

Company Registration No: 1396396

SAIC LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 JANUARY 2001**



LD7
COMPANIES HOUSE

LVRGSSUC

0410
06/09/01

SAIC LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS	Page
Directors' report	1
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

SAIC LIMITED**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 January 2001.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year continued to be outsourcing, systems integration, scientific engineering and computer consultancy.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

On 5 May 2000 the company formed a Joint Venture company with Scottish Power UK plc called Calanais Limited. SAIC Limited purchased 500 £1 class 'B' Calanais shares representing 50% ownership interest with the remaining 50% being owned by Scottish Power UK plc.

On 14 December 2000 a division providing consulting in the field of information protection was disposed of, resulting in a pre-tax gain of £661,489. This division was not considered to be part of the core operations of the company.

On 12 April 2001 SAIC Limited purchased the remaining interest in Calanais Limited.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,425,000 (2000 profit - £3,246,000). Science Applications International Corporation has issued stock options to employees of SAIC Limited. The cost to SAIC Limited of providing the benefit of the share-based incentives under the stock plan to its employees was £2,272,000 (2000- nil).

The directors are recommending a final dividend of £1,578,000 for the year. The final dividend will be paid in August 2001.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and to the date of this report, were as follows:

P Stocks (appointed 1 December 1999)
N Garden (resigned 1 August 2000)
H Bozorgmanesh (appointed 12 April 2001)
A Slotkin (appointed 12 April 2001)
J Shurey (appointed 12 April 2001)
W H Russell (appointed 12 April 2001)
R Young (appointed 12 April 2001)

The directors do not have any interest in the shares of the company. At 31 January 2001, P Stocks held 4,905 class 'A' common shares and 16,679 outstanding options, in the company's ultimate parent undertaking, Science Applications International Corporation.

No directors had any interest in group companies except as noted above.

SAIC LIMITED

DIRECTORS' REPORT

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. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

EMPLOYEE INVOLVEMENT

The company has held meetings at intervals during the year 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

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



R G Wall
Company Secretary

13th August 2001

SAIC Limited
8/9 Stratton Street
Mayfair
W1J 8LF

SAIC LIMITED**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 at the end of the financial year and of the profit or loss of the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR'S REPORT TO THE MEMBERS OF

SAIC LIMITED.

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

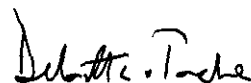
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 for whether the accounting policies are appropriate to the company and the group, 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 affairs of the company at 31 January 2001 and the profit of the company for the year then ended have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants
and Registered Auditors

30 August 2001

SAIC LIMITED
PROFIT AND LOSS ACCOUNT

Year ended 31 January 2001

	Note	£'000	2001 £'000	2000 £'000
TURNOVER				
Continuing operations		37,010		36,784
Discontinued operations	3	<u>508</u>		<u>2,789</u>
Total turnover	2		37,518	39,573
Cost of sales			<u>(27,359)</u>	<u>(30,883)</u>
Gross profit			10,159	8,690
Administrative expenses			(9,496)	(6,290)
Other net operating income			<u>68</u>	<u>151</u>
OPERATING PROFIT	4			
Continuing operations	3	744		3,250
Discontinued operations	3	<u>(13)</u>		<u>(699)</u>
			731	2,551
Profit on disposal of discontinued operation			661	850
Interest receivable and similar income	7		<u>785</u>	<u>403</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2,177	3,804
Tax charge on profit on ordinary activities	8		(752)	(558)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			<u>1,425</u>	<u>3,246</u>
Dividends proposed	9		<u>(1,578)</u>	<u>-</u>
Transferred (from)/to reserves	16		<u>(153)</u>	<u>3,246</u>

There are no recognised gains or losses, or movements in shareholders' funds, for the current financial year and preceding financial year other than as stated in the profit and loss account.

SAIC LIMITED
BALANCE SHEET

31 January 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible fixed assets	10	1,553	2,005
Investments	11	1	-
		<u>1,554</u>	<u>2,005</u>
CURRENT ASSETS			
Debtors	12	19,255	20,016
Cash at bank and in hand		9,751	7,813
		<u>29,006</u>	<u>27,829</u>
CREDITORS: amounts falling due within one year	13	<u>(21,029)</u>	<u>(20,150)</u>
NET CURRENT ASSETS		<u>7,977</u>	<u>7,679</u>
TOTAL NET ASSETS		<u>9,531</u>	<u>9,684</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	15	707	707
Share premium account	16	24	24
Other reserves	16	8,800	8,800
Profit and loss account	16	-	153
TOTAL SHAREHOLDERS' FUNDS	16	<u>9,531</u>	<u>9,684</u>

These financial statements were approved by the Board of Directors on 13 August 2001.

