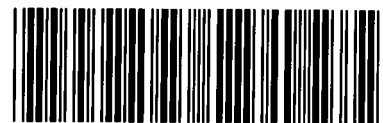


Registered number: 01245534

ATOS IT SERVICES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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ATOS IT SERVICES UK LIMITED

COMPANY INFORMATION

DIRECTORS	J Loughrey W Donovan (appointed 22 January 2018) A Gregory B Hecker (resigned 22 January 2018)
COMPANY SECRETARY	J Loughrey
REGISTERED NUMBER	01245534
REGISTERED OFFICE	Second Floor Mid City Place 71 High Holborn London WC1V 6EA
INDEPENDENT AUDITOR	Grant Thornton UK LLP Statutory Auditors & Chartered Accountants 30 Finsbury Square London EC2A 1AG

ATOS IT SERVICES UK LIMITED

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ATOS IT SERVICES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Directors present their Strategic Report for Atos IT Services UK Limited (the "Company") for the year ended 31 December 2017.

BUSINESS REVIEW

The operating profit for the year was £49.2m (2016: £98.3m). Operating profit for the year includes a net exceptional income of £3.8m (2016: £11m expense).

Equity shareholders' funds increased by 8% (2016: decreased by 2%) during the year which was driven by an actuarial gain on the defined benefit schemes of £95.8m (2016: actuarial loss £151.1m).

The Company's principal activities during the year continued to be focused on providing IT enabled business processes to select national and international markets, thereby continuing to deliver added value to our clients.

The key financial and other performance indicators during the year were as follows:

	2017	2016	Change
	£m	£m	
Turnover	1,615	1,489	8 %
Operating profit	49	98	(50) %
Profit after tax	42	90	(53) %
Equity shareholders' funds	1,771	1,647	8 %

Highlights during the year included the following:

Turnover increased by 8% during the year with the Company's focus on organic growth with a challenging cost base as certain contracts were renewed. An overview of the year is provided:

- During the first quarter of the year, revenue continued the positive trend recorded in the second semester of 2017 mainly coming from new customers both in Big Data with High Performance Computer activities in the Public sector and in cybersecurity;
- For the first half of 2017, Infrastructure & Data Management activity remained strong supported by the renewal of the BBC contract and new projects such as Northern Ireland Electricity. The strong revenue growth in Big Data & Cybersecurity was driven by High Performance Computer activity, including the delivery of two Sequana supercomputers in the defense and research sectors;
- During the third quarter of the year, the company managed to compensate for the BBC partial re-insourcing which impacted Infrastructure & Data Management. Indeed the Business & Platform Solutions activity grew in the four Digital transformation factory areas thanks to new projects in SAP HANA, in digital workplace, and in data analytics services for existing Infrastructure & Data Management customers in the private sector as well as to new clients in Public & Health. The strong revenue increase in Big Data & Cybersecurity was driven by Atos Codex and cybersecurity deals.

During the year, the Company was challenged by price and scope reductions mainly in IDM and significant transition costs for some larger contracts. Management actions have been implemented to pursue the efforts on cost savings through the Tier One Program (TOP) on transformation, especially in automation and robotisation, as well as tight project management on large contracts which should help reduce future costs.

SIGNIFICANT TRANSACTIONS DURING THE YEAR

During the year the Company performed a reduction of the share premium account in the amount of £300m.

ATOS IT SERVICES UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 3) 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.

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.

ATOS IT SERVICES UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

FINANCIAL KEY PERFORMANCE INDICATORS

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

Movement in turnover (%)

This is defined as year on year movement in turnover expressed as a percentage. The movement in 2017 was an increase in turnover of 8% (£1,614.8m in 2017 compared to £1,489.4m in 2016).

Movement in operating margin (%)

This is defined as year on year movement in operating margin expressed as a percentage. The movement in 2017 was a decrease in operating margin of 50% (£49m in 2017 compared to £98m in 2016).

Movement in shareholders' equity (%)

This is defined as year on year movement in shareholders' equity expressed as a percentage. The movement in 2017 was an increase in shareholders' equity of 8% (£1,771m in 2017 compared to £1,647m in 2016).

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 2017 the full backlog was £3.6bn, representing 2.3 times 2017 turnover (2016: £3.0bn, representing 2 times 2016 turnover).

Headcount

This is defined as the number of full time equivalent (FTE) staff employed by the Company. The average number of FTEs increased by a net number of 21 heads during 2017 (2016: decrease 1,146). The headcount in the year has increased due to the transfer of staff from the merger with Unify.

EXCEPTIONAL ITEMS

Operating profit for the year includes a net exceptional income of £3.8m (2016: exceptional expense of £11.0m) see note 9.

