

**Company Registration No. 1396396**

**SAIC Limited**

**Report and Financial Statements**

**31 January 2010**



# **SAIC Limited**

## **Report and financial statements 2010**

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# **SAIC Limited**

## **Report and financial statements 2010**

### **Officers and professional advisers**

#### **Directors**

C Koontz  
C McBean  
N Kennedy

#### **Secretary**

F Faragasso

#### **Registered office**

Hemel One,  
Boundary Way  
Hemel Hempstead  
Hertfordshire  
HP2 7YU

#### **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 LLP  
Chartered Accountants  
Glasgow

# **SAIC Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 January 2010

### **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 2010 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. 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. The company was unsuccessful in retaining a major customer when the contract expired in March 2010. This resulted in the transfer of 337 employees to the new contract provider under TUPE. It is anticipated that there will be a significant reduction in the Company's revenue, costs and profitability in the next financial year as a result.

The key performance indicators that management monitors are revenue, which amounted to £75,807,353 (2009 £86,188,957), and operating profit which amounted to £9,880,390 (£9,868,071)

The Company's liquidity continues to be healthy, with the Company continuing to be cash generative and free of debt and having a parent company SAIC Inc, with significant financial resources that may provide support if needed. 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 and as a result of the TUPE transfer noted above now has very few active members accruing benefit.

The SAIC group has considerable financial resources together with long-term contracts with a number of customers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **Results and dividends**

The profit for the year after taxation amounted to £6,417,000 (2009 £7,790,000)

The dividend of £7,100,000 was paid during the year (2009 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

C Koontz

C McBean

T Forrest (resigned 30 April 2010)

N Kennedy (appointed 30 April 2010)

### 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 are 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 s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an annual general meeting

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



N Kennedy  
Director

7/10/2010

## **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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of SAIC Limited**

We have audited the financial statements of SAIC Limited for the year ended 31 January 2010 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditors' report to the members of SAIC Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Bell CA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Glasgow, United Kingdom  
7 October 2010

## SAIC Limited

### Profit and loss account Year ended 31 January 2010

	Notes	2010 £'000	2009 £'000
Turnover	1, 2	75,807	86,189
Cost of sales		(54,322)	(65,455)
<b>Gross profit</b>		<u>21,485</u>	<u>20,734</u>
Administrative expenses		(10,666)	(10,201)
Exceptional administrative expenses	6	(939)	(665)
Total administrative expenses		<u>(11,605)</u>	<u>(10,866)</u>
<b>Operating profit</b>	3	9,880	9,868
Investment income	7	200	1,353
Interest payable and similar charges	8	(1,221)	(58)
<b>Profit on ordinary activities before taxation</b>		<u>8,859</u>	<u>11,163</u>
Tax charge on profit on ordinary activities	9	(2,442)	(3,373)
<b>Profit for the financial year</b>		<u><u>6,417</u></u>	<u><u>7,790</u></u>

All activities derive from continuing operations

### Statement of total recognised gains and losses Year ended 31 January 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		6,417	7,790
Dividend Paid	10	(7,100)	-
Actuarial loss relating to the pension scheme	22	(4,349)	(15,785)
UK deferred tax attributable to actuarial loss		1,218	4,420
<b>Total recognised loss relating to the year</b>		<u><u>(3,814)</u></u>	<u><u>(3,575)</u></u>

# SAIC Limited

## Balance sheet 31 January 2010

	Notes	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Intangible assets	11	3,426	3,679
Tangible assets	12	808	1,179
Investments	13	1,873	1,873
		<u>6,107</u>	<u>6,731</u>
<b>Current assets</b>			
Work in progress	14	91	142
Debtors	15	10,760	14,150
Cash at bank and in hand		27,367	27,632
		<u>38,218</u>	<u>41,924</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(13,142)</u>	<u>(14,626)</u>
<b>Net current assets</b>		<u>25,076</u>	<u>27,298</u>
<b>Total assets less current liabilities</b>		<u>31,183</u>	<u>34,029</u>
<b>Provisions for liabilities and charges</b>	17	<u>(1,415)</u>	<u>(1,632)</u>
<b>Net assets excluding pension liabilities</b>		<u>29,768</u>	<u>32,397</u>
<b>Pension liabilities</b>	22	<u>(18,765)</u>	<u>(17,534)</u>
<b>Net assets including pension liabilities</b>		<u>11,003</u>	<u>14,863</u>
<b>Capital and reserves</b>			
Called up share capital	19	707	707
Share premium account	20	24	24
Other reserves	20	6,951	6,997
Profit and loss account	20	3,321	7,135
<b>Shareholders' funds</b>	20	<u>11,003</u>	<u>14,863</u>

