

Company Registration No. 1396396

SAIC Limited

Report and Financial Statements

31 January 2006

WEDNESDAY



ACY4PKXU

A15

29/11/2006

102

COMPANIES HOUSE

RE-SCAN

MA32-3A

SAIC Limited

Report and financial statements 2006

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	7
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the accounts	9

SAIC Limited

Report and financial statements 2006

Officers and professional advisers

Directors

S Dunnachie
C Koontz
C McBean
E O'Connor
P Watson

Joint secretaries

S M Frank
P Watson

Registered office

120 New Cavendish Street
London
W1W 6XX

Bankers

Citibank N.A.
Cottons Centre
Hays Lane
London
SE1 2QT

Citi Institutional Liquidity Plc
C/o PFPC International Ltd
Lower Abbey Street
Dublin 1
Ireland

Solicitors

Addleshaw Goddard
150 Aldersgate Street
London
EC1A 4EJ

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

SAIC Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2006.

Principal activities

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

The Company provides a range of services and solutions based on innovative applications of science and technology to deliver business value to customers.

Review of business and future developments

Operating performance has improved in the year. The increase in revenue was due to growth in outsourcing, systems integration and IT consultancy.

The impairment of the company's shareholding in DS&S Limited (note 12) depressed the previous year's profit by £3.8m. With the sale on 24 March 2006 of the shareholding to Rolls Royce PLC, the impairment was partially reversed, resulting in an increased profit this year of £3.7m.

The Company has adopted FRS 17 Retirement Benefits in these financial statements. The impact of this change in accounting policy is set out on page 9.

The Company anticipates continuing profitable growth based on its core skills, sector expertise and customer relations.

Results and dividends

The profit for the year after taxation amounted to £6,750,000 (2005: £2,865,000).

The directors are not recommending a dividend for the year (2005: interim dividend £1,776,000).

Science Applications International Corporation (SAI Corp.) has issued share 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 £801,230 (2005: £837,581).

Directors and their interests

The directors who served throughout the year (except as noted) and to the date of this report, were as follows:

R Bell	(appointed 4 July 2005, resigned 3 November 2006)
H Bozorgmanesh	(resigned 28 July 2005)
S Dunnachie	(appointed 16 November 2006)
F Jenkins	(resigned 2 November 2006)
C Koontz	(appointed 22 March 2005)
C McBean	(appointed 14 November 2006)
J McCall	(resigned 15 November 2006)
E O'Connor	(appointed 26 January 2006)
P Stocks	(resigned 30 December 2005)
R Walker	(resigned 7 February 2005)
P Watson	(appointed 6 November 2006)

The directors do not have any interest in the shares of the company. At 31 January 2006, the directors held class 'A' common shares and outstanding options, in the company's ultimate

SAIC Limited

Directors' report

parent undertaking, Science Application International Corporation. For further details please refer to note 4.

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

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 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.

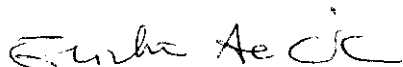
Financial risk management

The directors consider that the financial risks relevant to the company are credit risk, cash flow risk and liquidity risk. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for doubtful debts is made where there is evidence of a reduction in the recoverability of the debt. The company's cash flow risk is primarily attributable to its exposure to fluctuations in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge these exposures where the amounts involved are considered material and meet the criteria for financial hedge accounting compliance. The company does not use derivative financial instruments for speculative purposes. The company's liquidity risk is mitigated by the company's continuing profitability and access to the cash assets of its ultimate parent company.

Auditors

Pursuant to Section 386 of the Companies Act 1985, as inserted by Section 119 of the Companies Act 1989, an elective resolution was passed dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

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



E O'Connor
Director

23 November 2006

SAIC Limited

Statement of directors' responsibilities

United Kingdom 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 as 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of SAIC Limited

We have audited the financial statements of SAIC Limited for the year ended 31 January 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. 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 other transactions is not disclosed.

