

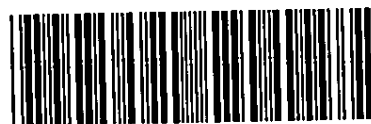
Company Registration No. 1396396

SAIC Limited

Report and Financial Statements

31 January 2008

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SAIC Limited

Report and financial statements 2008

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SAIC Limited

Report and financial statements 2008

Officers and professional advisers

Directors

S Dunnachie
C Koontz
C McBean

Secretary

S M Frank (resigned on 13 May 2008)
P Watson (resigned on 6 March 2008)
F Faragasso (appointed on 13 May 2008)

Registered office

120 New Cavendish Street
London
W1W 6XX

Bankers

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

Solicitors

Addleshaw Goddard
150 Aldersgate Street
London
EC1A 4EJ

Actuaries

Hewitt Bacon & Woodrow Limited
40 Queen Square
Bristol
BS1 4QP

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 2008.

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

The company continues to be profitable during the year to 31 January 2008 despite a fall in turnover due to a reduction in project related work from one of the company's major customers.

The main markets that the Company operate in continue to be highly competitive, with the Company achieving success through innovation, including increased use of SAIC's Indian operations. The Company is also able to utilise its access to the great depth of technical and innovative expertise from the US operations of its parent company, SAIC Inc.

The Company continues to operate primarily in the utilities, oil and gas, public sector and defence and security markets.

The key trading risks to the Company are down-turns in demand with major customers and in the key markets. Cost pressures, particularly in outsourcing, are not expected to relax.

The key performance indicators that management monitors are revenue, which amounted to £88,785,561 (2007: £99,314,605), and operating profit which amounted to £6,167,235 (£8,883,306).

The Company's liquidity continues to be healthy, with the Company continuing to be cash generative and free of debt and enjoying the support of its parent SAIC. The balance sheet continues to be strong, but is subject to the volatility in the calculation of the defined benefit pension scheme deficit. The scheme is closed to new members but continues to accrue benefit for existing members. The Company, in agreement with the Trustees of the scheme and following the last actuarial valuation, as at 31 March 2005, continues to pay an additional £2m per annum into the scheme to clear the deficit.

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 £5,172,000 (2007: £6,559,000).

The directors are not recommending a dividend for the year (2007: no dividend).

SAIC Limited

Directors' report

Directors

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

S Dunnachie
C Koontz
C McBean
E O'Connor (resigned 22 June 2007)
P Watson (resigned 06 March 2008)

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 for 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.

SAIC Limited

Directors' report

Auditors

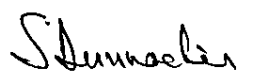
Each of the persons, who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

 28/11/08

S Dunnachie
Director

2008

SAIC Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 UK 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 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 2008 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, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
United Kingdom

26 November 2008

SAIC Limited

Profit and loss account Year ended 31 January 2008

	Notes	2008 £'000	2007 £'000
Turnover	1, 2	88,786	99,315
Cost of sales		(69,227)	(74,584)
Gross profit		19,559	24,731
Administrative expenses		(13,392)	(15,848)
Operating profit	3	6,167	8,883
Investment income	6	1,780	866
Interest payable and similar charges	7	-	(177)
Profit on ordinary activities before taxation		7,947	9,572
Tax charge on profit on ordinary activities	8	(2,775)	(3,013)
Profit on ordinary activities after taxation	19	5,172	6,559

All activities derive from continuing operations.

Statement of total recognised gains and losses Year ended 31 January 2008

	Notes	2008 £'000	2007 £'000
Profit for the financial year		5,172	6,559
Actuarial (loss)/gain relating to the pension scheme	21	(151)	8,174
UK deferred tax attributable to actuarial loss/(gain)		42	(2,453)
Total recognised gains relating to the year		5,063	12,280
Prior year adjustment		-	(134)
Total gains and losses recognised since last annual report		5,063	12,146

