

**SAIC SCIENCE AND ENGINEERING LIMITED
(FORMERLY TOPEXPRESS LIMITED)**

**DIRECTORS' REPORT AND
ACCOUNTS FOR THE YEAR
ENDED 31 JANUARY 1993**



Registered Number 1396396

SAIC SCIENCE AND ENGINEERING LIMITED
(FORMERLY TOPEXPRESS LIMITED)

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REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts for year to 31 January 1993,

PRINCIPAL ACTIVITY

The principal activity of the Company is scientific and computer consultancy.

REVIEW OF THE BUSINESS

The Company showed an increase in turnover for the current period despite a reduction in staff numbers and has managed to stem the major trading losses of the previous year. The Company is now trading profitably and is diversifying its business.

AQUISITION

On 1st September 1993 the Company acquired the entire share capital of Andrew Palmer and Associates Ltd, a Company consulting to the oil and gas industries on pipeline design.

CHANGE OF NAME

On the 16th June 1993 the Company changed its name to SAIC Science and Engineering Ltd.

RESULTS AND DIVIDENDS

The results of the Company for the year are set out on Page 4.

The directors do not recommend the payment of a dividend for the period.

DIRECTORS

The directors who served during the year and their interests in its share capital at the end of the year were:

	31 January 1993
	No. of Shares
Mr A M Cowan	-
Dr R B Wade	-
Dr D W Hyde	-
Mr D Scott	-

On 13 August 1993 Sir R Mason was appointed a director of the company and on 3 September 1993 Dr A C Palmer was appointed a director of the company.

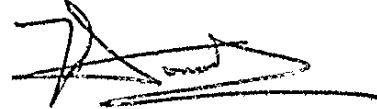
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AUDITORS

A resolution to re-appoint the auditors Imray & Co will be proposed at the forthcoming Annual General Meeting.

23rd November 1993
Cambridge



By order of the Board
T D Howard
Company Secretary

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REPORT OF THE AUDITORS TO THE MEMBERS OF SAIC SCIENCE AND
ENGINEERING LTD

We have audited the accounts on pages 4 and 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company at 31 January 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Imray & Co

Imray & Co
Chartered Accountants and Registered Auditor

CAMBRIDGE

25th November 1993

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1993

	Note	12 months 1992/3 £	10 months 1991/92 £
Turnover	3	949672	696091
Cost of Sales		<u>384346</u>	<u>327922</u>
Gross Profit		565326	368169
Marketing, Selling & Distribution Costs		24060	23926
Administrative Expenses		1001925	922333
Other Operating Income		<u>(420584)</u>	<u>(354273)</u>
Trading Loss	3	(40075)	(223817)
Net Interest Receivable (Payable)	5	<u>6729</u>	<u>(191101)</u>
Loss on Ordinary Activities before Tax	3	(33346)	(414918)
Tax on Loss on Ordinary Activities	6	<u>(11595)</u>	<u>4973</u>
Loss on Ordinary Activities after Tax		(21751)	(419891)
Extraordinary Item	7	<u>0</u>	<u>1426526</u>
(Loss)/Profit for the Financial Year Retained	11	<u>(21751)</u>	<u>1006635</u>

The notes on pages 6 to 14 form part of these accounts.

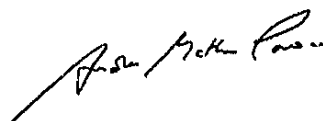
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BALANCE SHEET AT 31 JANUARY 1993

	Note	1993 £	1992 £
ASSETS			
<u>Fixed Assets</u>			
Tangible Assets	8	<u>457653</u>	<u>533591</u>
<u>Current Assets</u>			
Debtors	9	509855	451514
Cash at Bank		<u>297577</u> 807432	<u>34265</u> 485779
<u>TOTAL ASSETS</u>		<u>1265085</u>	<u>1019370</u>
LIABILITIES			
<u>Capital & Reserves</u>			
Called up Share Capital	10	706725	706725
Share Premium Account	11	24451	24451
Other Reserves	11	25	25
Profit & Loss Account	11	<u>(138891)</u> 592310	<u>(117140)</u> 614061
Provision for Liabilities and Charges	12	75231	87266
<u>Creditors</u>			
Creditors	13	<u>597544</u>	<u>318043</u>
<u>TOTAL FUNDS EMPLOYED</u>		<u>1265085</u>	<u>1019370</u>

The accounts on pages 4 to 14 were approved by the Board of Directors on 23.11.93 and were signed on its behalf by:



A M Cowan
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

1. Accounting Policies

Basis of Accounting

The accounts have been prepared on the historical cost basis of accounting.

The company has taken advantage of the exemption in FRS1 from producing a cashflow statement on the grounds that it is a small company.

Turnover

Turnover represents the sales value of work done during the period, exclusive of value added tax.

Fixed Assets and Depreciation

Fixed assets are shown at cost, net of grants received and receivable on the purchase of those assets.

