1641088

KEANE

Keane Limited

Report and financial statements
for the year ended 31 December 2004

Registered number

1641088

Directors

B T Keane
L D Shaw

Secretary

M Sansome

Auditors

Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Bankers

Lloyds TSB plc
125 Colmore Row
Birmingham
B3 3AD

Solicitors

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

Registered office

Bentima House
168-172 Old Street
London
EC1V 9BP

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2004.

Principal activity and review of business

The principal activity of the Company is the supply of IT solution services.

This year saw a continued revenue decline in the first half of the trading year with pressure on margins through aggressive pricing within existing customers. The second half of the year saw a return to profitability and the success of a number of our vertical based solutions as 15 new logos were added and a doubling of revenue over the first half occurred.

As at 31 December 2004, the Directors reviewed the goodwill asset for possible impairment and determined that recent trading results indicated that the full carrying value might not be recoverable. As a result of this review, the Company's goodwill was impaired by an amount equal to £5,509,670 (2003: £1,620,775).

The Company one off charges arising from this restructuring were £nil(2003: £nil).

The management team continues its investment in marketing, sales and its vertical solutions approach to the market.

The formalised account management process implemented last year is paying dividends with 70% of revenues in Q3 and Q4 now arising from customers under formal management.

The final quarter demonstrated the success of the India services integration as we sold our first 3 offshore development projects.

The focus for 2005 will be to continue our vertical go to market position, aggressive acquisition of new logos and careful management of existing accounts.

Our current service offerings, covering full development lifecycle services, supported with vertical market expertise and a Global delivery capability ensures we are well placed to meet the improving services recovery which begun in second half of 2003.

Results and dividends

The loss for the year after taxation amounted to £6,922,268 (2003: £4,169,924 loss). The Directors do not propose any dividend (2003: £nil).

Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounting to £540,000 (2003: £500,000) have been waived by the shareholder.

The Company acquired Fast Track Holdings, a UK-owned privately held SAP consultancy business on 13 July 2004 for £2.25 million with additional earn out payments dependent upon the performance of the business acquired.

Directors' report

Directors and their interests

The Directors who served during the year were as follows:

B T Keane
L D Shaw

The Directors held no interest in the shares of the Company at any time during the year.

The interests of the Directors in the ultimate parent company, Keane Inc, are disclosed in that company's financial statements.

Employees

An open style of communication operates throughout the Company. Staff communication occurs through a formal Team Brief mechanism and structured company-wide meetings geared to providing staff with a good understanding of the strategy and performance of the Company.

Staff are encouraged to contribute their ideas and views on the operation and direction of the Company both informally and through topic based workshops.

The Company is a holder of 'Investors in People' status.

Equal opportunities

The Company is committed to a policy of equal opportunity regardless of age, sex, sexual orientation, disability, marital status, race, colour, ethnic or national origin.

Procedures and criteria in respect of recruitment, promotion, transfer and training are based on this policy of equal opportunity, and judgements as to suitability are made on the basis of the relevant merits and abilities of the individual.

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2004, the Company had an average of 14 days purchases outstanding in trade creditors.

Directors' report

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

L D Shaw
Director

14 October 2005

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 and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

Independent auditors' report to the members of Keane Limited

We have audited the Company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 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 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 Keane Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

14 October 2004

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	2	20,530,729	13,743,247
Cost of sales		(17,236,152)	(12,150,637)
Gross profit		3,294,577	1,592,610
Administrative expenses		(10,081,241)	(5,892,171)
Operating loss before goodwill amortisation		(1,027,206)	(2,241,212)
Goodwill amortisation	8	-	(437,574)
Goodwill impairment	8	(5,509,670)	(1,620,775)
Investment impairment	10	(249,788)	-
Operating loss	3	(6,786,664)	(4,299,561)
Bank interest receivable		38,622	22,513
Interest payable	5	(34,545)	(71,376)
Loss on ordinary activities before tax		(6,782,587)	(4,348,424)
Tax on loss on ordinary activities	6	(139,681)	178,500
Loss for the year	17	(6,922,268)	(4,169,924)

The Company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

All of the above items are derived from the Company's continuing activities.