This report was approved by the board on *26 September 2018* and signed on its behalf.



W Donovan
Director

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- prepare the financial statements on the going concern basis.

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 confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report including the Strategic report and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL ACTIVITIES

The Company delivers technology services including Business and platform solutions (BPS), business and technology services, Infrastructure and data management (IDM), Big data Services (BDS) and Communication and Collaboration Services (CCS). With its deep technology expertise and industry knowledge, it works with clients across the following market sectors: Manufacturing, Retail, Services, Public, Health and Transport, Financial Services, Telecoms, Media and Technology, Energy and 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 £42,329k (2016 - £90,253k).

The Directors did not pay a dividend during the year (2016: £NIL).

DIRECTORS

The Directors who served during the year were:

J Loughrey
A Gregory
B Hecker (resigned 22 January 2018)

W Donovan was appointed as a Director of the Company on 22 January 2018.

EVENTS AFTER THE REPORTING DATE

The Company received a dividend from Syan Holdings Limited of £25m on 14 March 2018 and paid a dividend of £25m to Atos IT Services Ltd on the 14 March 2018.

POLITICAL CONTRIBUTIONS

The Company made no (2016: £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.

Through the Company's continuous improvements to the energy efficiency of its operations, the Company's ambitious targets have been achieved. This achievement has been obtained by the increase in the use of decarbonised electricity in its strategic data centres.

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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 2017 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 2021.

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.

ATOS IT SERVICES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted indemnities to all of its Directors against any potential liability in respect of proceedings brought by third parties, subject to the conditions set out in sections 234 and 235 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report.

FUTURE DEVELOPMENTS

The Company is utilising the significant new contracts signed in 2017 such as Aviva, the continued demand in Cybersecurity and the strong momentum with key longstanding customers focusing on the Digital Transformation Factory to support organic growth in revenue.

Management is implementing strong actions to pursue efforts on cost savings through the one program (TOP) transformation, especially in automation and robotization, as well as tight project management on large contracts.

These areas of focus for the Company indicate that in 2018, taking into account the effect of IFRS 15 – Revenue from Contracts with Customers, which is the new revenue standard, that the Company targets the ambitious objectives for its 3 key financial criteria in line with the wider Atos Group 2019 Ambition.

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 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 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.

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').

AUDITOR

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ATOS IT SERVICES UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

This report was approved by the board on *26 September 2018* and signed on its behalf.


W Donovan
Director

ATOS IT SERVICES UK LIMITED

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

OPINION

We have audited the financial statements of Atos IT Services UK Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHO WE ARE REPORTING TO

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.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ATOS IT SERVICES UK LIMITED

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

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF ATOS IT SERVICES UK LIMITED
(CONTINUED)**

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



Stephen Maslin (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditors
Chartered Accountants

London

Date: *26th September 2018*

ATOS IT SERVICES UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	3	1,614,791	1,489,427
Cost of sales		(1,298,830)	(1,124,372)
GROSS PROFIT		315,961	365,055
Administrative expenses		(269,888)	(255,749)
Exceptional administrative income/(expenses)	9	3,757	(11,000)
Hedging charges	5	(620)	-
OPERATING PROFIT	4	49,210	98,306
Interest receivable and similar income	10	1	1
Interest payable and expenses	11	(701)	(455)
Other finance income	12	1,363	2,883
PROFIT BEFORE TAX		49,873	100,735
Tax on profit	13	(7,544)	(10,482)
PROFIT FOR THE FINANCIAL YEAR		42,329	90,253
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Actuarial gain/(loss) on defined benefit schemes	27	95,797	(151,109)
Movement on long term service provision		(201)	-
Deferred tax on pension asset/(liability)		(16,285)	21,149
Hedging movement		294	(765)
Deferred tax on hedging movement		(73)	153
		79,532	(130,572)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		121,861	(40,319)

The notes on pages 17 to 57 form part of these financial statements.

ATOS IT SERVICES UK LIMITED
REGISTERED NUMBER: 01245534

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Intangible assets	14	49,460	52,620
Tangible assets	15	55,912	78,739
Investments	16	1,330,606	1,320,191
Pension asset	27	151,218	89,476
		<u>1,587,196</u>	<u>1,541,026</u>
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	17	96,471	95,356
Debtors: amounts falling due within one year	17	633,225	549,806
Cash and cash equivalents	18	209,780	149,245
		<u>939,476</u>	<u>794,407</u>
Creditors: amounts falling due within one year	19	(625,910)	(495,592)
NET CURRENT ASSETS		<u>313,566</u>	<u>298,815</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,900,762</u>	<u>1,839,841</u>
PROVISION FOR LIABILITIES			
Other provisions	21	(38,564)	(26,910)
		<u>(38,564)</u>	<u>(26,910)</u>
NET ASSETS EXCLUDING PENSION (LIABILITY)		<u>1,862,198</u>	<u>1,812,931</u>
Pension (liability)	27	(90,999)	(165,528)
NET ASSETS		<u><u>1,771,199</u></u>	<u><u>1,647,403</u></u>