The financial statements of SAIC Limited, company registration number 1396396, were approved by the Board of Directors on 7 October 2010

Signed on behalf of the Board of Directors



N Kennedy  
Director

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 1. Accounting policies

The financial statements are prepared under the historical cost convention and 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.

#### Basis of accounting

As set out in the Directors' Report, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 400 of the Companies Act 2006, 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 impairment.

# **SAIC Limited**

## **Notes to the financial statements Year ended 31 January 2010**

### **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 financial statements** **Year ended 31 January 2010**

### **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. Pension 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 financial statements Year ended 31 January 2010

### 2. Turnover

	2010 £'000	2009 £'000
<b>Analysis of turnover by geographical market:</b>		
United Kingdom	65,968	71,955
Rest of Europe	3,760	1,414
USA	3,443	8,313
Rest of the world	2,636	4,507
	<u>75,807</u>	<u>86,189</u>
<b>Analysis of turnover by class of business:</b>		
Scientific, engineering and computer services	75,807	86,189
Other devices	-	-
	<u>75,807</u>	<u>86,189</u>

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

### 3. Operating profit

	2010 £'000	2009 £'000
<b>Operating profit is stated after charging:</b>		
Loss on disposal of fixed assets	54	54
Share option charge	190	301
Rentals paid under operating leases		
Land and buildings	1,948	1,870
Plant and machinery	90	48
Foreign currency translation differences	96	(514)
Depreciation – owned assets	418	438
Amortisation of intangible fixed assets	<u>253</u>	<u>254</u>
<b>Auditors' remuneration</b>		
Fees payable to the company's auditors for the audit of the Company's annual accounts	108	108
Fees payable to the company's auditors and their associates for other services to the group	2	2
Total audit fees	<u>110</u>	<u>110</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 4. Directors' remuneration

	2010 £'000	2009 £'000
Emoluments	284	313
Employers' contributions to money purchase pension scheme	36	21
Compensation for loss of office	344	-
	<u>664</u>	<u>334</u>
<b>Highest paid director</b>		
Emoluments	207	213
Employers' contributions to money purchase pension scheme	30	12
Compensation for loss of office	344	-
	<u>581</u>	<u>225</u>

During the year, two directors (2009 four) 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 (2009 £nil) from SAIC Inc for services rendered by the directors to SAIC Limited.

One director (2009 three) was a member of the defined benefit pension scheme. Further details as to the scheme benefit are provided in note 20.

One director (2009 three) accrued benefits under a money purchase pension scheme during the year.

### 5. Employee information

	2010 £'000	2009 £'000
<b>Staff costs</b>		
Wages and salaries	37,179	40,448
Social security costs	3,822	4,321
Other pension costs	3,605	4,166
	<u>44,606</u>	<u>48,935</u>
<b>Average number of persons employed</b>		
Full-time members of staff	746	817
Part-time members of staff	79	69
	<u>825</u>	<u>886</u>

### 6. Exceptional administrative expenses

During the year costs associated with contractual redundancies totalled £939,000 (2009 £665,000).



# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 7. Investment income

	2010 £'000	2009 £'000
Other interest receivable and similar income	200	1,353
	<u>200</u>	<u>1,353</u>

### 8. Interest payable and similar charges

	2010 £'000	2009 £'000
Net interest payable on pension scheme (see note 22)	1,186	58
Other interest payable	35	-
	<u>1,221</u>	<u>58</u>

### 9. Tax charge on profit on ordinary activities

	2010 £'000	2009 £'000
United Kingdom corporation tax at 28% (2009 28.3%)	1,856	2,437
Adjustment in respect of prior years	(190)	139
Double tax relief	(38)	(65)
Overseas tax	38	65
	<u>1,666</u>	<u>2,576</u>
<b>Deferred taxation</b>		
Current year charge	708	814
Adjustment in respect of prior years	68	(17)
	<u>2,442</u>	<u>3,373</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 9 Tax charge on profit on ordinary activities (continued)

	2010 £'000	2009 £'000
<b>Tax reconciliation:</b>		
Profit on ordinary activities before taxation	8,859	11,163
Tax at United Kingdom corporation tax of 28% (2009 28.3%)	2,480	3,163
Tax effect of expenses that are not deductible in determining taxable profit	84	97
Capital allowances in excess of depreciation	12	51
Movement in short-term timing differences	(720)	(874)
Prior year adjustment	(190)	139
	<u>1,666</u>	<u>2,576</u>

### 10. Dividends paid and proposed

	2010 £'000	2009 £'000
Paid £10.05 per ordinary share (2009 nil)	<u>7,100</u>	<u>-</u>

### 11. Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
At 1 February 2009 and 31 January 2010	<u>5,073</u>
<b>Accumulated amortisation</b>	
At 1 February 2009	1,394
Charge for the year	<u>253</u>
At 31 January 2010	<u>1,647</u>
<b>Net book value</b>	
At 31 January 2010	<u>3,426</u>
At 31 January 2009	<u>3,679</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 12. Tangible fixed assets

	Office furniture and fittings £'000	Short leasehold buildings £'000	Plant machinery and equipment £'000	Total £'000
<b>Cost</b>				
At 1 February 2009	710	458	3,758	4,926
Reclassification	252	50	(302)	-
Additions	-	-	101	101
Disposals	(213)	-	(6)	(219)
At 31 January 2010	749	508	3,551	4,808
<b>Accumulated depreciation</b>				
At 1 February 2009	572	258	2,917	3,747
Reclassification	145	141	(286)	-
Charge for year	104	25	289	418
Disposals	(161)	-	(4)	(165)
At 31 January 2010	660	424	2,916	4,000
<b>Net book value</b>				
At 31 January 2010	89	84	635	808
At 31 January 2009	138	200	841	1,179

### 13. Investments

	Shares in subsidiary undertakings £'000
<b>Cost and net book value</b>	
At 1 February 2009 and 31 January 2010	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 financial statements Year ended 31 January 2010

### 14. Work in progress

	2010 £'000	2009 £'000
Work in progress	91	142

### 15. Debtors

	2010 £'000	2009 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	5,931	8,116
Prepayments and accrued income	3,817	4,889
Other debtors	1,012	1,145
	<u>10,760</u>	<u>14,150</u>

Included within other debtors is £720,000 (2009 £757,000) relating to a deferred tax asset (see note 18)

### 16. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	1,373	2,174
Amounts owed to group undertakings	3,540	3,706
Taxation and social security	2,506	3,031
Accruals and deferred income	5,723	5,715
	<u>13,142</u>	<u>14,626</u>

Included within taxation and social security is £170,000 (2009 £1,014,000) relating to corporation tax payable

## SAIC Limited

### Notes to the financial statements Year ended 31 January 2010

#### 17. Provision for liabilities and charges

	<b>Property Provisions £'000</b>
<b>Balance at 1 February 2009</b>	1,632
Provided during the year	78
Utilised during the year	<u>(295)</u>
<b>Balance at 31 January 2010</b>	<u><u>1,415</u></u>

At 31 January 2010 a provision has been made for the following

Vacant Space at the Company's leasehold premises of £672,000 (2009 £828,000), Dilapidation costs at the Company's leasehold premises £743,000 (2009 £737,000) Both the Vacant Space and Dilapidation provisions are expected to be paid in full by the 23<sup>rd</sup> June 2013

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 18. Deferred taxation

The deferred tax asset included within current asset other debtors (see note 15), consists of the following amounts