Balance sheet
at 31 December 2004

	Notes	2004	2003
		£	£
Fixed assets			
Intangible assets	8	-	5,509,670
Tangible assets	9	215,526	476,833
Investments	10	2,249,070	249,788
		2,464,596	6,236,291
Current assets			
Stocks	11	391,441	171,146
Debtors: amounts falling due within one year	12	3,893,317	3,061,358
: amounts falling due after more than one year	12	4,886,803	3,444,449
Cash at bank and in hand		1,181,263	1,252,212
		10,352,824	7,929,165
Creditors: amounts falling due within one year	13	(2,588,259)	(1,930,897)
Net current assets		7,764,565	5,998,268
Total assets less current liabilities		10,229,161	12,234,559
Creditors: amounts falling due after more than one year	14	(7,536,082)	(2,619,212)
		2,693,079	9,615,347
Capital and reserves			
Called up share capital	16	2,629,536	2,629,536
Share premium account	17	11,406,048	11,406,048
Profit and loss account	17	(11,342,505)	(4,420,237)
Shareholders' funds	17	2,693,079	9,615,347
Analysis of shareholders' funds			
Equity		2,193,079	9,115,347
Non equity		500,000	500,000
	17	2,693,079	9,615,347

L. D Shaw.

L D Shaw, Director
14 October 2005

Notes to the accounts

1 Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company has taken advantage of the exemptions allowed under Financial Reporting Standard No. 1 (revised) not to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of an EU parent undertaking.

The Company is not required to prepare group financial statements under S228 of the Companies Act 1985 as the Company is included in the consolidated financial statements of Keane UK Limited. The financial statements show information relating to the Company on an individual undertaking and not about its group.

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of fixed price contracts where turnover represents the sales value of work done in the year including estimates in respect of amounts not invoiced.

Turnover in respect of fixed price contract is calculated using the proportional performance method. The Company use estimated labour-to-complete to measure the proportional performance. Proportional performance recognition relies on accurate estimates of costs, scope, and duration of each engagement. The Company regularly reviews profitability and underlying estimates for fixed price contracts. Losses, if any, on fixed price contracts are recorded in the period in which the loss is identified.

Goodwill
Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed asset investments
Fixed asset investments are stated at cost less any impairment.

Tangible fixed assets
All fixed assets are initially recorded at cost.

Notes to the accounts

1 Accounting policies *(continued)*

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Motor vehicles	-	4 years
Computer equipment and fixtures and fittings	-	2 - 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Work in progress
Work in progress is stated at the lower of cost, and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments
Assets acquired under hire purchase and finance lease contracts are recorded in the balance sheet as fixed assets at their equivalent capital value and are depreciated over the useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the amount paid is charged against profits.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the accounts

1 Accounting policies *(continued)*

Pensions

The Company operates both a defined contribution and a defined benefit pension scheme.

Contributions to the defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' average remaining service lives with the Company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable in accordance within the rules of the scheme.

2 Turnover

Turnover represents amounts invoiced by the Company in respect of IT services, net of value added tax. An analysis of turnover by geographical market is given below:

	2004	2003
	£	£
United Kingdom	19,560,371	12,876,963
Rest of Europe	11,746	188,561
North America	885,298	664,863
Rest of World	73,314	12,860
	20,530,729	13,743,247

3 Operating loss

This is stated after charging/(crediting):

		£	£
Profit on disposal of fixed assets		(142,723)	(116,762)
Depreciation of assets held under finance leases and hire purchase contracts		157,212	308,269
Depreciation of owned fixed assets		161,876	251,037
Amortisation of goodwill		-	437,574
Goodwill impairment		5,509,670	1,620,775
Provision against investments		249,788	-
Auditors remuneration and expenses	- audit	35,622	35,000
	- non audit services	67,230	10,200
Operating lease rentals	- land and buildings	619,095	652,124
	- plant and machinery	168,436	202,086

Notes to the accounts

4 Staff costs and Directors' emoluments

(a) *Staff costs*

	2004 £	2003 £
Wages and salaries	9,706,577	8,228,736
Social security costs	1,116,796	899,122
Other pension costs	659,927	631,376
	11,483,300	9,759,234

The monthly average number of employees (including Directors) during the year, analysed by category, was as follows:

	No. 2004	No. 2003
Distribution	12	12
Administration	35	32
Production	170	164
	217	208

(b) *Directors' emoluments*

	2004 £	2003 £
Emoluments	299,855	285,477
Company contributions paid to money purchase pension schemes	14,500	12,000
	314,355	297,477