Depreciation is provided at the rates set out below calculated to write off the cost of fixed assets, net of grants, over their estimated useful lives using the straight line method.

	<u>Rates</u>
Short leasehold buildings	Over unexpired portion of lease
Telephone and fax machinery	25%
Office furniture and fittings	15%
Motor vehicles	25%
Computer and laboratory equipment	25%

Leased Assets

Tangible fixed assets which are held under finance leases are capitalised and depreciated over their estimated useful lives in accordance with the depreciation policy set out above. Future obligations under such leases, net of finance charges, are included, as appropriate, under creditors due within or after one year. Installments payable are apportioned between the finance element, which is charged as a finance cost in the profit and loss account, and the capital repayment, which reduces the outstanding obligation for future installments shown in creditors.

Items of equipment financed through operating leases are not capitalised and their rental charges are taken to profit and loss as they accrue. Future obligations under operating leases are disclosed in note 15.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

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

Provision is made for tax liabilities arising from the allocation of items to different periods for tax and for accounting purposes except where these are expected to be deferred for some considerable period due to the availability of tax allowances for fixed asset expenditure in advance of depreciation. In establishing the likelihood of continuing deferment, the directors undertake a review at the balance sheet date of past investment patterns and expected future levels of capital expenditure and depreciation.

Pension Scheme Arrangements

The Company contributes 9% of employees' salaries to a Group Personal Pension Plan administered by Norwich Union on a money purchase basis. The Company's pension scheme, which is being wound up with effect from 31 December 1992, provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with Provident Mutual Managed Pension Funds Ltd. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted 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.

2. Accounts Format

The company has changed the format of its profit and loss account and balance sheet to be consistent with its parent company, SAIC UK Limited.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

3. Turnover and Trading Loss

	12 months 1992/93		10 months 1991/92	
	Turnover	Trading (loss)	Turnover	Trading (loss)
	£	£	£	£
Scientific and Engineering Consultancy	<u>949672</u>	<u>(40075)</u>	<u>696091</u>	<u>(223817)</u>
Trading Loss		(40075)		(223817)
Interest receivable/payable - net		<u>6729</u>		<u>(191101)</u>
Loss on ordinary activities		<u>(33346)</u>		<u>(414918)</u>

Analysis of turnover by market:	12 months 1992/93	10 months 1991/92
	£	£
United Kingdom	889631	581095
Rest of Europe	10426	17260
USA	<u>49615</u>	<u>97736</u>
	<u>949672</u>	<u>696091</u>

The loss on ordinary activities is stated after charging:	12 months 1992/93	10 months 1991/92
Exceptional item - redundancy costs	30913	13389
Rentals paid under operating leases of property	252210	211500
Hire and rental of plant and machinery - operating leases	9774	8175
Audit fee	3640	3400
Depreciation	82805	81682

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

4. Remuneration of employees and directors

	12 months 1992/93 £	10 months 1991/92 £
Staff Costs:		
Salaries	469568	461999
Social Security costs	40781	41856
Other pension costs	<u>34970</u>	<u>26145</u>
	<u>545319</u>	<u>530000</u>

The average weekly number of employees, including directors, during the period was made up as follows:

	12 months 1992/93	10 months 1991/92
Direct	13	15
Indirect	<u>6</u> <u>19</u>	<u>9</u> <u>24</u>

Remuneration of employees and directors (continued)

Directors' remuneration:	12 months 1992/93 £	10 months 1991/92 £
Remuneration as executives (including pension contributions)	-	63476
Compensation for loss of office	<u>-</u> <u>-</u>	<u>28000</u> <u>91476</u>

Further particular of directors' remuneration, excluding pension contributions, are:

	12 months 1992/93 £	10 months 1991/92 £
Highest paid Director	-	36879

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

Directors' remuneration fell within the following ranges:	Number of persons 12 months 1992/93	10 months 1991/92
£0 - £5000	4	8
£25001 - £30000	-	1
£35001 - £40000	-	1
	<u>4</u>	<u>10</u>

5. Interest receivable/payable	12 months 1992/93 £	10 months 1991/92 £
Received and receivable on:		
Bank deposit	4851	-
Tax repayment	2742	-
Paid and payable on:		
Bank overdraft repayable within 5 years	(147)	(187640)
Lease financing	<u>(717)</u>	<u>(3461)</u>
	<u>6729</u>	<u>(191101)</u>

6. Tax on loss on ordinary activities

UK taxation is based on the loss for the year and comprises:

	12 months 1992/93 £	10 months 1991/92 £
<u>Current year</u>		
Deferred tax at 33%	<u>(12035)</u> (12035)	<u>4973</u> 4973
<u>Prior year</u>		
Corporation tax at 35%	<u>440</u> (11595)	<u>-</u> 4973

There are tax losses carried forward in the Company of £17,179.