We read the directors' report for the above year as described in the contents section 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of SAIC Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

27 March 2006

SAIC Limited

Profit and loss account Year ended 31 January 2006

	Notes	2006 £'000	2005 Restated £'000
Turnover	1, 2	97,626	93,365
Cost of sales		(72,411)	(66,991)
Gross profit		25,215	26,374
Administrative expenses		(15,309)	(21,551)
Other net operating income		-	80
Operating profit	3	9,906	4,903
Investment income	6	461	724
Interest payable and similar charges	7	(303)	(81)
Profit on ordinary activities before taxation		10,064	5,546
Tax charge on profit on ordinary activities	8	(3,314)	(2,681)
Profit on ordinary activities after taxation		6,750	2,865
Dividends paid and proposed	9	-	(1,776)
Retained result for the financial year		6,750	1,089

All activities derive from continuing operations.

Statement of total recognised gains and losses Year ended 31 January 2006

	Notes	2006 £'000	2005 Restated £'000
Profit for the financial year		6,750	2,865
Actuarial loss relating to the pension scheme	22	(4,181)	(4,026)
UK deferred tax attributable to actuarial loss		1,254	1,208
Total recognised gains relating to the year		3,823	47
Prior year adjustment	22	(11,745)	
Total gains and losses recognised since last annual report		(7,922)	

SAIC Limited

Balance sheet 31 January 2006

	Notes	2006 £'000	2005 Restated £'000
Fixed assets			
Intangible assets	10	4,440	4,694
Tangible assets	11	2,017	2,489
Investments	12	5,577	1,873
		<u>12,034</u>	<u>9,056</u>
Current assets			
Work in progress	13	455	542
Debtors	14	18,109	13,720
Cash at bank and in hand		14,609	12,546
		<u>33,173</u>	<u>26,808</u>
Creditors: amounts falling due within one year	15	<u>(27,605)</u>	<u>(25,518)</u>
Net current assets		<u>5,568</u>	<u>1,290</u>
Total assets less current liabilities		<u>17,602</u>	<u>10,346</u>
Creditors: amounts falling due after one year	16	<u>(339)</u>	<u>-</u>
Net assets excluding pension liabilities		<u>17,263</u>	<u>10,346</u>
Pension liabilities	22	<u>(14,873)</u>	<u>(11,779)</u>
Net assets/(liabilities) including pension liabilities		<u>2,390</u>	<u>(1,433)</u>
Capital and reserves			
Called up share capital	19	707	707
Share premium account	20	24	24
Other reserves	20	8,603	8,603
Profit and loss account	20	(6,944)	(10,767)
Total equity shareholders' funds/(deficit)	20	<u>2,390</u>	<u>(1,433)</u>

These financial statements were approved by the Board of Directors on 23 November 2006.

Signed on behalf of the Board of Directors



E O'Connor
Director

SAIC Limited

Notes to the accounts Year ended 31 January 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below and have been applied consistently in the current and prior year other than the change in accounting policy related to retirement benefits set out below.

Change in accounting policy

The company has adopted FRS 17 'Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The method of accounting for pensions under FRS 17 is included under the 'Pensions' heading below.

The effect of the restatement on the accounts is shown below.

	2005 £'000
Increase in retained profit	111
Decrease in equity shareholders' funds	<u>11,745</u>

Basis of accounting

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

Under FRS 1 'Cash Flow Statements', 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 228A of the Companies Act 1985, as it is a subsidiary undertaking of SAIC Inc, 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 delivered and accepted by the customer.

No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts.

Unbilled receivables are stated at estimated realisable value.

Tangible fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated 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
Computer equipment	3 – 8 years
Plant, machinery and equipment	3 – 8 years

SAIC Limited

Notes to the accounts Year ended 31 January 2006

1. Accounting policies (continued)

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision for permanent impairment.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Leased assets

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Research and development

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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

Pension

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs 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.

For the defined benefit scheme, in accordance with FRS 17 'Retirement Benefits', the operating and financing costs of pensions are charged to the profit and loss account in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses. Pensions costs are assessed in accordance with the advice of independent qualified actuaries.

