

SAIC LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 JANUARY 2000**



**Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR**

SAIC LIMITED**REPORT AND FINANCIAL STATEMENTS**

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SAIC LIMITED**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 January 2000.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year a division providing consulting in the field of oil and marine pipelines was disposed of. This division was not considered to be core business of the overall operations of the company.

On 5 May 2000, the company formed a joint venture company with Scottish Power UK plc called Calanais Limited. This venture has placed the company in a strong position to grow existing business and take advantage of further suitable opportunities that may arise. For more details refer to note 20 on page 16.

The company has targeted five main areas of business: oil and gas, utilities, telecommunications, finance and defence. It has also established e-business and consulting teams.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £3,246,000 (1999 profit - £2,747,000). The directors do not recommend the payment of a dividend for the year.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

N Garden

P Stocks (appointed 1 December 1999)

The directors do not have any interest in the shares of the company. At 31 January 2000, N Garden held 29,480 class 'A' common shares and P Stocks held 3,712 class 'A' common shares in the company's ultimate parent undertaking, Science Applications International Corporation.

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.

SAIC LIMITED

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

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

AUDITORS

A resolution was submitted to shareholders at the Annual General Meeting and Deloitte & Touche were appointed as auditors of the company. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



R G Wall
Company Secretary

5 October 2000

SAIC Limited
8/9 Stratton Street
Mayfair
W1J 8LF

SAIC LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

AUDITORS' REPORT TO THE MEMBERS OF SAIC LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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

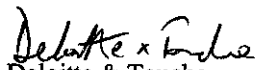
Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31 January 2000 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche
Chartered Accountants
and Registered Auditors

5 October 2000

SAIC LIMITED
PROFIT AND LOSS ACCOUNT

Year ended 31 January 2000

	Note	£'000	2000 £'000	1999 £'000
TURNOVER				
Continuing operations		36,784		39,698
Discontinued operations	3	<u>2,789</u>		<u>2,881</u>
Total turnover	1,2		39,573	42,579
Cost of sales			<u>(30,883)</u>	<u>(30,785)</u>
Gross profit			8,690	11,794
Administrative expenses			(6,290)	(9,470)
Other net operating income			<u>151</u>	<u>272</u>
OPERATING PROFIT	4			
Continuing operations	3	3,250		2,477
Discontinued operations	3	<u>(699)</u>		<u>119</u>
			2,551	2,596
Profit on disposal of discontinued operation	10		850	-
Interest receivable and similar income	7		<u>403</u>	<u>151</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			3,804	2,747
Tax charge on profit on ordinary activities	8		(558)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	14		<u>3,246</u>	<u>2,747</u>

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

SAIC LIMITED
BALANCE SHEET

31 January 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible fixed assets	9	2,005	2,416
CURRENT ASSETS			
Debtors	11	20,016	12,934
Cash at bank and in hand		7,813	3,439
		27,829	16,373
CREDITORS: amounts falling due within one year	12	(20,150)	(12,351)
NET CURRENT ASSETS		7,679	4,022
TOTAL NET ASSETS		9,684	6,438
EQUITY CAPITAL AND RESERVES			
Called up share capital	13	707	707
Share premium account	14	24	24
Other reserves	14	8,800	8,800
Profit and loss account	14	153	(3,093)
TOTAL SHAREHOLDERS' FUNDS		9,684	6,438

These financial statements were approved by the Board of Directors on 5 October 2000.

Signed on behalf of the Board of Directors



P Stocks

Director

SAIC LIMITED**NOTES TO THE ACCOUNTS**

Year ended 31 January 2000

1 ACCOUNTING POLICIES**Basis of accounting**

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

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

Consolidation

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

Turnover

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

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

Depreciation

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

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

SAIC LIMITED**NOTES TO THE ACCOUNTS**

Year ended 31 January 2000

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

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

Leased assets

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

Research and development

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

Deferred taxation

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

Pension costs

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

Foreign currencies

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

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2000

2 TURNOVER

	2000 £'000	1999 £'000
Analysis of turnover by geographical market:		
United Kingdom	32,786	37,904
Rest of Europe	744	698
USA	4,697	2,277
Rest of the world	1,346	1,700
	<hr/> 39,573	<hr/> 42,579
Analysis of turnover by class of business:		
Product sales and services	975	314
Scientific, engineering and computer consultancy	38,598	41,958
Commercial systems	-	307
	<hr/> 39,573	<hr/> 42,579

3 ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	Continuing £'000	Discontinued £'000	2000 Total £'000	Continuing £'000	Discontinued £'000	1999 Total £'000
Turnover	36,784	2,789	39,573	39,698	2,881	42,579
Cost of sales	(28,812)	(2,071)	(30,883)	(29,041)	(1,744)	(30,785)
Gross profit	7,972	718	8,690	10,657	1,137	11,794
Administrative expenses	(4,873)	(1,417)	(6,290)	(8,452)	(1,018)	(9,470)
Other operating income	151	-	151	272	-	272
Operating profit / (loss)	<hr/> 3,250	<hr/> (699)	<hr/> 2,551	<hr/> 2,477	<hr/> 119	<hr/> 2,596

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2000

4 OPERATING PROFIT

	2000 £'000	1999 £'000
The operating profit is stated after charging/(crediting):		
Profit on disposal of fixed asset investment	(15)	-
Loss on disposal of fixed assets	44	43
Redundancy costs	113	104
Rentals paid under operating leases:		
- land and buildings	1,289	954
- plant and machinery	94	300
Net foreign exchange loss/(gain)	2	(96)
Auditors' remuneration:		
- audit services	35	35
- non audit services	45	-
Depreciation	760	769
Provision for impairment losses on fixed assets	-	753

5 DIRECTORS' REMUNERATION

	2000 £'000	1999 £'000
Aggregate emoluments	161	104
Employers' contributions to money purchase pension scheme	12	9
Other benefits	2	-
	175	113

The two directors are members of the group personal pension scheme. Further details as to the scheme benefit are provided in note 19.