ATOS IT SERVICES UK LIMITED
REGISTERED NUMBER:01245534

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
CAPITAL AND RESERVES			
Called up share capital	22	260,896	260,896
Share premium account		1,322,563	1,622,563
Share-based payment reserve		13,736	11,801
Hedging reserves, net of tax		(391)	(612)
Profit and loss account		174,395	(247,245)
		<u>1,771,199</u>	<u>1,647,403</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
26 September 2018


W Donovan
Director

The notes on pages 17 to 57 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Share premium account £000	Share- based payments reserve £000	Hedging reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2017	260,896	1,622,563	11,801	(612)	(247,245)	1,647,403
Profit for the year	-	-	-	-	42,329	42,329
Actuarial gains on pension schemes	-	-	-	-	95,797	95,797
Movement in provisions	-	-	-	-	(201)	(201)
Movement on deferred tax relating to net pension liability	-	-	-	-	(16,285)	(16,285)
Hedging movement	-	-	-	294	-	294
Movement on deferred tax relating to hedging movement	-	-	-	(73)	-	(73)
Other comprehensive income for the year	-	-	-	221	79,311	79,532
Total comprehensive income for the year	-	-	-	221	121,640	121,861
Share-based payments charge	-	-	1,935	-	-	1,935
Share premium reduction transferred to profit and loss account	-	(300,000)	-	-	300,000	-
Total transactions with owners	-	(300,000)	1,935	-	300,000	1,935
At 31 December 2017	260,896	1,322,563	13,736	(391)	174,395	1,771,199

The notes on 17 to 57 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Share- based payments reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2016	260,896	1,622,563	9,364	-	(207,538)	1,685,285
Comprehensive Income for the year						
Profit for the year	-	-	-	-	90,253	90,253
Actuarial losses on pension schemes	-	-	-	-	(151,109)	(151,109)
Movement on deferred tax relating to net pension liability	-	-	-	-	21,149	21,149
Hedging movement	-	-	-	(765)	-	(765)
Movement on deferred tax relating to hedging movement	-	-	-	153	-	153
Other comprehensive loss for the year	-	-	-	(612)	(129,960)	(130,572)
Total comprehensive loss for the year	-	-	-	(612)	(39,707)	(40,319)
Share-based payments charge	-	-	2,437	-	-	2,437
Total transactions with owners	-	-	2,437	-	-	2,437
At 31 December 2016	260,896	1,622,563	11,801	(612)	(247,245)	1,647,403

The notes on pages 17 to 57 form part of these financial statements.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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) as issued by the Financial Reporting Council. Accordingly these financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006 and 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.

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

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017. 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 IFRS 7 Financial Instruments: Disclosures;
- (d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (e) 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;
- (f) 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;
- (g) the requirement to prepare a Statement of Cash Flows and related notes;
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (i) 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
- (j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of assets;
- (k) the requirements in IAS 8.30 and IAS 8.31 to disclose new standards and interpretations; and
- (l) 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.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Turnover (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 profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for amortisation 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 profit or loss on a straight line basis over the license period.

The estimated useful lives range as follows:

Software	-	3 to 6 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 profit or loss during the period in which they are incurred.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Tangible fixed assets (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 profit or loss.

Land is not depreciated.

Depreciation is provided on a straight line basis as per the following:

Land and buildings	- 50 years
Office furniture 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.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Financial assets and liabilities (continued)

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.

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 profit or loss 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 profit or loss.

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 profit or loss.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments – Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at fair value through profit or loss except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

For the reporting periods under review, the Company has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a nonfinancial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

1.10 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 profit or loss.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit or loss 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 profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit or loss is charged with fair value of goods and services received.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (CONTINUED)

1.12 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 2017.

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 profit or loss. 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 profit or loss 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 profit or loss 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 27.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (CONTINUED)

1.13 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.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.14 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 profit or loss, 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.

1.15 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 2017**

1. ACCOUNTING POLICIES (CONTINUED)

1.16 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.

1.17 Leases

Rentals under operating leases are charged to the profit or loss 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.

Determining whether an Arrangement contains a Lease

The determination of whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement at the inception of the lease and requires an assessment of whether:

- fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement conveys a right to use the asset.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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
- the 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.

