

SAIC Limited

(Registered Number 1396396)

Directors' Report And Financial Statements

For The Year Ending 31 January 1999



SAIC Limited

Directors' Report For The Year Ended 31 January 1999

The director submits his report and audited financial statements for the year ended 31 January 1999.

Principal Activity

The principal activities of the group are outsourcing, systems integration, scientific, engineering and computer consultancy.

Review Of The Business And Future Developments

The company showed an operating profit of £2,596,000 [1998: (£2,138,000)] on a turnover of £42,579,000 [1998: £37,143,000]. The company increased its customer base during the year and is continuing to focus on new opportunities. As a result the company has returned to profitability as purported last year.

Results And Dividends

The results of the Company for the year are set out on page 4.

The director does not recommend the payment of a dividend for the year. Accordingly, the profit for the year has been added to the Profit and Loss account, thus reducing the accumulated deficit.

Year 2000 Date Change And European Economic And Monetary Union

The Company is currently in the process of assessing the impact of the Year 2000/Millennium computer software issue and the implications of the European Economic and Monetary Union, including the introduction of the euro, on information systems and other aspects of operations. The Company is ensuring that necessary actions are being taken to address issues and related risks identified in a timely manner and do not regard these related risks to be critical or have any effect on the going concern ability of the company.

SAIC Limited

Directors' Report For The Year Ended 31 January 1999 (Continued)

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed Assets

Details of the Company's fixed assets are in Note 6 on page 10 of the financial statements.

Employment Of Disabled Persons

The Company has continued its policy of giving disabled persons equal, full and fair consideration for all job vacancies for which they offer themselves, having regard to their particular aptitudes and abilities.

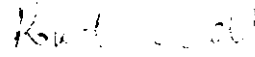
Employee Involvement

The Company has held meetings at intervals during the period in accordance with established practice at which all staff have been represented and at which there has been dissemination and exchange of financial, trading and general information of particular concern to them. The nature and extent of employee communication is an important matter which is under continuous review.

Auditors

PricewaterhouseCoopers will resign as auditors following finalisation of these accounts and the director has resolved to appoint Deloitte Touche in their place. A resolution to appoint Deloitte Touche as auditors will be put to the members at the Annual General Meeting.

By Order of the Board


R G Wall
Company Secretary

31 July 1999

Auditors' Report To The Members of SAIC Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 & 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

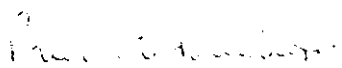
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

31 July 1999

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SAIC Limited

Profit And Loss Account For The Year Ended 31 January 1999

	Note	£'000	1999 £'000	1998 £'000
Turnover				
Continuing operations		42,579		36,812
Discontinued operations		-		331
Total turnover	2		42,579	37,143
Cost of sales			(30,785)	(31,715)
Gross profit			11,794	5,428
Administrative expenses			(9,470)	(8,065)
Other operating income			272	499
Operating Profit / (Loss)				
Continuing operations	2	2,596		(2,011)
Discontinued operations	2	-		(127)
			2,596	(2,138)
Interest receivable and similar income	4		151	60
Interest payable and similar charges	4		-	(106)
Profit / (Loss) on ordinary activities before taxation			2,747	(2,102)
Profit / (Loss) on ordinary activities after taxation			2,747	(2,102)
Profit / (Loss) for the financial year	11		2,747	(2,102)

During 1999 and 1998 the company had no recognised gains or losses other than the profit for the financial year. All current year results were derived from continuing operations.

The notes on pages 6 to 14 form part of these financial statements.

SAIC Limited

Balance Sheet As At 31 January 1999

	Note	£'000	1999 £'000	1998 £'000
Fixed Assets				
Tangible fixed assets	6		2,416	3,279
Investments	7		-	-
Current Assets				
Debtors	8	12,464		12,286
Cash at bank and in hand		3,439		507
		15,903		12,793
Current Liabilities				
Creditors – amounts falling due within one year	9	(11,881)		(12,381)
Net Current Assets			4,022	412
Total Net Assets			6,438	3,691
Capital And Reserves				
Called up share capital	10		707	707
Share premium account	11		24	24
Other reserves	11		8,800	8,800
Profit and loss account	11		(3,093)	(5,840)
Total Shareholders' Funds			6,438	3,691

These accounts on pages 4 to 14 were approved by the board on 31st July 1999 and signed on its behalf by:



N Garden
Director

The notes on pages 6 to 14 form part of these financial statements.

SAIC Limited

Notes To The Financial Statements – 31 January 1999

1 Accounting Policies

(1) Basis of Accounting

The financial statements have been prepared on the historical cost basis of accounting, and in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis.

The company has taken advantage of the exemption on FRS1 from producing a cashflow statement on the grounds that it is a subsidiary of a company registered in England, which consolidates its financial statements and itself prepares such a statement, which are publicly available.