7. Extraordinary item	12 months 1992/93 £	10 months 1991/92 £
Waiver of bank overdraft by VSEL Consortium PLC	<u>-</u>	<u>(1426526)</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

8. Tangible Fixed Assets

	Short Leasehold Buildings £	Plant and Machinery £	Total £
<u>Costs at 1 February 1992</u>	449475	587239	1036714
Additions	227	9048	9275
Disposals	<u>0</u>	<u>(5481)</u>	<u>(5481)</u>
Costs at 31 January 1993	<u>449702</u>	<u>590806</u>	<u>1040508</u>
<u>Depreciation</u>			
Aggregate depreciation at 1 February 1992	58786	444337	503123
Disposals	0	(3073)	(3073)
Charge for period	<u>18040</u>	<u>64765</u>	<u>82805</u>
Aggregate depreciation at 31 January 1993	<u>76826</u>	<u>506029</u>	<u>582855</u>
<u>Net Book Value</u>			
at 31 January 1993	<u>372876</u>	<u>84777</u>	<u>457653</u>
at 31 January 1992	<u>390689</u>	<u>142902</u>	<u>533591</u>

The net book value of plant and machinery included £2225 (31 January 1992 £11451) of assets financed by finance leasing. The depreciation charge for the period on these assets amounted to £9226 (31 January 1992 £15552).

9. Debtors	1993 £	1992 £
Trade debtors	267515	126071
Corporation Tax	0	10271
Other Debtors	984	0
Prepayments and accrued income	<u>241356</u>	<u>315172</u>
	<u>509855</u>	<u>451514</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

10. Share Capital

	1993 £	1992 £
Authorised share capital:		
Ordinary shares of £1 each	<u>706750</u>	<u>706750</u>
Allotted Called-up and fully paid:		
Ordinary shares of £1 each	<u>706725</u>	<u>706725</u>

11. Reserves

	Share Premium Account	Capital Redemption Reserve	Profit & Loss Account
At 1 February 1992	24451	25	(117140)
Loss for the year	<u>-</u>	<u>-</u>	<u>(21751)</u>
At 31 January 1993	<u>24451</u>	<u>25</u>	<u>(138891)</u>

12. Provisions for Liabilities and Charges

	At 1 February 1992 £	Increase during period £	Utilised £	At 31 January 1993 £
Deferred Taxation				
Capital allowances in excess of depreciation	94003	-	(12035)	81968
Tax loss carried forward	<u>(6737)</u>	<u>-</u>	<u>-</u>	<u>(6737)</u>
	<u>87266</u>	<u>-</u>	<u>(12035)</u>	<u>75231</u>

The amount provided represents the full potential liability. No amounts are unprovided.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

13. Creditors: amounts falling due within one year

	1993 £	1992 £
Bank overdraft	16569	-
Obligations under finance leasing	-	2625
Trade creditors	9852	92089
Amount owed to parent undertaking	386880	62223
Other creditors	21774	16468
Other taxation and social security	44325	12929
Accruals and deferred income	<u>118144</u>	<u>131709</u>
	<u>597544</u>	<u>318043</u>

The maturity of obligations under finance leases is as follows:

	1993	1992
Within one year	-	3342
In the second to fifth years	<u>-</u>	<u>-</u>
	-	3342
less: future finance charges	<u>-</u>	<u>717</u>
	<u>-</u>	<u>2625</u>

14. Contingent Liabilities

The daily rates charged for certain contracts are subject annually to retrospective review. Provision is made in the accounts for any adjustments considered by the directors as likely to arise.

15. Future Rental Obligations Under Operating Leases

	1993 £	1992 £
Payable in year ending 31 January 1994		
Land and Buildings		
Operating leases which expire:		
Within 1 year	-	-
In 2nd to 5th years inclusive	5800	5800
Over 5 years	<u>248000</u>	<u>248000</u>
	<u>253800</u>	<u>253800</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1993

15. Future Rental Obligations Under Operating Leases (continued)

Other

Operating leases which expire:

Within 1 year

In 2nd to 5th years inclusive

Over 5 years

-

9774

-

9774

-

9774

Total

263574

263574

16. Pension Schemes

The Company runs a group personal pension scheme into which it pays 9% of an individual's annual salary. The pension provided is related to the contributions made to the scheme. Contributions relating to this scheme were £12488 of which £7412 was accrued at the year end.

SAIC Science and Engineering Ltd also had an occupational pension scheme which is funded, contributory and provides pensions related to final pensionable pay. The Company contributed in accordance with the advice of the scheme's independent actuaries based on their valuations. This scheme will be wound up with effect from 31 December 1992 of which date a valuation has been prepared. This showed that the fund was satisfactorily funded to enable transfer values to be made. Contributions paid to this scheme were £22482 all of which was paid during the year.

17. Parent Companies

The Ultimate Parent Company is Science Applications International Corporation, a company incorporated in the State of Delaware in the United States of America.

The Immediate Parent Company is SAIC UK Limited a company registered in England and Wales.