	2010 £'000	2009 £'000
Capital allowances in excess of depreciation	409	396
Short term timing differences	151	141
Share based payment charge	160	220
	<u>720</u>	<u>757</u>
Balance at 31 January	<u>720</u>	<u>757</u>
<b>Movement on deferred tax asset in the year</b>		
At 1 February	757	1,031
Current year credit/(charge)	(37)	(274)
	<u>720</u>	<u>757</u>
At 31 January	<u>720</u>	<u>757</u>

The total deferred tax asset is £8,017,000 (2009 £7,576,000) The deferred tax asset related to the Defined Benefit Pension Scheme of £7,297,000 (2009 £6,819,000) is shown against the net pension liability (see note 22)

In the 2010 Budget of 22 June 2010, the UK Government announced its intention to reduce the UK Corporate Income Tax rate from 28% to 24% by 1% per annum over a four-year period A 1% decrease in the rate to 27% was enacted in July 2010 Had the change of rate been enacted as of the balance sheet date, the estimated impact on the balance sheet would be a reduction in the recognised deferred tax asset of £286,000 from £8,017,000 to £7,731,000

### 19. Called up share capital

	2010 £'000	2009 £'000
<b>Authorised share capital:</b>		
706,750 (2009 706,750) ordinary shares of £1 each	<u>707</u>	<u>707</u>
<b>Allotted, called up and fully paid:</b>		
706,725 (2009 706,725) ordinary shares of £1 each	<u>707</u>	<u>707</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 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 2009	707	24	6,997	7,135	14,863
Profit in the year	-	-	-	6,417	6,417
Dividends Paid	-	-	-	(7,100)	(7,100)
Actuarial pension loss	-	-	-	(4,349)	(4,349)
Deferred tax arising thereon	-	-	-	1,218	1,218
Repayment of capital contribution	-	-	(46)	-	(46)
At 31 January 2010	<u>707</u>	<u>24</u>	<u>6,951</u>	<u>3,321</u>	<u>11,003</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 subsequent years

### 21. Operating lease commitments

At 31 January 2010, the Company was committed to making the following payments during the next year in respect of operating leases

	2010 £'000	2009 £'000
<b>Land and buildings</b>		
Within one year	425	147
Within two to five years	1,034	886
After five years	-	875
	<u>1,459</u>	<u>1,908</u>
<b>Other assets</b>		
Within one year	17	-
Within two to five years	2	43
	<u>19</u>	<u>43</u>

## SAIC Limited

### Notes to the financial statements Year ended 31 January 2010

#### 22. 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 £2,163,000 (2009 £2,436,000).

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 31 March 2008, using the projected unit method, in which the actuarial liability makes allowances for projected earnings. The following were the principal actuarial assumptions applied:

Price Inflation (RPI)	3.7% per annum
Pension Increases	3.6% per annum
Salary Increases	3.7% per annum
Discount Rate before Retirement	5.9% per annum
Discount Rate after Retirement	4.9% per annum

The mortality assumption gives life expectancies for a current 65 year old of age 86 if male and age 89 if female. The life expectancies for a current 30 year old are age 88 if male and 91 if female.

At the last actuarial valuation date, the actuarial value of assets of the final salary pension scheme was £51,359,000 and this was sufficient to cover 66.3% 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 25.1% of pensionable salaries plus £316,667 per month.



# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 22. Pension scheme (continued)

The full actuarial valuation at 1 April 2008 was updated to 31 January 2010 by a qualified actuary

SAIC Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the asset allocation for the Scheme at 31 January 2010. 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 2010	Value at 31 January 2010 £'000	Long term rate of expected return at 31 January 2009	Value at 31 January 2009 £'000	Long term rate of expected return at 31 January 2008	Value at 31 January 2008 £'000
Equities	7.90% p.a.	36,701	7.90% p.a.	27,113	8.00% p.a.	35,027
Bonds	4.99% p.a.	20,766	5.20% p.a.	12,658	4.90% p.a.	12,052
Cash	1.10% p.a.	79	2.40% p.a.	1,264	5.00% p.a.	225
Property	-	-	6.90% p.a.	2,740	7.00% p.a.	4,291
Total		<u>57,546</u>		<u>43,775</u>		<u>51,595</u>