SAIC Limited

Notes to the accounts Year ended 31 January 2006

2. Turnover

	2006 £'000	2005 £'000
Analysis of turnover by geographical market:		
United Kingdom	79,530	78,626
Rest of Europe	4,107	3,600
USA	7,919	5,980
Rest of the world	6,070	5,159
	<u>97,626</u>	<u>93,365</u>
Analysis of turnover by class of business:		
Scientific, engineering and computer services	94,737	86,875
Sensor devices	2,889	6,490
	<u>97,626</u>	<u>93,365</u>

The directors have not included additional segmental information as they feel it is prejudicial to the interests of the company.

3. Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging/(crediting):		
Loss on disposal of fixed assets	53	19
Contractual redundancy payments	117	328
Share option charge	801	838
Rentals paid under operating leases:		
Land and buildings	2,295	2,652
Plant and machinery	46	155
Foreign currency translation differences	(83)	47
Auditors' remuneration		
Audit services	128	111
Non-audit services	61	22
Depreciation – owned assets	879	896
Amortisation of intangible fixed assets	254	253
(Reversal of impairment)/impairment of investment in Data Systems & Solutions Limited (see note 12)	<u>(3,704)</u>	<u>3,833</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2006

4. Directors' remuneration

	2006 £'000	2005 £'000
Emoluments	318	345
Employers' contributions to money purchase pension scheme	18	18
Other benefits	43	36
	<u>379</u>	<u>399</u>
Highest paid director		
Emoluments	315	345
Employers' contributions to money purchase pension scheme	18	18
Other benefits	43	36
	<u>376</u>	<u>399</u>

During the year, two directors (2005: one) were remunerated by the company; the remaining directors serving in office during the year were remunerated by the ultimate parent undertaking Science Applications International Corporation (SAI Corp.). There was no re-charge in the current year (2005: £nil) from SAI Corp. for services rendered by the directors to SAIC Limited.

One director is a member of the group personal pension scheme. Further details as to the scheme benefit are provided in note 22.

Two directors (2005: one) accrued benefits under a money purchase pension scheme during the year.

Directors' interests in the company's ultimate parent undertaking, Science Applications International Corporation at 31 January 2006 are shown below. The comparatives are at 31 January 2005 or the director's date of appointment in the year.

		Number of common shares 'A'	
		2006	2005
C Koontz	(appointed 22 March 2005)	10,342	10,342
R Bell	(appointed 4 July 2005)	2,182	1,497
J McCall		25,497	26,943
F Jenkins		103,873	93,478
E O'Connor	(appointed 26 January 2006)	543	543

Share options

		At 31 January 2005	Granted	Exercised	At 31 January 2006
C Koontz	(appointed 22 March 2005)	30,356	12,000	-	42,356
R Bell	(appointed 4 July 2005)	885	-	-	885
J McCall		67,500	4,000	10,000	61,500
F Jenkins		48,935	8,145	20,435	36,645
E O'Connor	(appointed 26 January 2006)	4,000	-	-	4,000

SAIC Limited

Notes to the accounts Year ended 31 January 2006

4. Directors' remuneration (continued)

Further details of the options for the directors are as follows:

	Exercise price	Date from which exercisable		Expiry date
	\$			
C Koontz	37.87	2 Feb 2004 – 31 March 2006	1 Feb 2009 – 30 March 2010	
R Bell	37.34	3 May 2005 – 3 May 2005	2 May 2009 – 2 May 2009	
J McCall	32.30	23 March 2002 – 31 March 2006	22 March 2006 – 30 March 2010	
F Jenkins	34.29	27 March 2003 – 18 Nov 2006	26 March 2007 – 17 Nov 2010	
E O'Connor	40.06	12 Nov 2005 – 18 Nov 2006	11 Nov 2009 – 17 Nov 2010	

The exercise price is stated at the weighted average.