Signed on behalf of the Board of Directors

H. Bozorgmanesh

13 August 2001

Chairman



SAIC LIMITED**NOTES TO THE ACCOUNTS**

Year ended 31 January 2001

1 ACCOUNTING POLICIES**Basis of accounting**

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

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the standard.

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.

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.

Depreciation

Depreciation on tangible fixed assets is provided on the straight line basis to write off the cost of fixed assets over their estimated useful lives as follows:

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

SAIC LIMITED**NOTES TO THE ACCOUNTS**

Year ended 31 January

1 ACCOUNTING POLICIES (continued)**Fixed asset investments**

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

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.

Research and development

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

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.

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.

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 ACCOUNTS

Year ended 31 January 2001

2 TURNOVER

	2001 £'000	2000 £'000
Analysis of turnover by geographical market:		
United Kingdom	34,737	32,786
Rest of Europe	1,055	744
USA	1,570	4,697
Rest of the world	156	1,346
	<u>37,518</u>	<u>39,573</u>
Analysis of turnover by class of business:		
Product sales and services	-	975
Scientific, engineering and computer consultancy	37,518	38,598
	<u>37,518</u>	<u>39,573</u>

3 ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	Continuing £'000	Discontinued £'000	2001 Total £'000	Continuing £'000	Discontinued £'000	2000 Total £'000
Turnover	37,010	508	37,518	36,784	2,789	39,573
Cost of sales	(27,061)	(298)	(27,359)	(28,812)	(2,071)	(30,883)
Gross profit	9,949	210	10,159	7,972	718	8,690
Administrative expenses	(9,273)	(223)	(9,496)	(4,873)	(1,417)	(6,290)
Other operating income	68	-	68	151	-	151
Operating profit / (loss)	<u>744</u>	<u>(13)</u>	<u>731</u>	<u>3,250</u>	<u>(699)</u>	<u>2,551</u>

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2001

4 OPERATING PROFIT

	2001 £'000	2000 £'000
The operating profit is stated after charging/(crediting):		
Profit on disposal of fixed asset investment	-	(15)
Loss on disposal of fixed assets	44	44
Redundancy	56	113
Stock option charge	2,272	-
Rentals paid under operating leases:		
- land and buildings	1,144	1,289
- plant and machinery	355	94
Net foreign exchange (gain)/loss	(22)	2
Auditors' remuneration:		
- audit services	40	35
- non audit services	50	45
Depreciation	516	760

5 DIRECTORS' REMUNERATION

	2001 £'000	2000 £'000
Aggregate emoluments	314	161
Employers' contributions to money purchase pension scheme	20	12
Other benefits	1	2
	<hr/> 335	<hr/> 175
Highest paid director		
Total emoluments	235	
Employers' contributions to money purchase pension scheme	15	
Other benefits	1	
	<hr/> 251	

The directors are members of the group personal pension scheme. Further details as to the scheme benefit are provided in note 18.

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2001

6 EMPLOYEE INFORMATION

	2001 £'000	2000 £'000
Staff costs		
Wages and salaries	16,315	15,128
Social security costs	1,770	1,718
Other pension costs	1,090	1,106
	<u>19,175</u>	<u>17,952</u>

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

	2001 No.	2000 No.
Direct	429	424
Indirect	14	15
	<u>443</u>	<u>439</u>

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £'000	2000 £'000
Interest receivable and similar income		
Bank deposit	<u>785</u>	<u>403</u>

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000-30%)	706	860
Add/(less) movement in deferred tax provision	46	(352)
Adjustment in respect of prior years	-	50
	<u>752</u>	<u>558</u>

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2001

9 DIVIDENDS

	2001 £'000	2000 £'000
Final proposed – 223.28p per ordinary share (2000-nil)	1,578	-
	<u>1,578</u>	<u>-</u>