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

	2010	2009	2008
<b>Assumptions at 31 January</b>			
Discount rate	5.5% p.a.	6.2% p.a.	6.2% p.a.
Rate of increase in salaries	4.3% p.a.	4.3% p.a.	4.3% p.a.
Rate of increase in pensions in payment	3.5% p.a.	3.5% p.a.	3.3% p.a.
Rate of increase in pensions in deferment	3.5% p.a.	3.5% p.a.	3.3% p.a.
Inflation assumption	3.5% p.a.	3.5% p.a.	3.3% p.a.

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

	2010 £'000	2009 £'000	2008 £'000
Fair value of assets	57,546	43,775	51,595
Present value of scheme liabilities	<u>(83,608)</u>	<u>(68,128)</u>	<u>(62,028)</u>
Deficit in the scheme	(26,062)	(24,353)	(10,433)
Related deferred tax asset	<u>7,297</u>	<u>6,819</u>	<u>2,921</u>
Net pension liability	<u>(18,765)</u>	<u>(17,534)</u>	<u>(7,512)</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 22. Pension scheme (continued)

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

	2010 £'000	2009 £'000	2008 £'000
Reserve after effect of FRS 17 (debit to reserves)	<u>(18,765)</u>	<u>(17,534)</u>	<u>(7,512)</u>

#### Analysis of movement in the scheme deficit during the year

	2010 £'000	2009 £'000
Opening deficit	(24,353)	(10,433)
Current service cost	(1,624)	(1,730)
Past service cost	(385)	-
Contributions	5,268	3,653
Other interest payable	(1,186)	(58)
Curtailment gain	567	-
Actuarial loss	<u>(4,349)</u>	<u>(15,785)</u>
Closing deficit in the scheme	<u>(26,062)</u>	<u>(24,353)</u>

	2010 £'000	2009 £'000
<b>Amounts charged to operating profit:</b>		
Current service cost	1,624	1,730
Past service cost	385	-
Curtailment gains	<u>(567)</u>	<u>-</u>
	<u>1,442</u>	<u>1,730</u>

	2010 £'000	2009 £'000
<b>Amounts included as other interest payable:</b>		
Expected return on scheme assets	3,018	3,814
Interest discount on scheme liabilities	<u>(4,204)</u>	<u>(3,872)</u>
Net interest payable	<u>(1,186)</u>	<u>(58)</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 22. Pension scheme (continued)

#### Changes to the present value of the defined benefit obligation during the year

	2010 £'000	2009 £'000
Opening defined benefit obligation	68,128	62,068
Current service cost	1,624	1,730
Past Service Cost	385	-
Interest Cost	4,204	3,872
Contributions by scheme participants	408	435
Actuarial losses/(gains) on scheme liabilities	12,094	1,434
Net benefits paid out	(1,135)	(1,371)
Settlements	(2,100)	-
Closing defined benefit obligation	<u>83,608</u>	<u>68,128</u>

#### Changes to the fair values of scheme assets during the year

	2010 £'000	2009 £'000
Opening fair value of scheme assets	43,775	51,595
Expected return on scheme assets	3,018	3,814
Actuarial losses on scheme assets	7,745	(14,351)
Contributions by the employer	5,268	3,653
Contributions by scheme participants	408	435
Net benefits paid out	(1,135)	(1,371)
Settlements	(1,533)	-
Closing defined benefit obligation	<u>57,546</u>	<u>43,775</u>