Options generally vest over a period of four years from the date of grant and expire within five years of grant. The first date of exercise is the first anniversary of the date of grant of the option, when 20% becomes exercisable.

5. Employee information

	2006 £'000	2005 Restated £'000
Staff costs		
Wages and salaries	45,046	41,994
Social security costs	5,032	3,779
Other pension costs	4,525	4,241
	<u>54,603</u>	<u>50,014</u>
Average number of persons employed		
Full-time members of staff	1,007	969
Part-time members of staff	65	52
	<u>1,072</u>	<u>1,021</u>

6. Investment income

	2006 £'000	2005 Restated £'000
Other interest receivable and similar income	461	683
Other interest receivable (see note 22)	-	41
	<u>461</u>	<u>724</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2006

7. Interest payable and other charges

	2006 £'000	2005 £'000
Interest on loan notes	-	73
Interest on tax stage payments	203	8
Other interest payable (see note 22)	98	-
Bank Interest	2	-
	<u>303</u>	<u>81</u>

8. Tax charge on profit on ordinary activities

	2006 £'000	2005 Restated £'000
United Kingdom corporation tax at 30% (2005: 30%)	2,630	2,875
Adjustment in respect of prior years	1,039	(31)
	<u>3,669</u>	<u>2,844</u>
Deferred taxation		
Current year charge/(credit)	48	33
Adjustment in respect of prior years	(403)	(196)
	<u>3,314</u>	<u>2,681</u>

Tax reconciliation:

	£'000	£'000
Profit on ordinary activities before taxation	10,064	5,435
Implementation of FRS17	-	111
	<u>10,064</u>	<u>5,546</u>
Tax at United Kingdom corporation tax of 30%	3,019	1,664
Tax effect of expenses that are not deductible in determining taxable profit	(341)	1,277
Capital allowances in excess of depreciation	38	(33)
Movement in short-term timing differences	(86)	-
Prior year adjustment	1,039	(31)
	<u>3,669</u>	<u>2,877</u>

9. Dividends paid

	2006 £'000	2005 £'000
Paid: £nil per ordinary share (2005: 251.30p)	-	1,776

SAIC Limited

Notes to the accounts Year ended 31 January 2006

10. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 February 2005 and 31 January 2006	5,073
Accumulated amortisation	
At 1 February 2005	379
Charge for the year	254
At 31 January 2006	633
Net book value	
At 31 January 2006	4,440
At 31 January 2005	4,694

11. Tangible fixed assets

	Office furniture and fittings £'000	Short leasehold buildings £'000	Plant machinery and equipment £'000	Total £'000
Cost				
At 1 February 2005	1,429	906	3,870	6,205
Additions	-	65	395	460
Disposals	(68)	(9)	(108)	(185)
At 31 January 2006	1,361	962	4,157	6,480
Accumulated depreciation				
At 1 February 2005	767	583	2,366	3,716
Charge for year	150	102	627	879
Disposals	(40)	(4)	(88)	(132)
At 31 January 2006	877	681	2,905	4,463
Net book value				
At 31 January 2006	484	281	1,252	2,017
At 31 January 2005	662	323	1,504	2,489

SAIC Limited

Notes to the accounts Year ended 31 January 2006

12. Investments

	Other investments £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 1 February 2005 and 31 January 2006	3,833	1,873	5,706
Provisions for impairment			
At 1 February 2005	3,833	-	3,833
Partial release of provision	(3,704)	-	(3,704)
At 31 January 2006	129	-	129
Net book value			
At 31 January 2006	3,704	1,873	5,577
At 31 January 2005	-	1,873	1,873

Other investments

On 19 April 2002, the company acquired a 49.999997% non controlling interest in Data Systems & Solutions Limited of 1,878,788 redeemable non-cumulative preference shares from the ultimate parent undertaking, Science Applications International Corporation, for £3,833,154. The preference shares do not carry rights to receive notice and attend and vote at general annual meetings of the company.