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2000

6 EMPLOYEE INFORMATION

	2000 £'000	1999 £'000
Staff costs		
Wages and salaries	15,128	14,995
Social security costs	1,718	1,494
Other pension costs	1,106	1,234
	<u>17,952</u>	<u>17,723</u>

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

	2000 No.	1999 No.
Direct	424	488
Indirect	15	17
	<u>439</u>	<u>505</u>

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £'000	1999 £'000
Interest receivable and similar income		
Bank deposit	<u>403</u>	<u>151</u>

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999-31%)	860	-
Less: Deferred tax provision	(352)	-
Adjustment in respect of prior years	50	-
	<u>558</u>	<u>-</u>

The tax charge includes the recognition of a £352,000 deferred tax asset relating mostly to accelerated depreciation and utilisation of losses brought forward which were not previously recognised as a deferred tax asset.

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2000

9 TANGIBLE FIXED ASSETS

	Office Furniture & fittings £'000	Short Leasehold Buildings £'000	Plant Machinery & Equipment £'000	Total £'000
Cost				
At 1 February 1999	766	1,465	2,814	5,045
Additions	256	9	239	504
Disposals	(271)	(709)	(656)	(1636)
Transfers	(2)	-	2	-
At 31 January 2000	749	765	2,399	3913
Accumulated Depreciation				
At 1 February 1999	279	977	1,374	2,630
Charge for year	98	83	579	760
Disposals	(126)	(180)	(423)	(729)
Adjustment arising on impairment	(54)	(609)	(90)	(753)
At 31 January 2000	197	271	1,440	1,908
Net Book Value				
At 31 January 2000	552	494	959	2,005
At 31 January 1999	487	488	1,441	2,416

SAIC LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 January 2000

10 INVESTMENTS

	Investment in subsidiary undertakings £'000	Other investment £'000	Total £'000
Cost			
At 1 February 1999	226	105	331
Disposals	(226)	(105)	(331)
At 31 January 2000	-	-	-
Provisions			
At 1 February 1999	(226)	(105)	(331)
Release of provision during the year	226	105	331
At 31 January 2000	-	-	-
Net Book Value			
At 31 January 2000	-	-	-
At 31 January 1999	-	-	-

Disposals

The company sold its entire share of the ordinary share capital of The Fifth Business (Scotland) Limited with effect from 17 September 1999 and subsequently sold the entire ordinary share capital of Andrew Palmer and Associates Limited on 14 January 2000.

11 DEBTORS

	2000 £'000	1999 £'000
Trade debtors	15,624	9,577
Amount owed by parent undertaking	226	318
Prepayments and accrued income	3,797	2,569
Other debtors	369	470
	<u>20,016</u>	<u>12,934</u>

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2000

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Trade creditors	3,341	1,931
Amount owing to parent undertaking	440	63
Other creditors	94	91
Other taxation and social security	3,064	1,165
Accruals and deferred income	13,211	9,101
	<u>20,150</u>	<u>12,351</u>

13 SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised share capital: 706,750 ordinary shares of £1 each	<u>707</u>	<u>707</u>
Allotted called-up and fully paid: 706,725 ordinary shares of £1 each	<u>707</u>	<u>707</u>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Profit & loss £'000	Other reserve £'000	Total 2000 £'000	Total 1999 £'000
At 1 February 1999	707	24	(3,093)	8,800	6,438	3,691
Profit for the year	-	-	3,246	-	3,246	2,747
At 31 January 2000	<u>707</u>	<u>24</u>	<u>153</u>	<u>8,800</u>	<u>9,684</u>	<u>6,438</u>

SAIC LIMITED
NOTES TO THE ACCOUNTS

Year ended 31 January 2000

15 FUTURE RENTAL OBLIGATIONS UNDER OPERATING LEASES

	2000 £'000	1999 £'000
Obligations under operating leases comprise		
Land and buildings		
Expiring within 1 year	-	29
Expiring during years 2 to 5	134	182
Expiring thereafter	954	568
	<hr/> 1,088	<hr/> 779
Other assets		
Expiring within 1 year	14	10
Expiring during years 2 to 5	230	18
	<hr/> 244	<hr/> 28

16 CONTINGENT LIABILITIES

The company has a contingent liability, in respect of unoccupied premises, of £300,000 as at 31 January 2000 (1999: £nil).

17 PENSION SCHEME

The company contributes 9% of basic salary for those employees who join the group personal pension scheme. Contributions relating to this scheme were £1,106,411 (1999: £1,234,382) of which £50,000 (1999: £276,000) was accrued at the year end.

18 ULTIMATE PARENT COMPANY

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

19 RELATED PARTIES

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related party disclosures", as the consolidated financial statements of SAIC Europe Limited, in which the company is included, are available at the address noted above.

SAIC LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 January 2000

20 EVENT OCCURRING AFTER THE END OF YEAR

On 5 May 2000 the company formed a Joint Venture company with Scottish Power UK plc called Calanais Limited. SAIC Limited purchased 50% of the share capital with the remaining 50% being owned by Scottish Power UK plc.