# SAIC Limited

## Notes to the financial statements Year ended 31 January 2010

### 22. Pension scheme (continued)

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

	2010	2009	2008	2007	2006
Difference between actual and expected return on scheme assets					
- Amount (£'000)	7,745	(14,351)	(5,069)	830	4,648
- Percentage of scheme assets	13.5%	(32.8%)	(9.8%)	1.7%	11.0%
Experience gains arising on scheme liabilities					
- Amount (£'000)	264	(2,070)	589	429	4,470
- Percentage of the present value of the scheme liabilities	0.3%	(3.0%)	0.9%	0.7%	7.1%
Effects of changes in assumptions underlying the present value of scheme liabilities					
- Amount (£'000)	(12,358)	636	4,329	6,915	(13,299)
- Percentage of the present value of the scheme liabilities	(14.8%)	0.9%	7.0%	11.1%	(20.9%)
Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses					
- Amount (£'000)	(4,349)	(15,785)	(151)	8,174	(4,181)
- Percentage of the present value of the scheme liabilities	(5.2%)	(23.1%)	(0.2%)	13.2%	(6.5%)

Using the assumptions for return on the assets noted above, it is estimated that the charge to the profit and loss account for the next financial year will be

	2011 £'000
Current service cost	1,891
Interest on pension scheme liabilities	4,631
Expected return on pension scheme assets	(4,100)
	<u>2,422</u>

## **SAIC Limited**

### **Notes to the financial statements Year ended 31 January 2010**

#### **23. Share-based payment**

At 31 January 2010, 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 2010, SAIC has issued stock options, vested stock awards, restricted stock awards, cash awards and performance 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 39,145 vesting shares during the year ended 31 January 2010 and 69,412 vesting shares during the year ended 31 January 2009 to employees of the Company. The weighted average grant date fair values of vesting shares were \$18.47 for the year ended 31 January 2010 and \$18.72 for the year ended 31 January 2009. In 2010, stock options were granted on 3 April 2009 to employees of the Company. The aggregate of the fair values of the stock options granted on this date was £114,000. In 2009, stock options were granted on 4 April 2008 to employees of the company. The aggregate of the estimated fair values of the stock options granted on those dates is £84,000.

## SAIC Limited

### Notes to the financial statements Year ended 31 January 2010

#### 23. Share-based payment (continued)

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

	2010		2009	
	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	283	15 04	459	13 41
Granted during the year	35	18 46	37	18 73
Forfeited or expired during the year	(46)	13 37	(94)	13 33
Exercised during the year	(65)	13 14	(137)	11 66
Other miscellaneous adjustments	1	17 99	18	14 09
Options outstanding at the end of the year	208	16 58	283	15 04
Options exercisable at the end of the year	93	15 30	140	13 49

The weighted average share price at the date of exercise for stock options exercised during the year ended 31 January 2010 was \$18 46. The stock options outstanding at 31<sup>st</sup> January 2010 had a weighted average exercise price of \$16 58 and a weighted average remaining life of 2 06 years.

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

	Number of share options outstanding At 31/01/10 (‘000s)	Weighted average remaining life (years)	Weighted average price (\$)	Number of share options exercisable at 31/01/10 (‘000s)
Range of exercise price				
\$13 52 to \$14 46	41	0 33	13 77	41
\$14 64 to \$15 76	50	1 17	14 74	25
\$17 61 to \$17 99	43	2 16	17 62	16
\$18 46 to \$18 62	35	4 14	18 46	1
\$18 73 to \$20 12	39	3 09	19 12	10
	208			93

## SAIC Limited

### Notes to the financial statements Year ended 31 January 2010

#### 23. Share-based payment (continued)

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

	2010	2009
Weighted average share price (\$)	18.46	18.73
Weighted average exercise price (\$)	18.46	18.73
Expected volatility	30.6%	26.1%
Expected life (years)	3.9	3.9
Risk-free interest rate	1.5%	2.3%
Expected dividend yield	0%	0%

The Company recognised a total expense of £190,000 (2009 £301,000)

#### 24. 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 5 Redwood Place, Peel Park, East Kilbride, G74 5PB and for Science Applications International Corporation Inc at 10260 Campus Point Drive, San Diego, California, 92121.

#### 25. 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.

#### 26. Post Balance Sheet Events

A dividend of £3.54 per share (£2,500,000) payable to SAIC Europe Limited was declared and approved on 7 October 2010.

In March 2010 a contract with a major customer was not renewed. This resulted in a transfer of 337 employees to the new contract provider under TUPE. Significant reductions in the Company's revenue and costs are anticipated in the next financial year due to this event.