In the year ended 31 January 2005 a 100% provision was taken against the carrying value of the shares. This was primarily due to a significant downturn caused by a loss of business and an ongoing US Government investigation.

On 24 March 2006, the entire shareholding was sold to Rolls Royce PLC for £3,704,543 and the previous year's provision has therefore been partially released.

Data Systems & Solutions Limited's principal activities are the supply of instrumentation supervisory control systems, information and design support services for the aerospace, marine power, oil, gas, chemical, power generation and transmission and distribution of energy markets.

Interests in subsidiary undertakings

Calanais Limited is incorporated in Great Britain and at the year end SAIC Limited owned 100% of the nominal value of shares issued being, 500 £1 class 'A' shares and 500 £1 class 'B' shares. Calanais Limited was non-trading in the year.

Opta Limited is incorporated in Great Britain and at the year end SAIC Limited owned 100% of the nominal value of shares issued being, 2,377,282 £0.01 ordinary shares. Opta Limited was non-trading in the year.

13. Work in progress

	2006 £'000	2005 £'000
Work in progress	455	542

SAIC Limited

Notes to the accounts Year ended 31 January 2006

14. Debtors

	2006 £'000	2005 Restated £'000
Amounts falling due within one year		
Trade debtors	9,586	6,961
Prepayments and accrued income	6,842	5,926
Other debtors	1,389	833
	<u>17,817</u>	<u>13,720</u>
Amounts falling due after one year		
Prepayments and accrued income	292	-
	<u>18,109</u>	<u>13,720</u>

Included within other debtors is £836,000 (2005: £553,000) relating to a deferred tax asset (see note 18).

15. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	3,184	2,726
Amounts owed to group undertakings	3,766	3,143
Taxation and social security	4,686	4,672
Other creditors	51	51
Accruals and deferred income	15,919	14,926
	<u>27,606</u>	<u>25,518</u>

Included within taxation and social security is £2,403,000 (2005: £1,112,000) relating to corporation tax payable.

16. Creditors: amounts falling after more than one year

	2006 £'000	2005 £'000
Accruals and deferred income	339	-

SAIC Limited

Notes to the accounts Year ended 31 January 2006

17. Hedging

As explained in the accounting policy for foreign currencies (note 1), the company's policy is to hedge currency exposures on future expected sales using forward foreign currency contracts.

Gains and losses on instruments for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movement therein, are as follows:

	2006			2005		
	Gains £'000	Losses £'000	Total net gains/losses £'000	Gains £'000	Losses £'000	Total net gains/losses £'000
Unrecognised gains and losses at 1 February 2005 (2004)	11	-	11	222	(48)	174
Gains and losses arising in the previous year that were recognised in the year	9	-	9	222	(48)	174
Gains and losses arising before 1 February 2005 (2004) that were not recognised in the year	2	-	2	-	-	-
Gains and losses arising in the year that were not recognised in the year	12	-	12	11	-	11
Unrecognised gains and losses on hedges at 31 January 2006 (2005)	14	-	14	11	-	11
Gains and losses expected to be recognised in the next financial year	14	-	14	9	-	9

SAIC Limited

Notes to the accounts Year ended 31 January 2006

18. Deferred taxation

The deferred tax asset included within current asset other debtors (see note 14), consists of the following amounts:

	2006 £'000	2005 £'000
Capital allowances in excess of depreciation	67	17
Short term timing differences	294	190
Share option charge	475	346
	<u>836</u>	<u>553</u>
Balance at 31 January 2006		
	<u>836</u>	<u>553</u>
Movement on deferred tax asset in the year		
At 1 February 2005	553	357
Current year credit	283	196
	<u>836</u>	<u>553</u>
At 31 January 2006		
	<u>836</u>	<u>553</u>

19. Called up share capital

	2006 £'000	2005 £'000
Authorised share capital:		
706,750 (2005: 706,750) ordinary shares of £1 each	707	707
	<u>707</u>	<u>707</u>
Allotted, called up and fully paid:		
706,725 (2005: 706,725) ordinary shares of £1 each	707	707
	<u>707</u>	<u>707</u>