	No.	No.
Members of defined contribution pension scheme	1	1
	1	1

The amounts in respect of the highest paid Director are as follows:

	2004 £	2003 £
Emoluments	299,855	285,477
Company contributions paid to money purchase pension schemes	14,500	12,000
	314,355	297,477

Notes to the accounts

5 Interest payable

	2004 £	2003 £
Finance charges payable under finance leases and hire purchase contracts	32,662	70,585
Other interest	1,883	791
	34,545	71,376

6 Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2004 £	2003 £
UK corporation tax:		
Adjustments in respect of previous periods	139,681	(178,500)

(b) Factors affecting the tax charge for the year

	2004 £	2003 £
Loss on ordinary activities before tax	(6,782,587)	(4,348,424)
Loss on ordinary activities multiplied by standard UK corporation tax rate of 30% (2003: 30%)	(2,034,776)	(1,304,527)
Effects of:		
Disallowed expenses and non-taxable income	1,763,387	654,634
Capital allowances in advance of depreciation	(65,626)	(14,965)
Short-term timing differences	(606)	(10,524)
Group relief	150,014	-
Adjustments in respect of previous periods	139,681	(178,500)
Losses carried forward	187,607	675,382
Total current tax	139,681	(178,500)

Notes to the accounts

6 Tax on loss on ordinary activities *(continued)*

c Unrecognised deferred tax asset

The unrecognised deferred tax asset is analysed as follows:	**2004**	**2003**
	£	**£**
Accelerated capital allowances	269,493	183,816
Losses	1,138,848	1,035,551
Other timing differences	32,075	24,606
	1,440,416	1,243,973

The unrecognised deferred tax asset may be recoverable when the Company has sufficient taxable profits to offset the losses.

7 Dividends

Cumulative accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £540,000 (2003: £500,000) have been waived by the shareholder.

8 Intangible fixed assets

	Goodwill
	£
Cost	
At 31 December 2003 & 31 December 2004	11,100,023
Amortisation	
At 31 December 2003	(5,590,353)
Impairment	(5,509,670)
At 31 December 2004	(11,100,023)
Net book value	
At 31 December 2004	-
At 31 December 2003	5,509,670

Goodwill on the acquisition of the assets, liabilities and trade of Parallax Solutions Limited was fully provided for during the year following an assessment of its carrying value.

Notes to the accounts

9 Tangible fixed assets

	Motor vehicles	Computer equipment & fixtures & fittings	Total
	£	£	£
Cost			
At 31 December 2003	1,070,014	5,060,121	6,130,135
Additions	46,404	35,311	81,715
Disposals	(665,260)	(10,292)	(675,552)
At 31 December 2004	451,158	5,085,140	5,536,298
Depreciation			
At 31 December 2003	(870,374)	(4,782,928)	(5,653,302)
Charge for the year	(180,448)	(138,640)	(319,088)
Disposals	641,326	10,292	651,618
At 31 December 2004	(409,496)	(4,911,276)	(5,320,772)
Net book value			
At 31 December 2004	41,662	173,864	215,526
At 31 December 2003	199,640	277,193	476,833

Included within fixed assets are assets held under finance leases or hire purchase contracts. The net book value of these assets amounts to £8,133 (2003: £197,400).

Notes to the accounts

10 Investments

	Subsidiary undertaking
	£
Cost	
At 31 December 2003	11,535,584
Additions	2,249,070
At 31 December 2004	13,784,654
Provision	
At 31 December 2003	11,285,796
Charge for the year	249,788
At 31 December 2004	11,535,584
Net book value	
At 31 December 2004	2,249,070
At 31 December 2003	249,788

At 31 December 2004, the Company owned the entire issued share capital of Parallax Holdings Limited, a company incorporated in England and Wales. Parallax Holdings Limited acts as an intermediate holding company. Parallax Holdings Limited wholly owns Parallax Solutions Limited, a non-trading company incorporated in England and Wales.

During the Year, the Company acquired the issued share capital of Fast Track Holdings Limited, a company incorporated in England and Wales. Fast Track Holdings Limited acts as an intermediate holding company. Fast Track Holdings Limited wholly owns Fast Track Consulting Limited, a company incorporated in England and Wales, Bankside Consulting Limited and Milestone Enterprise Resources Limited, both non-trading companies incorporated in England and Wales. At the date of acquitision, Fast Track Holdings Limited had negative net assets of £88,298. Goodwill on the acquisition amounted to £2,637,000, further details of which are shown in the accounts of Keane UK Limited.