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Principal versus Agent

Revenue is reported net of supplier costs when the Company is acting as an agent between the client and the supplier. Factors generally considered to determine whether the Company is a principal or an agent, are most notably whether it is in control of a promised good or service by being primarily responsible for fulfilling the contract, it assumes credit and delivery risks, or it adds meaningful value to the supplier's product or services.

During the year, a three year right to use was provided to a client which relied on management's judgement of the Principal versus Agent consideration. The right to use related to an extension agreement with the client, to provide a licence equating to \$30m. This \$30m was committed to upon signing of the extension. Management judgement was used around the control and risk taken on by the Company in relation to this extension and the provision of the licence. It was assessed that the company, upon delivery of the licence, had completed its contractual performance obligation and as the Principal, recognised the appropriate revenue.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Recognition of receivable

At year end, upon advice from its legal experts, the Company has recorded a receivable for (£8m) relating to an overpayment of Stamp Duty Reserve Tax (SDRT) on an acquisition in 2000. The Company started legal proceedings in 2009 and at year end, the legal advice detailed that the Company's chances of success in court as being virtually certain. As such, management has deemed it appropriate to recognise this receivable.

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.

The Company during the year undertook discussions with trustees and members of its pension schemes around changes in the appropriate basis for assessing future inflation valuations used in the pension assumptions. The Company agree a change in basis with the trustees and to be prudent the Company, due to potential challenges to this change based on a legal case currently going through the courts, a provision has been recorded. This provision has required management judgement on the estimated value and probable outflow of resources.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. TURNOVER

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

	2017 £000	2016 £000
Business and Technology Services	339,766	347,178
Business and Platform Solutions	263,211	262,072
Infrastructure and Data Management	690,173	684,276
Big Data and Cybersecurity	40,780	25,574
Communication and Collaboration Services	23,679	-
Atos group undertakings	257,181	170,327
	<u>1,614,790</u>	<u>1,489,427</u>

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	1,424,937	1,344,262
Rest of Europe	181,792	139,193
Rest of the world	8,062	5,972
	<u>1,614,791</u>	<u>1,489,427</u>

	2017 £000	2016 £000
Categories of turnover		
Sales of services	1,439,444	1,370,860
Sale of goods	175,347	118,567
	<u>1,614,791</u>	<u>1,489,427</u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Research & development	43,816	42,745
Depreciation of tangible fixed assets	27,858	29,942
Amortisation of intangible assets	6,228	5,294
Exchange differences	421	(261)
Share-based payments	1,935	2,437
Loss/(gain) on disposal of fixed assets	7,936	(611)
Defined contribution pension cost	18,741	17,688
Defined benefit pension (credit)	(15,505)	(39,714)
OPERATING LEASE PAYMENTS		
- Plant and machinery	3,888	3,485
- Other leases	14,517	19,483

5. HEDGING CHARGES

	2017 £000	2016 £000
Hedging charges	620	-

Hedging charges in the year relate to loss on hedging.

6. 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:

	2017 £000	2016 £000
Fees for the audit of the Company	358	419
Audit related services	118	145
All other assurance services	21	25
	497	589

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. EMPLOYEES

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

	2017 £000	2016 £000
Wages and salaries	387,366	391,306
Social security costs	44,908	41,310
Defined benefit pension (credit)	(15,505)	(39,714)
Cost of defined contribution scheme	18,741	17,688
	<u>435,510</u>	<u>410,590</u>

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

	2017 No.	2016 No.
Production	7,197	7,162
Sales, marketing and administration	503	517
	<u>7,700</u>	<u>7,679</u>

8. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Directors' emoluments	1,005	990
Company contributions to defined contribution pension schemes	42	43
	<u>1,047</u>	<u>1,033</u>

During the year retirement benefits were accruing to no Directors (2016 - NIL) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £497k (2016 - £484k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £17k (2016 - £12k).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid Director amounted to £NIL (2016 - £NIL).

During the year 3 directors received shares under the long term incentive schemes (2016 -4)

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. EXCEPTIONAL (INCOME)/EXPENSE

	2017 £000	2016 £000
Stamp Duty Reserve Tax recoverable	(8,112)	-
Pension provision	600	11,000
Income from insurance	(3,900)	-
Contract loss	9,625	-
Gain on sale of land	(1,970)	-
	<u>(3,757)</u>	<u>11,000</u>

The exceptional income for the year consists of a receivable for £8m relating to an overpayment of Stamp Duty Reserve Tax (SDRT) on an acquisition in 2000, an increase in the pension provision, the provision of contract loss, insurance against contract litigation and a gain on the sale of owned land no longer required.