(2) Consolidation

The company has taken advantage of the exemption from the requirement to prepare group financial statements available under Section 228 of the Companies Act 1985 as it is a wholly owned subsidiary undertaking of SAIC Europe Limited, which produces consolidated financial statements that include the financial statements of the company. These financial statements therefore present information about the company as an individual undertaking and not about its group.

(3) Turnover

The major portion of the Company's revenues results from contract services, some of which provide for reimbursement of cost plus fees and others which are fixed-price or time-and-materials type contracts. Generally, revenues and fees on contracts are recognised as services are performed, using the percentage-of-completion method of accounting, primarily based on contract costs incurred to date compared with total estimated costs at completion. Revenues from the sale of manufactured products are recorded when the products are shipped.

The company provides for anticipated losses on contracts by a charge to income during the period in which the losses are first identified. Unbilled receivables are stated at estimated realisable value.

(4) Fixed Assets And Depreciation

Fixed assets are shown at cost, less accumulated depreciation, and less any provision for impairment.

Depreciation is provided at the rates set out below calculated to write off the cost of fixed assets, less estimated residual values over their estimated useful lives using the straight line method.

Economic life

Office furniture and fittings	3 to 9 years
Short leasehold buildings	over the unexpired portion of lease
Plant, machinery and equipment	3 to 8 years

SAIC Limited

Notes To The Financial Statements – 31 January 1999 (Continued)

1 Accounting Policies (Continued)

(5) Fixed Asset Investments

Investments in subsidiaries and associated companies are stated at cost less any provision for permanent diminution in value.

(6) Leased Assets

Items of equipment financed through operating leases are not capitalised and their rental charges are taken to profit and loss as they accrue.

(7) Research And Development

Research and development costs are written off in the profit and loss account in the year in which they are incurred.

(8) Deferred Taxation

Deferred taxation has been calculated using the liability method. Deferred tax is provided on timing differences arising from the allocation of items to different periods for tax and for accounting purposes, which are expected to reverse. Deferred tax is not provided on timing differences which will probably not reverse.

(9) Pension Costs

For defined contributions the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(10) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated at the current rate of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. However, where settlement has been covered by a forward exchange contract, the contract rate is used. Exchange differences are dealt with in the profit and loss account.

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

2 Turnover and Operating Profit / (Loss)

	1999 £'000	1998 £'000
Analysis of Turnover by geographical market:		
United Kingdom	37,904	35,938
Rest of Europe	698	64
USA	2,277	-
Rest of the World	1,700	1,141
	<hr/> 42,579	<hr/> 37,143

All turnover arises from the UK

Analysis of turnover by class of business:		
Product sales and services	314	331
Scientific, engineering and computer consultancy	41,958	7,046
Commercial Systems	307	29,766
	<hr/> 42,579	<hr/> 37,143

The operating Profit / (Loss) is stated after charging:

Loss on disposal of Fixed Assets	43	97
Redundancy costs	104	102
Rentals paid under operating leases:		
- land and buildings	954	678
- plant and machinery	300	293
Net foreign exchange (gain)/loss	(96)	52
Auditors remunerations:		
- audit services	35	35
- non audit services	-	-
Depreciation	769	742
Provision for impairment losses on fixed assets	753	-

	Continuing Operations	Discontinued Operations	1999 Total	Continuing Operations	Discontinued Operations	1998 Total
Turnover	42,579	-	42,579	36,812	331	37,143
Cost of sales	(30,785)	-	(30,785)	(31,342)	(373)	(31,715)
Gross Profit	11,794	-	11,794	5,470	(42)	5,428
Administrative expenses	(9,470)	-	(9,470)	(7,983)	(82)	(8,065)
Other operating income	272	-	272	502	(3)	499
Operating Profit / (Loss)	2,596	-	2,596	(2,011)	(127)	(2,138)

Discontinued operations comprise the business of the group's SAIT division for the year ended 31 January 1998. As described in Note 16, this division was disposed of on 7 March 1997.

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

3 Remuneration of Employees and Directors

	1999 £'000	1998 £'000
Staff costs		
Wages and salaries	14,995	13,249
Social security costs	1,494	1,289
Other pension costs	1,234	1,250
	<u>17,723</u>	<u>15,788</u>

The average monthly number of employees, including the director, during the year was made up as follows:

	1999 Number	1998 Number
Direct	488	351
Indirect	17	76
	<u>505</u>	<u>427</u>

Total directors remuneration and highest paid director:

	1999 £'000	1998 £'000
Gross remuneration	104	70
Employers' contributions to money purchase pension scheme	9	6
Other benefits	-	1
	<u>113</u>	<u>77</u>

4 Interest Receivable/Payable

	1999 £'000	1998 £'000
Interest receivable and similar income		
Bank deposit	151	60
Interest payable and similar charges		
Loan from ultimate parent undertaking repayable on demand	-	106

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

5 Tax on Loss on Ordinary Activities

Due to the losses incurred in the 2 years up to 31 January 1998 the Company has accumulated tax losses and no taxation liabilities are expected to arise.