11 Stocks

	2004	2003
	£	£
Work in progress	391,441	171,146

Notes to the accounts

12 Debtors

	2004	2003
	£	£
Amounts falling due within one year:		
Trade debtors	3,618,618	2,486,181
Amounts owed by group undertakings	-	182,216
Other debtors	27,655	52,162
Prepayments and accrued income	247,044	165,080
Corporation tax recoverable	-	175,719
	3,893,317	3,061,358
Amounts falling due after more than one year:		
Amounts owed by group undertakings	4,886,803	3,444,449

13 Creditors: amounts falling due within one year

	2004	2003
	£	£
Obligations under finance leases (note 15)	96,978	356,813
Trade creditors	210,649	152,862
Amounts owed to group undertakings	100,867	20,235
Taxation and social security	792,017	487,238
Accruals and deferred income	1,387,748	913,749
	2,588,259	1,930,897

14 Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Obligations under finance leases (note 15)	-	66,928
Amounts owed to group undertakings	7,536,082	2,552,284
	7,536,082	2,619,212

Notes to the accounts

15 Obligations under finance leases and hire purchase contracts

	2004	2003
	£	£
Amounts payable:		
within one year (note 13)	96,978	356,813
within two and five years (note 14)	-	66,928
	96,978	423,741

16 Share capital

	Number of shares	Authorised	Number of shares	31 December 2003 and 2004 Allotted, called up and fully paid
		£		£
Ordinary shares of £0.50 each	4,260,000	2,130,000	4,259,072	2,129,536
8% cumulative redeemable preference shares of £1 each	500,000	500,000	500,000	500,000
		2,630,000		2,629,536

The 8% cumulative redeemable preference shares of £1 each have the following rights:

Dividends
The preference shares carry a dividend of 8% payable annually in arrears. The dividend rights are cumulative.

Voting
The preference shares carry no votes at general meetings.

Redemption
The preference shares are redeemable upon either the admission of ordinary shares to the official list of the London Stock Exchange, Alternative Investment Market of the London Stock Exchange or any other recognised exchange or upon three months notice of the shareholders being served on the Company, together with any preference dividend due up to the date of redemption and any interest thereon.

Winding up
On winding up the Company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share plus any accrued dividend.

Notes to the accounts

17 Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Share premium account*	*Profit and loss account*	*Total shareholders' funds*
	£	£	£	£
At 31 December 2002	2,629,536	11,406,048	(250,313)	13,785,271
Loss for the year	-	-	(4,169,924)	(4,169,924)
At 31 December 2003	2,629,536	11,406,048	(4,420,237)	9,615,347
Loss for the year	-	-	(6,922,268)	(6,922,268)
At 31 December 2004	2,629,536	11,406,048	(11,342,505)	2,693,079

18 Pension commitments

(a) SSAP 24 disclosures

The Company operates a defined contribution pension scheme. At 31 December 2004 there were no outstanding or prepaid contributions (2003: £nil). The costs of this scheme are charged to the profit and loss account in the period in which they are incurred. Costs for the year amounted to £510,000 (2003: £239,000).

The Company also operates a defined benefit pension scheme for its employees. Assets are held separately from the Company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' remaining working lives with the Company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations, using the projected unit method.

The most recent valuation was carried out as at 1 April 2002 by an independent qualified actuary. Contributions were paid at a total rate of 13.7% of pensionable pay inclusive of members' contributions.

The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments, including dividend growth and the rates of increase in salaries. The principal assumptions used in this valuation to calculate the funding level and contribution rates were:

Rate of return of investments:	
Equities	9% pa (dividend growth 5.8% pa)
Fixed interest gilts	8% pa
Index linked gilts	3.85% pa
Rate of increase in pensionable pay:	6% pa
Market value of scheme assets:	£11,030,820

The level of funding (i.e. the actuarial value of assets expressed as a percentage of the benefits accrued to members after allowing for future salary increases) disclosed in the most recent valuation was 97%.

There are no outstanding pension contributions at the balance sheet date.

18 Pension commitments *(continued)*

(b) FRS 17 disclosures

The Company has taken advantage of the transitional rules of FRS 17 and has disclosed the information required accordingly. If the standard had been applied in full, the information below summarises the effect it would have on the Company's financial statements.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2002 updated by the actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2004. Scheme assets are stated at their market value at 31 December 2004 and the liabilities of the scheme have been assessed at the same date using the projected unit method.