SAIC Limited

Balance sheet 31 January 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	9	3,933	4,187
Tangible assets	10	1,240	1,440
Investments	11	1,873	1,873
		<u>7,046</u>	<u>7,500</u>
Current assets			
Work in progress	12	160	-
Debtors	13	16,632	15,791
Cash at bank and in hand		21,624	20,477
		<u>38,416</u>	<u>36,268</u>
Creditors: amounts falling due within one year	14	<u>(17,325)</u>	<u>(20,691)</u>
Net current assets		<u>21,091</u>	<u>15,577</u>
Total assets less current liabilities		<u>28,137</u>	<u>23,077</u>
Provisions for liabilities and charges	15	<u>(1,699)</u>	<u>-</u>
Net assets excluding pension liabilities		<u>26,438</u>	<u>23,077</u>
Pension liabilities	21	<u>(7,512)</u>	<u>(8,686)</u>
Net assets including pension liabilities		<u>18,926</u>	<u>14,391</u>
Capital and reserves			
Called up share capital	18	707	707
Share premium account	19	24	24
Other reserves	19	7,485	8,013
Profit and loss account	19	10,710	5,647
Shareholders' funds	19	<u>18,926</u>	<u>14,391</u>

These financial statements were approved by the Board of Directors on

2008.

Signed on behalf of the Board of Directors

S Dunnachie 25/11/08

S Dunnachie
Director

SAIC Limited

Notes to the accounts Year ended 31 January 2008

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and 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 share-based payments set out below.

Basis of accounting

The financial statements are prepared on the historical cost convention.

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

Fixed asset investments

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

SAIC Limited

Notes to the accounts Year ended 31 January 2008

1. Accounting policies (continued)

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.

SAIC Limited

Notes to the accounts

Year ended 31 January 2008

1. Accounting policies (continued)

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, is recognised in the statement of total recognised gains and losses. Pensions costs are assessed in accordance with the advice of independent qualified actuaries.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at their fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities. The actuarial valuation is obtained at least triennially and is updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after the other net assets on the face of the balance sheet.

Share-based payment

The Company has applied the requirements of FRS20 Share-based payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that are unvested as of 1 February 2006.

The parent company issues equity settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions.

SAIC Limited

Notes to the accounts Year ended 31 January 2008

2. Turnover

	2008 £'000	2007 £'000
Analysis of turnover by geographical market:		
United Kingdom	77,441	90,624
Rest of Europe	2,660	281
USA	4,011	4,423
Rest of the world	4,674	3,987
	<u>88,786</u>	<u>99,315</u>
Analysis of turnover by class of business:		
Scientific, engineering and computer services	87,933	95,109
Other devices	853	4,206
	<u>88,786</u>	<u>99,315</u>

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

3. Operating profit

	2008 £'000	2007 £'000
Operating profit is stated after charging:		
Loss on disposal of fixed assets	7	112
Contractual redundancy payments	659	36
Share option charge	339	377
Rentals paid under operating leases:		
Land and buildings	2,276	2,621
Plant and machinery	29	81
Foreign currency translation differences	83	269
Depreciation – owned assets	563	707
Amortisation of intangible fixed assets	254	253
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the Company's annual accounts	106	103
Fees payable to the Company's auditors and their associates for other services to the group	2	2
	<u>108</u>	<u>105</u>
Total audit fees	108	105
Other services pursuant to legislation		
Taxation services	40	23
	<u>40</u>	<u>23</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2008

4. Directors' remuneration

	2008 £'000	2007 £'000
Emoluments	465	321
Employers' contributions to money purchase pension scheme	35	20
	<u>500</u>	<u>341</u>
Highest paid director		
Emoluments	272	206
Employers' contributions to money purchase pension scheme	19	10
Other benefits	-	-
	<u>291</u>	<u>216</u>

During the year, four directors (2007: three) 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 (SAIC Inc). There was no re-charge in the current year (2007: £nil) from SAIC Inc. for services rendered by the directors to SAIC Limited.

Four directors (2007: three) are members of the group personal pension scheme. Further details as to the scheme benefit are provided in note 21.

Four directors (2007: three) accrued benefits under a money purchase pension scheme during the year.

5. Employee information

	2008 £'000	2007 £'000
Staff costs		
Wages and salaries	45,786	44,460
Social security costs	4,397	5,074
Other pension costs	5,149	5,447
	<u>55,332</u>	<u>54,981</u>
Average number of persons employed		
Full-time members of staff	939	992
Part-time members of staff	69	69
	<u>1,008</u>	<u>1,061</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2008

6. Investment income

	2008 £'000	2007 £'000
Other interest receivable and similar income	1,390	761
Other interest receivable (see note 21)	390	105
	<u>1,780</u>	<u>866</u>

7. Interest payable and similar charges

	2008 £'000	2007 £'000
Interest on Corporation Tax Payments	-	177
	<u>-</u>	<u>177</u>