10. INTEREST RECEIVABLE

	2017 £000	2016 £000
Other interest receivable	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	2016 £000
Other loan interest payable	-	203
Other interest payable	<u>701</u>	<u>252</u>
	<u>701</u>	<u>455</u>

12. OTHER FINANCE INCOME

	2017 £000	2016 £000
Net interest income on pension asset/(liability)	<u>1,363</u>	<u>2,883</u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. TAXATION

	2017 £000	2016 £000
CORPORATION TAX		
Current tax on profits for the year	-	9,795
Adjustments in respect of previous periods	(912)	(1,676)
TOTAL CURRENT TAX	(912)	8,119
DEFERRED TAX		
Origination and reversal of timing differences	1,872	4,997
Deferred tax movement on defined benefit pension	6,881	4,692
Adjustment in respect of previous periods	(297)	(7,326)
TOTAL DEFERRED TAX	8,456	2,363
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7,544	10,482

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is different (2016 - *different*) to the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	49,873	100,735
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	9,601	20,147
EFFECTS OF:		
(Income)/Expenses not deductible for tax purposes	(980)	1,170
Adjustments to tax charge in respect of prior periods	(1,210)	(9,000)
Impact of tax rate changes	(1,158)	(2,186)
Free group relief	708	-
Transfer pricing adjustments with other UK group companies	583	351
TOTAL TAX CHARGE FOR THE YEAR	7,544	10,482

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. 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 below the profits multiplied by the standard rate of corporation tax in the UK.

The adjustments in respect of prior years mainly relate to the effect of adjustments to group relief provided from other UK Group companies.

14. INTANGIBLE ASSETS

	Software Licences £000	Other Intangibles £000	Goodwill £000	Total £000
COST				
At 1 January 2017	101,879	5,000	191,120	297,999
Additions - external	5,387	-	-	5,387
Disposals	(3,429)	-	-	(3,429)
Appropriation to working capital	(2,640)	-	-	(2,640)
At 31 December 2017	<u>101,197</u>	<u>5,000</u>	<u>191,120</u>	<u>297,317</u>
AMORTISATION				
At 1 January 2017	86,273	3,868	155,238	245,379
Charge for the year	5,662	566	-	6,228
Disposals	(1,739)	-	-	(1,739)
Appropriation to working capital	(2,011)	-	-	(2,011)
At 31 December 2017	<u>88,185</u>	<u>4,434</u>	<u>155,238</u>	<u>247,857</u>
NET BOOK VALUE				
At 31 December 2017	<u>13,012</u>	<u>566</u>	<u>35,882</u>	<u>49,460</u>
At 31 December 2016	<u>15,606</u>	<u>1,132</u>	<u>35,882</u>	<u>52,620</u>

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. 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 2017 Goodwill impairment test, which was carried out at the reporting date, no impairment losses were recognised at 31 December 2017.

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 2017**

15. 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 2017	3,410	87,712	270,643	839	362,604
Additions	-	2,683	16,398	248	19,329
Transfers intra group	-	-	10,487	-	10,487
Disposals	(750)	(572)	(9,222)	-	(10,544)
Transfers between classes	-	(1,096)	2,001	(905)	-
Appropriation to working capital	-	(764)	(26,239)	-	(27,003)
At 31 December 2017	2,660	87,963	264,068	182	354,873
DEPRECIATION					
At 1 January 2017	-	58,124	225,740	-	283,864
Charge for the year	-	9,064	18,794	-	27,858
Transfers intra group	-	-	8,400	-	8,400
Disposals	-	(572)	(2,970)	-	(3,542)
Appropriation to working capital	-	(357)	(17,262)	-	(17,619)
At 31 December 2017	-	66,259	232,702	-	298,961
NET BOOK VALUE					
At 31 December 2017	2,660	21,704	31,366	182	55,912
At 31 December 2016	3,410	29,588	44,902	839	78,739

The net book value of land and buildings may be further analysed as follows:

	2017 £000	2016 £000
Freehold	2,660	3,410
	<u>2,660</u>	<u>3,410</u>

In the year the Company sold land for £2,720k. The land related to an owned building which was demolished prior to the sale.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST	
At 1 January 2017	1,780,576
Additions	10,415
At 31 December 2017	<u>1,790,991</u>
IMPAIRMENT	
At 1 January 2017	<u>460,385</u>
At 31 December 2017	<u>460,385</u>
NET BOOK VALUE	
At 31 December 2017	<u>1,330,606</u>
At 31 December 2016	<u>1,320,191</u>

The registered office of all of the Company's subsidiary undertakings is:

Second Floor
Mid City Place
71 High Holborn
London
WC1V 6EA
United Kingdom

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. FIXED ASSET INVESTMENTS (CONTINUED)**DIRECT SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Atos International IT Limited	Ordinary	100 %	Holding company
Atos Consulting Limited	Ordinary	100 %	Information technology and consulting solutions
Syan Holdings Limited	Ordinary	100 %	Holding company
Atos IT Solutions and Services Limited	Ordinary	100 %	Dormant
Atos Investments Limited	Ordinary	100 %	Dormant
Sema Investment UK Limited	Ordinary	100 %	Holding company
Barabas Limited	Ordinary	100 %	Dormant
Shere Limited	Ordinary	100 %	Dormant
BR Business Systems Limited	Ordinary	100 %	Dormant
Engage ESM Holdings Ltd	Ordinary	100 %	Holding company
Atos BPS Limited	Ordinary	100 %	Business process and transformation services
Xinsys Limited	Ordinary	100 %	Investment holding company

INDIRECT SUBSIDIARY UNDERTAKINGS

The following were indirect subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Atos IT Outsourcing Services Limited	Ordinary	100 %	Information technology
Engage ESM Limited	Ordinary	100 %	Information technology
Abilitec Limited	Ordinary	100 %	Dormant
Innovise ESM Holdings Limited	Ordinary	100 %	Dormant
Innovise ESM Limited	Ordinary	100 %	Dormant
Syan Technology Limited	Ordinary	100 %	Dormant
Anix Group Limited	Ordinary	100 %	Dormant
PR Systems Limited	Ordinary	100 %	Dormant
VBHG Limited	Ordinary	100 %	Dormant
Anix Holdings Limited	Ordinary	100 %	Dormant
Blue River Systems Limited	Ordinary	100 %	Dormant
Positiv Limited	Ordinary	100 %	Dormant
Red Squared Limited	Ordinary	100 %	Dormant
Anix Business Systems Limited	Ordinary	100 %	Dormant
Anix Computers Limited	Ordinary	100 %	Dormant

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. FIXED ASSET INVESTMENTS (CONTINUED)

On the 2 January 2018, the following indirectly held subsidiaries were dissolved:

Syan Technology Limited; Anix Group Limited; PR Systems Limited; VBHG Limited; Anix Holdings Limited; Blue River Systems Limited; Positiv Limited; Red Squared Limited; Anix Business Systems Limited; Anix Computers Limited. The registered office of these entities prior to dissolution was 4 Triton Square, Regent's Place, London, NW1 3HG.

17. DEBTORS:

	2017 £000	2016 £000
Amounts falling due after more than one year		
Other debtors	11,256	3,151
Prepayments and accrued income	6,413	503
Deferred tax asset	78,802	91,702
	<u>96,471</u>	<u>95,356</u>
	2017 £000	2016 £000
Amounts falling due within one year		
Trade debtors	60,126	66,879
Amounts owed by group undertakings	279,249	266,896
Other debtors	15,848	11,829
Prepayments and accrued income	48,724	59,077
Amounts recoverable on long term contracts	228,522	144,005
Derivative financial assets	756	1,120
	<u>633,225</u>	<u>549,806</u>

18. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	<u>209,780</u>	<u>149,245</u>
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ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. CREDITORS: Amounts falling due within one year

	2017	2016
	£000	£000
Bank overdrafts	3,285	630
Trade creditors	90,143	90,727
Amounts owed to group undertakings	199,119	119,885
Corporation tax	20,258	21,137
Other taxation and social security	30,866	21,073
Deferred tax	10,237	-
Accruals and deferred income	271,694	241,217
Derivative financial instruments	308	923
	<u>625,910</u>	<u>495,592</u>

20. DEFERRED TAXATION

	2017
	£000
At beginning of year	91,702
Charged to the profit or loss (see note 13)	(8,456)
Charged to other comprehensive income	(16,358)
Transfer in	1,676
AT END OF YEAR	<u><u>68,564</u></u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. DEFERRED TAXATION (CONTINUED)

The deferred taxation balance is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	75,899	71,278
Defined benefit pension schemes	(10,237)	17,938
Short term timing differences	2,903	2,486
	68,565	91,702

Amounts charged to other comprehensive income comprise a loss of £16.20m (2016: £25.50m gain) on the actuarial movement for the year and a loss of £0.01m (2016: £0.01m gain) on the hedging movement and a loss of £nil (2016: £4.40m) due to the rate change on the opening cumulative actuarial losses that have historically been charged to other comprehensive income.

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

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

21. PROVISIONS

	Property provisions £000	Restructuring provisions £000	Other provisions £000	Employee related provisions £000	Total £000
At 1 January 2017	4,340	214	19,973	2,383	26,910
Charged to profit and loss	585	9,832	9,664	207	20,288
Charged to other comprehensive income	-	-	-	201	201
Arising on business combinations	-	-	256	-	256
Utilised in year	(1,011)	(214)	(7,607)	(259)	(9,091)
AT 31 DECEMBER 2017	3,914	9,832	22,286	2,532	38,564

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, contract losses and a provision in respect of the change of pension benefits (note 27).