The principal assumptions used by the actuary to determine the liabilities on an FRS 17 basis were:

	2004	**2003**	**2002**
	%	**%**	**%**
Discount rate	5.40	5.50	5.75
Rate of increase in pensionable salaries	w/a	4.25	3.75
Inflation assumption	2.80	2.75	2.25
Rate of increase in pensions in payment (where applicable)	2.80	2.75	2.25

The combined assets of the scheme and the expected rate of return were:

	2004	**2003**	**2002**	**2004**	**2003**	**2002**
	%	**%**	**%**	**£000**	**£000**	**£000**
Equities	8.00	8.00	8.00	11,319	10,031	8,160
Bonds	5.40	5.50	5.75	735	658	-
Property	5.40	5.50	5.75	386	320	-
Cash	4.75	4.00	4.00	62	43	440
Total market value of assets				12,502	11,052	8,600
Present value of liabilities				(19,506)	(17,975)	(14,250)
Deficit in the scheme				(7,004)	(6,923)	(5,650)

Analysis of the amount which would have been charged to operating loss:

	2004	**2003**
	£000	**£000**
Current service cost	151	798
Past service cost	-	100
Curtailments gain	(1,188)	(250)
	(1,037)	648

Notes to the accounts

18 Pension commitments *(continued)*

(b) FRS 17 disclosures (continued)

Analysis of the amount which would have been charged to other finance costs:

	2004	2003
	£000	£000
Expected retun on pension scheme assets	853	688
Interest on pension scheme liabilities	(986)	(842)
Other financing (expense)/income	(133)	(154)

Analysis of the amount which would have been recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2004	2003
	£000	£000
Actual return less expected retun on pension scheme assets	683	1,229
Experience gains and losses arising on pension scheme liabilities	(327)	645
Changes in assumptions underlying the present value of the scheme liabilities	(1,503)	(2,796)
Actual loss recognised in the STRGL	(1,147)	(922)

Analysis of the movement in the deficit over the year:

	2004	2003
	£000	£000
Deficit in the scheme at the start of the year	(6,923)	(5,650)
Current service cost	(151)	(798)
Contributions paid	162	451
Past service cost	-	(100)
Curtailments gain	1,188	250
Other financing (expense)/income)	(133)	(154)
Acturial losses	(1,147)	(922)
Deficit in the scheme at the end of the year	(7,004)	(6,923)

Notes to the accounts

18 Pension commitments *(continued)*

(b) FRS 17 disclosures (continued)

A history of experience gains and losses over the year would have been as follows:

	2004	2003
	£000	£000
Difference between the expected and actual return on scheme assets:		
Amount	683	1,229
Percentage of scheme assets	5%	11%
Experience gains and losses on scheme liabilities:		
Amount	(327)	645
Percentage of scheme assets	(2%)	4%
Total amount recognised in statement of total recognised gains and losses:		
Amount	(1,147)	(922)
Percentage of scheme assets	(6%)	(5%)

The reconciliation of net assets and reserves under FRS 17 is as follows.

	Profit and loss reserves		Net assets	
	2004	2003	2004	2003
	£000	£000	£000	£000
Reported balance	(11,343)	(4,420)	2,693	9,615
FRS 17 deficit	(7,004)	(6,923)	(7,004)	(6,923)
Balance including defined benefit liability	(18,347)	(11,343)	(4,311)	2,692

19 Operating lease commitments

Total amount recognised in statement of total recognised gains and losses:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Operating leases which expire:				
Within one year	58,121	-	1,192	4,395
Between two and five years	592,609	538,038	94,095	62,207
	650,730	538,038	95,287	66,602

Notes to the accounts

20 Related party disclosures

The Company has taken advantage of the exemption within FRS 8 not to disclose transactions with other group companies.

21 Parent undertaking

The Company's immediate parent undertaking is Keane Europe Limited.

The parent of the smallest group for which group accounts are prepared and include the Company is Keane UK Limited. Copies are available from the address below.

The ultimate parent undertaking and controlling party is Keane Inc. Keane Inc is incorporated in the USA and has included the Company in its group accounts, copies of which are available from:

Bentima House
168-172 Old Street
London
EC1V 9BP