10 TANGIBLE FIXED ASSETS

	Office Furniture & Fittings £'000	Short Leasehold Buildings £'000	Plant Machinery & Equipment £'000	Total £'000
Cost				
At 1 February 2000	749	765	2,399	3,913
Additions	19	7	109	135
Disposals	(14)	-	(766)	(780)
Transfer to other group company	-	-	(7)	(7)
At 31 January 2001	<u>754</u>	<u>772</u>	<u>1,735</u>	<u>3,261</u>
Accumulated Depreciation				
At 1 February 2000	197	271	1,440	1,908
Charge for year	81	61	374	516
Disposals	(4)	-	(709)	(713)
Transfer to other group company	-	-	(3)	(3)
At 31 January 2001	<u>274</u>	<u>332</u>	<u>1,102</u>	<u>1,708</u>
Net Book Value				
At 31 January 2001	<u>480</u>	<u>440</u>	<u>633</u>	<u>1,553</u>
At 31 January 2000	<u>552</u>	<u>494</u>	<u>959</u>	<u>2,005</u>

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2001

11 INVESTMENTS

	Joint Venture £'000	Total £'000
Cost		
Addition during the year	1	1
At 31 January 2001	1	1

Additions

On 5 May 2000 the company formed a Joint Venture company with Scottish Power UK plc called Calanais Limited. SAIC Limited purchased 500 £1 class 'B' Calanais shares representing 50% ownership interest with the remaining 50% being owned by Scottish Power UK plc.

The company provides a wide range of IT services including Project Management, Software Development, IT Infrastructure management, IT Applications Management and Applications Development.

12 DEBTORS

	2001 £'000	2000 £'000
Trade debtors	15,212	15,624
Amounts owed by parent undertaking	-	226
Prepayments and accrued income	3,572	3,797
Other debtors	471	369
	<u>19,255</u>	<u>20,016</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Trade creditors	1,500	3,341
Amounts owed to parent undertaking	1,306	440
Taxation and social security	3,115	3,064
Other creditors	-	94
Accruals and deferred income	13,530	13,211
Proposed dividend	1,578	-
	<u>21,029</u>	<u>20,150</u>

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2001

14

DEFERRED TAXATION

The deferred tax asset included within current asset prepayments (see note 12), consists of the following amounts:

	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	258	337
Other timing differences	48	15
	<hr/>	<hr/>
Balance at 31 January 2001	306	352

	2001 £'000
At 1 February 2000	352
Current year charge	(46)
	<hr/>
At 31 January 2001	306

15

CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised share capital: 706,750 ordinary shares of £1 each	707	707
	<hr/>	<hr/>
Allotted called-up and fully paid: 706,725 ordinary shares of £1 each	707	707
	<hr/>	<hr/>

16

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Profit & loss £'000	Other reserve £'000	Total 2001 £'000	Total 2000 £'000
At 1 February 2000	707	24	153	8,800	9,684	6,438
Profit/(loss) for the year	-	-	(153)	-	(153)	3,246
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2001	707	24	-	8,800	9,531	9,684

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2001

17 FUTURE RENTAL OBLIGATIONS UNDER OPERATING LEASES

	2001 £'000	2000 £'000
Obligations under operating leases comprise		
Land and buildings		
Expiring within 1 year	154	-
Expiring during years 2 to 5	91	134
Expiring thereafter	1025	954
	<hr/> 1,270	<hr/> 1,088
Other assets		
Expiring within 1 year	210	14
Expiring during years 2 to 5	127	230
	<hr/> 337	<hr/> 244

18 CONTINGENT LIABILITIES

The company has a contingent liability, in respect of unoccupied premises, of £300,000 as at 31 January 2001 (2000: £300,000).

19 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 £1,090,063 (2000: £1,106,411).

20 ULTIMATE PARENT COMPANY

The immediate parent company is SAIC Europe Limited, a company incorporated in the United Kingdom, which is the smallest group for which consolidated accounts are produced. The ultimate parent company is Science Applications International Corporation, a company incorporated in the State of Delaware in the United States of America, which is the largest group for which consolidated accounts are produced. Financial statements for SAIC Europe Limited and Science Applications International Corporation are available at 8/9 Stratton Street, Mayfair, London, W1J 8LF.

21 RELATED PARTIES

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.