8. Tax charge on profit on ordinary activities

	2008 £'000	2007 £'000
United Kingdom corporation tax at 30% (2007: 30%)	1,879	2,596
Adjustment in respect of prior years	645	155
Double tax relief	(26)	(1)
Overseas tax	26	1
	<u>2,524</u>	<u>2,751</u>
Deferred taxation		
Current year charge	581	422
Adjustment in respect of prior years	(607)	(160)
Change in tax rate	277	-
	<u>2,775</u>	<u>3,013</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2008

8. Tax charge on profit on ordinary activities (continued)

	2008 £'000	2007 £'000
Tax reconciliation:		
Profit on ordinary activities before taxation	7,947	9,572
Tax at United Kingdom corporation tax of 30%	2,384	2,871
Tax effect of expenses that are not deductible in determining taxable profit	117	147
Depreciation in excess of capital allowances	69	42
Movement in short-term timing differences	(691)	(465)
Prior year adjustment	645	155
	<u>2,524</u>	<u>2,751</u>

9. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 February 2007 and 31 January 2008	5,073
Accumulated amortisation	
At 1 February 2007	886
Charge for the year	254
At 31 January 2008	1,140
Net book value	
At 31 January 2008	3,933
At 31 January 2007	4,187

SAIC Limited

Notes to the accounts Year ended 31 January 2008

10. Tangible fixed assets

	Office furniture and fittings £'000	Short leasehold buildings £'000	Plant machinery and equipment £'000	Total £'000
Cost				
At 1 February 2007	760	657	3,842	5,259
Additions	26	135	209	370
Disposals	(41)	(334)	(519)	(894)
At 31 January 2008	745	458	3,532	4,735
Accumulated depreciation				
At 1 February 2007	472	455	2,892	3,819
Charge for year	79	107	377	563
Disposals	(34)	(334)	(519)	(887)
At 31 January 2008	517	228	2,750	3,495
Net book value				
At 31 January 2008	228	230	782	1,240
At 31 January 2007	288	202	950	1,440

11. Investments

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 February 2007 and 31 January 2008	1,873

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.

SAIC Limited

Notes to the accounts Year ended 31 January 2008

12. Work in progress

	2008 £'000	2007 £'000
Work in progress	160	-

13. Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade debtors	8,674	10,092
Prepayments and accrued income	6,823	4,297
Other debtors	1,135	1,402
	<u>16,632</u>	<u>15,791</u>

Included within other debtors is £1,031,000 (2007: £440,000) relating to a deferred tax asset (see note 17).

14. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	3,402	4,848
Amounts owed to group undertakings	4,109	4,530
Taxation and social security	4,413	2,225
Other creditors	36	103
Accruals and deferred income	5,365	8,985
	<u>17,325</u>	<u>20,691</u>

Included within taxation and social security is £1,173,000 (2007: £675,000 corporation tax debtor included within Other Debtors, refer to note 13) relating to corporation tax payable.

SAIC Limited

Notes to the accounts Year ended 31 January 2008

15. Provision for liabilities and charges

	Property Provisions £'000
Balance at 1 February 2007	-
Transfer from accruals	2,267
Provided during the year	151
Utilised during the year	(444)
Provision written back	(275)
Balance at 31 January 2008	<u>1,699</u>

The provision has been made for vacant space, dilapidations costs and facility management expenses at the Company's leasehold premises (2007: £2,267,000 included within accruals and deferred income, refer to note 14).

16. 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:

	2008			2007		
	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	-	-	-	14	-	14
Gains and losses arising in the previous year that were recognised in the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>

SAIC Limited

Notes to the accounts Year ended 31 January 2008

17. Deferred taxation

The deferred tax asset included within current asset other debtors (see note 13), consists of the following amounts:

	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	346	98
Short term timing differences	513	158
Share option charge	172	184
	<u>1,031</u>	<u>440</u>
Balance at 31 January		
	<u>1,031</u>	<u>440</u>
Movement on deferred tax asset in the year		
At 1 February	440	702
Current year credit/(charge)	591	(262)
	<u>1,031</u>	<u>440</u>
At 31 January		
	<u>1,031</u>	<u>440</u>

18. Called up share capital

	2008 £'000	2007 £'000
Authorised share capital:		
706,750 (2007: 706,750) ordinary shares of £1 each	707	707
	<u>707</u>	<u>707</u>
Allotted, called up and fully paid:		
706,725 (2007: 706,725) ordinary shares of £1 each	707	707
	<u>707</u>	<u>707</u>

19. 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 2007	707	24	8,013	5,647	14,391
Retained profit in the year	-	-	-	5,172	5,172
Actuarial pension loss	-	-	-	(151)	(151)
Deferred tax arising thereon	-	-	-	42	42
Share-based payment (FRS 20)	-	-	(528)	-	(528)
	<u>707</u>	<u>24</u>	<u>7,485</u>	<u>10,710</u>	<u>18,926</u>
At 31 January 2008					
	<u>707</u>	<u>24</u>	<u>7,485</u>	<u>10,710</u>	<u>18,926</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.