22. SHARE CAPITAL

	2017 £000	2016 £000
Allotted, called up and fully paid		
260,895,913 Ordinary shares of £1 each	260,896	260,896

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

23. RESERVES

Called up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on the issue of share capital.

Share-based payment reserve – represents the contra credits for all cumulative share-based payment charges.

Hedging reserve – includes gains and losses arising on the effective portion of any fair value movements on financial instruments used in a designated cash flow hedging relationship.

Profit and loss account – includes all current and prior period retained profits and losses.

24. 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 seven long term incentive plans.

Free shares were issued under options whereby the vesting period is gradual with options vesting 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 121.35 (2016: Euros 100.25).

The Company recognised a total share-based payments expense of £1,935k (2016: £2,437k) during the year. Details of share options outstanding at the end of the year are as follows:

	2017	2016
Number of options or shares		
Outstanding at 1 January	215,560	149,383
Granted during the year	66,460	82,017
Forfeited during the year	(8,700)	(13,390)
Exercised during the year	(3,407)	(2,450)
Outstanding at 31 December	269,913	215,560

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. SHARE-BASED PAYMENTS (continued)

Date of grant	Outstanding options at 1 January 2017	Granted during the year	Exercised	Forfeited	Outstanding options at 31 December 2017 Number
22/12/2011	26,650	-	-	-	26,650
24/07/2013	23,830	-	(3,270)	-	20,560
28/07/2014	32,400	-	-	(4,600)	27,800
28/07/2015	50,320	-	-	(4,100)	46,220
01/07/2015	343	-	(137)	-	206
26/07/2016	58,950	-	-	-	58,950
(Sprint 2016) 22/12/2016	23,067	-	-	-	23,067
25/07/2017	-	66,460	-	-	66,460
Total	215,560	66,460	(3,407)	(8,700)	269,913

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

Date of plan/grant	Vesting date	Years to vesting	Outstanding shares
22/12/2011	17/03/2016	-	26,650
24/07/2013	24/07/2017	-	20,560
28/07/2014	28/07/2018	0.57	27,800
28/07/2015	02/01/2020	2.01	46,220
01/07/2015	01/07/2017	-	206
26/07/2016	25/07/2019	1.56	58,950
22/12/2016	22/12/2021	3.98	23,067
25/07/2017	25/07/2020	2.57	66,460
			<u>269,913</u>

Weighted average remaining contractual life 1.72 (2016: 2.23).

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. CONTINGENT LIABILITIES

The Company has considered its position in relation to current litigations, having taken appropriate advice and does not consider that any further provisions are necessary. The Company will continue to appraise its position as the cases proceed through the litigation process.

26. ACQUISITION OF CCS

	2017 £000
Fixed assets	2,087
Debtors, including deferred income and payment on account	4,058
Deferred tax	1,676
Employee accruals	(1,946)
Cost accruals including prepayments	(5,311)
Provisions	(256)
Deferred income	(4)
	<hr/> 304 <hr/>

On 1 January 2017, the Company acquired the net assets of the Communications and Collaboration Services ("CCS") stream of Unify Enterprise Communications Limited, a group company, at net book value. There was no goodwill or negative goodwill arising on acquisition. The consideration was transacted as an intercompany balance transfer to Unify Enterprise Communications Limited.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. PENSION COMMITMENTS

Atos IT Services UK Limited operates six (2016: 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').

The Company operates a Defined benefit pension scheme.

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 Scheme Funding Valuation was agreed as at 13 July 2017.

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 Scheme Funding Valuation was agreed as at 13 July 2017.

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 Scheme Funding Valuation was agreed as at 13 July 2017.

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. 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 are between 2% and 7.05% of pensionable salaries for members of the Saver Plan Plus section or 5% of pensionable salaries for members of the Tower Plan section. A formal Scheme Funding Valuation was agreed as at 13 July 2017.

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. Employees participating in the scheme currently pay contributions at a rate of 11.68% of pensionable salaries. 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. Employees participating in the scheme pay contributions at the 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 13 July 2017.

Actuarial gain

During the year the company made an actuarial gain on the defined benefit schemes of £95.8m (2016: actuarial loss £151.1m).