6 Tangible Fixed Assets

	Office Furniture & fittings £'000	Short Leasehold Buildings £'000	Plant Machinery & Equipment £'000	Total £'000
Cost				
At 1 February 1998	791	1,197	2,594	4,582
Additions	15	270	417	702
Disposals	(33)	(2)	(204)	(239)
Transfers	(7)	-	7	-
At 31 January 1999	766	1,465	2,814	5,045
Accumulated Depreciation				
At 1 February 1998	158	261	884	1,303
Charge for year	142	718	663	1,522
Disposals	(19)	(2)	(175)	(196)
Transfers	(2)	-	2	-
At 31 January 1999	279	977	1,374	2,629
Net Book Value				
At 31 January 1999	487	488	1,440	2,416
At 31 January 1998	633	936	1,710	3,279

7 Investments

The Company's investment in its subsidiaries are as follows:

	1999 £'000	1998 £'000
Cost		
Andrew Palmer and Associates Limited (incorporated in England) Ordinary share Capital (100% owned)	226	226
The Fifth Business Ltd. (Incorporated in England) Ordinary share capital (50% owned)	105	105
Total cost	331	331

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

7 Investments (Continued)

	1999 £'000	1998 £'000
Provision for permanent diminution in value		
Provided during 1998 and carried forward	(331)	(331)
Net book value	-	-

8 Debtors

	1999 £'000	1998 £'000
Trade debtors	9,577	7,849
Amount owed by parent undertakings	318	-
Prepayments and accrued income	2,569	4,437
	12,464	12,286

9 Creditors: amounts falling due with one year

	1999 £'000	1998 £'000
Trade creditors	1,931	2,811
Amount owed to parent undertaking	63	508
Other creditors	91	89
Other taxation and social security	1,063	1,598
Interest bearing loan from ultimate parent undertaking	-	1,965
Accruals and deferred income	8,733	5,410
	11,881	12,381

Interest is borne on the loan from the ultimate parent undertaking at 5% p.a. or at the US Applicable Federal rate. The loan is unsecured and repayable on demand.

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

10 Share Capital

	1999 £'000	1998 £'000
Authorised share capital 706,750 ordinary shares of £1 each	707	707
Allotted called-up and fully paid: 706,725 ordinary shares of £1 each	707	707

11 Reconciliation of Movements in Shareholders' Funds

	Share Capital	Share Premium Account	Profit & Loss account	Other Reserve	Total shareholders' Funds	
	£'000		£'000	£'000	1999 £'000	1998 £'000
At 1 February 1998	707	24	(5,840)	8,800	3,691	793
Profit / (loss) for the year			2,747		2,747	(2,102)
Capital contribution from parent undertaking					-	5,000
At 31 January 1999	707	24	(3,093)	8,800	6,438	3,691

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

12 Future Rental Obligations Under Operating Leases

	1999 £'000	1998 £'000
Payable in year ending 31 January 1999		
Land and Buildings		
Operating leases which expire:		
Less than one year	29	-
Between two and five years	182	163
Over 5 years	568	414
	779	577
Other		
Operating leases which expire:		
Within one year	10	251
Between two and five years	18	16
Over five years	-	-
	28	267

13 Capital Commitments and Contingent Liabilities

At 31 January 1999 the company had no capital expenditure approved but not contracted for (1998: £nil). The company had no contingent liabilities at 31 January 1999 (1998: Nil)

14 Pension Scheme

The company contributes 9% of basic salary for those employees who join the group personal pension scheme. Contributions relating to this scheme were £1,234,382 (1998: £1,250,000) of which £276,000 (1998: £332,000) was accrued at the year end.

15 Related Parties

The ultimate parent undertaking is Science Applications International Corporation, a company incorporated in the State of Delaware in the United States of America. Science Applications International Corporation is the immediate parent undertaking of SAIC Europe Limited, which is the parent undertaking of the largest group for which group accounts are prepared in the United Kingdom and of which SAIC Limited is a member. Financial statements for SAIC Inc. and SAIC Europe Limited are available at 8/9 Stratton Street, Mayfair, London, W1X 5FD. Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related party disclosures", as the consolidated financial statements of SAIC Europe Limited, in which the company is included, are available at the address noted above.

SAIC Limited

Notes To The Financial statements – 31 January 1999 (Continued)

16 Exceptional items

Year Ended 31st January 1998

On 7 March 1997 the net assets of the company's SAIT division were disposed of to Litton Data Systems. The disposal proceeds amounts to £1,094,000, which resulted in a net gain on disposal of £82,000.