20. Reconciliation of movement in shareholders' funds

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 February 2005 – as previously stated	707	24	8,603	978	10,312
Prior year adjustment – pension deficit (FRS 17)	-	-	-	(11,745)	(11,745)
	<u>707</u>	<u>24</u>	<u>8,603</u>	<u>(10,767)</u>	<u>(1,433)</u>
At 1 February 2005 – restated	707	24	8,603	(10,767)	(1,433)
Retained profit in the year	-	-	-	6,750	6,750
Actuarial pension deficit	-	-	-	(2,927)	(2,927)
	<u>707</u>	<u>24</u>	<u>8,603</u>	<u>(6,944)</u>	<u>2,390</u>
At 31 January 2006					
	<u>707</u>	<u>24</u>	<u>8,603</u>	<u>(6,944)</u>	<u>2,390</u>

Other reserves relate to capital gifts received from SAIC Europe Limited, the immediate parent undertaking in the years ended 31 January 1997 and 1998, partly repaid in the year ended 31 January 2004.

SAIC Limited

Notes to the accounts Year ended 31 January 2006

21. Operating lease commitments

At 31 January 2006, the company was committed to making the following payments during the next year in respect of operating leases:

	2006 £'000	2005 £'000
Land and buildings		
Within one year	317	104
Within two to five years	551	1,731
After five years	1,469	460
	<u>2,337</u>	<u>2,295</u>
Other assets		
Within one year	25	88
Within two to five years	6	81
	<u>31</u>	<u>169</u>

22. Pension scheme

The company contributes 9% of basic salary for those employees who join the group personal pension scheme. The pension cost for the year was £2,584,376 (2005: £2,422,466) of which £202,469 (2005: £194,474) was accrued at the end of the year.

The assets of the group personal pension scheme are held and managed by Norwich Union.

The company also operates a defined benefit pension scheme. The final salary scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 1 April 2005, using the projected unit method, in which the actuarial liability makes allowances for projected earnings. The following were the principal actuarial assumptions applied:

Investment returns : pre retirement	6.75% per annum
Investment returns : post retirement	4.8% per annum
Salary growth	4.0% per annum
Pension increases	3.0% per annum

At the last actuarial valuation date, the actuarial value of assets of the final salary pension scheme was £34,403,000 and this was sufficient to cover 66.7% of the benefits which had accrued to members, after allowing for expected future increase in earnings. The employer's contribution rate over the average remaining lives of the members of the scheme takes account of the deficit disclosed by the valuation.

The company's agreed contribution rate for future years is 19.4% of pensionable salaries plus £163,000 per month.

SAIC Limited

Notes to the accounts Year ended 31 January 2006

22. Pension scheme (continued)

The full actuarial valuation at 1 April 2005 was updated to 31 January 2006 by a qualified actuary.

The assets in the scheme and the expected rates of return at 31 January were:

Asset	Long term rate of expected return at	Value at	Long term rate of expected return at	Value at	Long term rate of expected return at	Value at
	31 January 2006 £'000	31 January 2006 £'000	31 January 2005 £'000	31 January 2005 £'000	31 January 2004 £'000	31 January 2004 £'000
Equities	8.25% p.a.	30,157	8.50% p.a.	24,972	8.75% p.a.	21,975
Bonds	4.40% p.a.	8,822	5.00% p.a.	6,384	5.00% p.a.	6,474
Cash	4.00% p.a.	462	4.00% p.a.	1,435	4.00% p.a.	525
Other	7.00% p.a.	2,931	7.00% p.a.	608	-% p.a.	-
Total		<u>42,372</u>		<u>33,399</u>		<u>28,974</u>

The liabilities of the scheme at 31 January were calculated on the following bases as required under FRS 17:

	2006	2005	2004
Assumptions at 31 January			
Discount rate	4.7% p.a.	5.3% p.a.	5.5% p.a.
Rate of increase in salaries	3.6% p.a.	3.6% p.a.	3.5% p.a.
Rate of increase in pensions in payment	2.7% p.a.	2.6% p.a.	2.5% p.a.
Rate of increase in pensions in deferment	2.7% p.a.	2.6% p.a.	2.5% p.a.
Inflation assumption	2.7% p.a.	2.6% p.a.	2.5% p.a.