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Notes to the accounts Year ended 31 January 2008

20. Operating lease commitments

At 31 January 2008, the Company was committed to making the following payments during the next year in respect of operating leases:

	2008 £'000	2007 £'000
Land and buildings		
Within one year	-	-
Within two to five years	299	458
After five years	1,593	1,706
	<u>1,892</u>	<u>2,164</u>
Other assets		
Within one year	1	1
Within two to five years	41	26
	<u>42</u>	<u>27</u>

21. Pension scheme

The Company contributes 7% of basic salary for those employees who join the group personal pension scheme. The pension cost for the year was £3,105,000 (2007: £2,646,000).

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.

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Notes to the accounts Year ended 31 January 2008

21. Pension scheme (continued)

The full actuarial valuation at 1 April 2005 was updated to 31 January 2008 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 31 January 2008	Value at 31 January 2008 £'000	Long term rate of expected return at 31 January 2007	Value at 31 January 2007 £'000	Long term rate of expected return at 31 January 2006	Value at 31 January 2006 £'000
Equities	8.0% p.a.	35,027	8.00% p.a.	34,764	8.25% p.a.	30,157
Bonds	5.0% p.a.	12,052	4.90% p.a.	10,664	4.40% p.a.	8,822
Cash	5.8% p.a.	225	5.00% p.a.	25	4.00% p.a.	462
Other	7.0% p.a.	4,291	7.00% p.a.	4,016	7.00% p.a.	2,931
Total		<u>51,595</u>		<u>49,469</u>		<u>42,372</u>

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

Assumptions at 31 January	2008	2007	2006
Discount rate	6.2% p.a.	5.3% p.a.	4.7% p.a.
Rate of increase in salaries	4.3% p.a.	3.9% p.a.	3.6% p.a.
Rate of increase in pensions in payment	3.3% p.a.	2.9% p.a.	2.7% p.a.
Rate of increase in pensions in deferment	3.3% p.a.	2.9% p.a.	2.7% p.a.
Inflation assumption	3.3% p.a.	2.9% p.a.	2.7% p.a.

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

	2008 £'000	2007 £'000	2006 £'000
Fair value of assets	51,595	49,469	42,372
Present value of scheme liabilities	(62,028)	(61,877)	(63,620)
Deficit in the scheme	(10,433)	(12,408)	(21,248)
Related deferred tax asset	2,921	3,722	6,375
Net pension liability	<u>(7,512)</u>	<u>(8,686)</u>	<u>(14,873)</u>

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Notes to the accounts Year ended 31 January 2008

21. Pension scheme (continued)

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

	2008 £'000	2007 £'000	2006 £'000
Reserve after effect of FRS 17 (debit to reserves)	(7,512)	(8,686)	(14,873)

Analysis of movement in the scheme deficit during the year

	2008 £'000	2007 £'000
Opening deficit	(12,408)	(21,248)
Current service cost	(2,037)	(2,638)
Contributions	3,773	3,199
Other interest receivable	390	105
Actuarial (loss)/gain	(151)	8,174
Closing deficit in the scheme	(10,433)	(12,408)

	2008 £'000	2007 £'000
Amounts charged to operating profit:		
Current service cost	2,037	2,638
Past service cost	-	-
	2,037	2,638

	2008 £'000	2007 £'000
Amounts included as other interest receivable:		
Expected return on scheme assets	3,715	3,159
Interest discount on scheme liabilities	(3,325)	(3,054)
Net interest receivable	390	105

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Notes to the accounts Year ended 31 January 2008

