disposed of in a business combination	-	(35,448)
Settlements	(6,890)	(3,228)
Closing defined benefit obligation	1,771,854	1,510,833

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

24. PENSION COMMITMENTS (continued)

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

	2014 £000	2013 £000
Opening fair value of scheme assets	1,434,527	1,369,529
Expected return on assets	74,881	61,883
Actuarial gains and (losses)	146,340	(10,710)
Assets distributed on settlements	(6,982)	(3,240)
Contributions by employer	166,006	82,511
Contributions by scheme participants	3,048	2,716
Assets acquired in a business combination	-	(30,291)
Benefits paid	(51,005)	(37,871)
Reversal of asset ceiling cap	2,989	-
	<u>1,769,804</u>	<u>1,434,527</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £318,618,000 *loss* (2013 - £310,585,000 *loss*).

The company expects to make normal contributions of £39 million during 2015.

Over the year to 31 December 2014, employer contributions to the various defined contribution schemes amounted to £18,634,000 (2013 - £19,646,000), while employer contributions in respect of defined benefit schemes amounted to £166,006,000 (2013 - £82,511,000) over the same period. There are no outstanding or prepaid contributions at the balance sheet date (2013 - £NIL).

During the year 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

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

	2014	2013
Equities	17.00 %	22.00 %
Property	4.00 %	3.00 %
Bonds	78.00 %	73.00 %
Cash	- %	2.00 %
Other	1.00 %	- %

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

24. PENSION COMMITMENTS (continued)

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

The actual return on scheme assets in the year was a positive return of £217 million (2013: £54 million positive return).

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

Principal valuation assumptions

The most recent actuarial valuation of all six DB schemes was at 31 December 2014. The valuations used the projected unit method and were carried out by Mercers professionally qualified actuaries.

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

	2014	2013
Discount rate at December 31	3.70 %	4.60 %
Future salary increases	2.60 %	2.80 %
Future pension increases	2.90 %	3.10 %
Annual increase in healthcare costs	5.10 %	6.10 %
Expected return on scheme assets at 31 December		
Bonds	4.50 %	4.60 %
Equities	7.70 %	7.70 %
Property	7.70 %	7.70 %

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

Defined benefit pension schemes

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Defined benefit obligation	(1,771,854)	(1,510,833)	(1,495,104)	(1,140,896)	(1,140,500)
Scheme assets	1,769,804	1,434,527	1,369,529	919,114	857,105
Deficit	(2,050)	(76,306)	(125,575)	(221,782)	(283,395)
Experience adjustments on scheme liabilities	(217,373)	(19,070)	(72,957)	2,042	20,024
Experience adjustments on scheme assets	146,340	(10,710)	63,034	14,237	12,874

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

25. OPERATING LEASE COMMITMENTS

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	2014	2013
	£000	£000	£000	£000
Expiry date:				
Within 1 year	3,763	3,009	54	-
Between 2 and 5 years	7,873	8,730	3,076	3,635
After more than 5 years	2,912	2,211	-	-

26. CONTINGENT LIABILITIES

Contingent liabilities not provided for in these financial statements relate to bank guarantees and performance bonds entered into in the normal course of business and amount to £1,096,622 (2013: £3,091,645).

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

27. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Atos UK IT Holdings Limited, the Company is exempt from the requirements of FRS 8 to disclose transactions with other wholly owned members of the Group headed by Atos SE, Atos UK IT Holdings Limited's parent company.

Canopy The Open Cloud Company Limited is not wholly owned by the Group headed by Atos SE and is therefore considered to be a related party. Transactions during the year include sales of £50,368,000 (2013: £7,502,000) and purchased services of £51,088,000 (2013: £7,207,000). At 31 December £8,934,000 (2013: £7,880,000) was due from and £5,975,000 (2013: £8,724,000) was due to Canopy The Open Cloud Company Limited. All transactions were entered into on an arm's length basis under agreed contractual terms between the two parties.

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 £37,912,000 (2013: £31,672,000) and at 31 December 2014 £6,387,000 (2013: £6,200,000) was due to the company. All transactions were entered into on an arm lengths basis using the Company's standard contract terms and list prices.

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 of its 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 2014

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent and controlling company is Atos SE, a company incorporated in France by virtue of its controlling interest in Atos UK IT Holdings Limited, the Company's parent company. The largest and smallest group of undertakings for which group accounts are drawn up is that headed by Atos 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.

29. DISCONTINUED OPERATIONS

On 1 July 2013 the trade and assets of the High-Tech Transactional Services (HTTS) business unit were sold for £86 million to Atos Worldline UK Limited, another company within the group headed by Atos SE resulting in a gain of £53.9 million.

The effect of the disposal on the company's financial statements is as follows:

	2014		2013	
	Continuing £000	Discontinued £000	Continuing £000	Discontinued £000
Turnover	1,451,349	-	1,335,955	62,033
Cost of sales	(1,087,345)	-	(1,006,579)	(49,953)
Gross profit	364,004	-	329,376	12,080
Administrative expenses	(278,946)	-	(334,759)	(4,836)
	85,058	-	(5,383)	7,244

30. EVENTS AFTER THE BALANCE SHEET DATE

On the 23rd April 2015, the Company signed a Business Transfer Agreement with Bull Information Systems Limited.