The balance sheet position for the scheme as calculated under FRS 17 at 31 January was as follows:

	2006 £'000	2005 £'000	2004 £'000
Fair value of assets	42,372	33,399	28,974
Present value of scheme liabilities	(63,620)	(50,226)	(41,886)
Deficit in the scheme	(21,248)	(16,827)	(12,912)
Related deferred tax asset	6,375	5,048	3,874
Net pension liability	<u>(14,873)</u>	<u>(11,779)</u>	<u>(9,038)</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2006

22. Pension scheme (continued)

The net effect on the company's reserves at 31 January was as follows:

	2006 £'000	2005 £'000	2004 £'000
Reserve after effect of FRS 17 (debit to reserves)	<u>(14,873)</u>	<u>(11,779)</u>	<u>(9,038)</u>

Analysis of movement in the scheme deficit during the year

	2006 £'000	2005 £'000
Opening deficit	(16,827)	(12,912)
Current service cost	(1,754)	(1,595)
Contributions	1,612	1,665
Other interest (payable)/receivable	(98)	41
Actuarial losses	<u>(4,181)</u>	<u>(4,026)</u>
Closing deficit in the scheme	<u>(21,248)</u>	<u>(16,827)</u>

	2006 £'000	2005 £'000
Amounts charged to operating profit:		
Current service cost	1,754	1,595
Past service cost	-	-
	<u>1,754</u>	<u>1,595</u>

	2006 £'000	2005 £'000
Amounts included as other interest (payable)/receivable:		
Expected return on scheme assets	2,615	2,396
Interest discount on scheme liabilities	<u>(2,713)</u>	<u>(2,355)</u>
Net interest (payable)/receivable	<u>(98)</u>	<u>41</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2006

22. Pension scheme (continued)

Amounts included within the statement of total recognised gains and losses in the year to 31 January are shown below:

	2006	2005	2004
Difference between actual and expected return on scheme assets			
- Amount (£'000)	4,648	130	2,829
- Percentage of scheme assets	11.0%	0.4%	9.8%
Experience gains arising on scheme liabilities			
- Amount (£'000)	4,470	97	347
- Percentage of the present value of the scheme liabilities	7.1%	0.2%	0.8%
Effects of changes in assumptions underlying the present value of scheme liabilities			
- Amount (£'000)	(13,299)	(4,253)	(2,537)
- Percentage of the present value of the scheme liabilities	(20.9)%	(8.5)%	(6.1)%
Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses			
- Amount (£'000)	(4,181)	(4,026)	639
- Percentage of the present value of the scheme liabilities	(6.5)%	(8.0)%	1.5%

23. Ultimate parent company

The immediate parent company is SAIC Europe Limited, a company incorporated in Great Britain. The ultimate parent company and controlling party is Science Applications International Corporation, a company incorporated in the State of Delaware in the United States of America, which is the smallest and largest group for which consolidated accounts are produced. Financial statements for SAIC Europe Limited are available at 120 New Cavendish Street, London, W1W 6XX and for Science Applications International Corporation at 10260 Campus Point Drive, San Diego, California, 92121.

24. 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 8 "Related party disclosures", as the consolidated financial statements of SAIC Inc, in which the company is included, are available at the address noted above.

Data Systems & Solutions Limited is deemed to be related by virtue of the 49.999997% non-controlling interest held at the year end.

The aggregate amount of the company's trade with Data Systems & Solutions Limited in the year was:

- sales of IT services £190,875 (2005: £275,607).

At the year end, the aggregate amount:

- due from the related company, included within debtors of £74,370 (2005: £18,236).