21. Pension scheme (continued)

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

	2008	2007	2006	2005	2004
Difference between actual and expected return on scheme assets					
- Amount (£'000)	(5,069)	830	4,648	130	2,829
- Percentage of scheme assets	(9.8%)	1.7%	11.0%	0.4%	9.8%
Experience gains arising on scheme liabilities					
- Amount (£'000)	589	429	4,470	97	347
- Percentage of the present value of the scheme liabilities	0.9%	0.7%	7.1%	0.2%	0.8%
Effects of changes in assumptions underlying the present value of scheme liabilities					
- Amount (£'000)	4,329	6,915	(13,299)	(4,253)	(2,537)
- Percentage of the present value of the scheme liabilities	7.0%	11.1%	(20.9)%	(8.5)%	(6.1)%
Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses					
- Amount (£'000)	(151)	8,174	(4,181)	(4,026)	639
- Percentage of the present value of the scheme liabilities	(0.2)%	13.2%	(6.5)%	(8.0)%	1.5%

22. Share-based payment

At 31 January 2008, the ultimate parent company (SAIC Inc) had stock-based compensation awards outstanding under various plans that allow for awards to be issued to its subsidiaries and affiliates. The stock-based compensation plans provide for awards in stock options, stock appreciation rights, vested stock awards, restricted stock awards, restricted stock units, deferred stock awards, phantom stock awards, cash awards, performance awards, and other similar types of stock awards to eligible employees. As of 31 January 2008, SAIC has issued stock options, vested stock awards, restricted stock awards and cash awards under the plans.

Employees of the Company have received stock-based compensation awards under the following plans: "2006 Equity Incentive Plan", "1999 Stock Incentive Plan", "1984 Bonus Compensation Plan" and "Stock Compensation Plan."

The fair value of stock awards and stock options granted under the stock compensation plans is based on the fair value of the award on the date of the grant. Compensation expense is measured at grant date and is generally recognised over the vesting period of four years except for awards granted prior to 1 January 2006 under the Stock Compensation Plan which is recognised over the vesting period of seven years.

The ultimate parent company issued 98,793 vesting shares during the year ended 31 January 2008 and 34,125 vesting shares (adjusted for SAIC's 2:1 stock split) during the year ended 31 January 2007 to employees of the Company. The weighted average grant date fair values of vesting shares were \$17.61 for the year ended 31 January 2008 and \$22.01 (adjusted for SAIC's 2:1 stock split) for the year ended 31 January 2007. In 2008, options were granted on 29 March 2007, 19 September 2007 and 20 December 2007. The aggregate of the fair values of the options granted on those dates is £214,000. In 2007, options were granted on 21 March 2006 and 1 July 2006. The aggregate of the estimated fair values of the options granted on those dates is £281,000.

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Notes to the accounts Year ended 31 January 2008

22. Share-based payment (continued)

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options (‘000s)	Weighted average exercise price (\$)	Number of share options (‘000s)	Weighted average exercise price (\$)
Options outstanding at the beginning of the year	811	12.01	744	16.89
Granted during the year	85	17.97	84	22.02
Forfeited or expired during the year	(188)	12.37	(167)	14.29
Exercised during the year	(240)	10.82	(148)	15.32
Special dividend adjustment	-	-	298	(5.92)
Other miscellaneous adjustments	(9)	11.67	-	-
Options outstanding at the end of the year	<u>459</u>	<u>13.41</u>	<u>811</u>	<u>12.01</u>
Options exercisable at the end of the year	204	11.63	387	10.98

The weighted average share price at the date of exercise for share options exercised during the period was \$18.32. The options outstanding at 31st January 2008 had a weighted average exercise price of \$13.41 and a weighted average remaining life of 2.09 years.

Below are the details of stock options outstanding at the year end:

	Number of share options outstanding At 31/01/08 (‘000s)	Weighted average remaining life (years)	Weighted average price (\$)	Number of shares exercisable at 31/01/08 (‘000s)
Range of exercise price:				
\$9.53 to \$10.60	90	0.36	9.91	90
\$12.17 to \$12.44	112	1.17	12.18	60
\$12.45 to \$14.46	101	2.18	13.57	38
\$14.64 to \$15.76	86	3.16	14.70	16
\$17.61 to \$20.12	70	4.29	18.04	-
	<u>459</u>			<u>204</u>

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22. Share-based payment (continued)

The inputs into the Black-Scholes Option pricing model are as follows:

	2008	2007
Weighted average exercise price (\$)	17.97	15.32
Weighted average exercise price (\$)	17.97	12.01
Expected volatility	26.6%	33.4%
Expected life (years)	3.9	3.9
Risk-free rate	4.4%	4.7%
Expected dividend yield	0%	0%

The Company recognised a total expense of £339,000 (2007: £377,000).

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 Inc, 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 Inc 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.