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

27. PENSION COMMITMENTS (CONTINUED)

The amounts recognised in the Statement of Financial Position were as follows:

	2017 £000	2016 £000
Schemes in surplus	151,218	89,476
Schemes in deficit	(90,999)	(165,528)
	<u>60,219</u>	<u>(76,052)</u>

The remaining disclosures in this note present information on an aggregate basis for the defined benefit pension schemes:

Present value of funded obligations	(2,033,519)	(2,088,851)
Fair value of scheme assets	2,110,239	2,035,719
	<u>76,720</u>	<u>(53,132)</u>
Unfunded obligations	(16,501)	(22,920)
Asset/(liability)	<u>60,219</u>	<u>(76,052)</u>

	2017 £000	2016 £000
Fair value of scheme assets	2,110,239	2,035,719
Present value of funded and unfunded obligations	(2,050,020)	(2,111,771)
NET PENSION SCHEME ASSET/(LIABILITY)	<u>60,219</u>	<u>(76,052)</u>

The amounts recognised in the Statement of Comprehensive Income were as follows:

	2017 £000	2016 £000
Current service (cost)	(14,438)	(15,285)
Interest (expense)	(58,531)	(65,002)
Expected return on plan assets	56,674	68,101
Past service credit	29,363	51,900
Plan amendments	3,800	-
TOTAL	<u>16,868</u>	<u>39,714</u>
Actuarial gains/(losses) arising in the year	95,797	(151,109)
Amounts recognised in total comprehensive income/(loss)	<u>112,665</u>	<u>(111,395)</u>

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

27. PENSION COMMITMENTS (CONTINUED)

The Company expects to make total contributions of £38.1 million during 2018 (2017: £34 million).

In the UK, the Company and trustees of the Atos (CS) Pension Scheme have reached an agreement to move the basis for inflation indexation from the Retail Price Index (RPI) to the Consumer Price Index (CPI) in exchange for improved long term security to the plan including a Group parental guarantee of up to £100 million and a one off discretionary benefit enhancement for affected beneficiaries. This led to a past service credit of £29.4m.

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

	2017 £000	2016 £000
Opening defined benefit obligation	2,111,771	1,701,647
Current service cost	14,438	15,285
Interest cost	58,531	65,002
Contributions by scheme participants	2,030	2,749
Actuarial (gains)/losses	(37,895)	435,522
Past service (credits)	(29,363)	(51,900)
Plan amendments	(3,800)	-
Business combinations	-	1,203
Benefits paid	(63,891)	(57,737)
Settlements	(1,801)	-
CLOSING DEFINED BENEFIT OBLIGATION	2,050,020	2,111,771

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

	2017 £000	2016 £000
Opening fair value of scheme assets	2,035,719	1,721,248
Expected return on assets	56,674	68,101
Actuarial gains/(losses)	57,902	284,413
Contributions by employer	21,723	15,202
Contributions by scheme participants	2,030	2,749
Benefits paid	(63,809)	(56,968)
Business combinations	-	974
CLOSING FAIR VALUE OF SCHEME ASSETS	2,110,239	2,035,719

ATOS IT SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

27. 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 2017. The valuations used the projected unit method and were carried out by KPMG professionally qualified actuaries.

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

	2017	2016
Discount rate	2.70%	2.80%
Future salary increases	2.80%	2.85%
Future pension increases	3.20%	3.10%
Mortality rates	Years	Years
- Life expectancy for male currently aged 65	22.1	22.2
- Life expectancy for female currently aged 65	23.9	24.2
- Life expectancy at 65 for male currently 45	23.5	23.9
- Life expectancy at 65 for female currently aged 45	25.4	26.1

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27. PENSION COMMITMENTS (CONTINUED)

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

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	Increase/decrease in assumption	Indicative effect on scheme liabilities
Discount rate	0.25%	-4.50%/4.80%
Inflation assumption	0.25%	+4.21%/-4.10%
<hr/>		
	Increase by 1 year assumption	Decrease by 1 year assumption
Life expectancy	Increase by 3.50%	Decrease by 3.50%
<hr/>		

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 asset recognised within the Statement of Financial Position.

ATOS IT SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28. COMMITMENTS UNDER OPERATING LEASES

	Land and buildings 2017 £000	Land and buildings 2016 £000	Other 2017 £000	Other 2016 £000
Expiry date				
Within 1 year	17,271	9,209	2,249	5,139
Between 2 and 5 years	38,441	22,156	2,243	12,390
After more than 5 years	13,191	14,803	-	1,811
	68,903	46,168	4,492	19,340

29. 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 £24,340k (2016: £23,981k) and at 31 December 2017 £2,894k (2016: £4,354k) 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 2017

30. EVENTS AFTER THE REPORTING DATE

The Company received a dividend from Syan Holdings Limited of £25m on 14 March 2018 and paid a dividend of £25m to Atos IT Services Ltd on 14 March 2018.

On 1 July 2018, the Company purchased from Unify Enterprise UK Holdings Limited its investment in Unify Enterprise Communications Limited, both entities being within the Atos SE Group. At the date of the signing of these accounts, the purchase price was subject to finalisation.

31. 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, 95877 Bezons, CEDEX- France.