

# Keane Limited

## Report and Financial Statements

31 December 2002

*Registered Number: 1641088*



# Keane Limited

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Registered No. 1641088

## **DIRECTORS**

B T Keane  
L D Shaw

## **SECRETARY**

U M Croxford

## **AUDITORS**

Ernst & Young LLP  
One Colmore Row  
Birmingham  
B3 2DB

## **BANKERS**

Lloyds Bank 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

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2002.

**RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £3,366,760 (2001: £1,007,765). The directors do not propose any dividend (2001: £nil).

Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounting to £460,000 (2001: £420,000) have been waived by the shareholder.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

This year saw a significant decline in revenues in line with the global economic slowdown in services. Margins were impacted by lower utilisation and pressure on rates.

As at 31 December 2002, 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 £1,497,000.

The final quarter saw the appointment of a new Managing Director, the start of a major restructuring program and the creation of a new executive team.

The new team has undertaken a major review of the business, sharpened the service offerings centred around verticals with increased investment in Marketing and Sales.

The group one off charges arising from this restructuring were £847,453.

February saw the acquisition by Keane Inc of Signal Tree Limited to form Keane India Limited, the offshore operation for the Global Keane organisation. Keane Limited has now incorporated offshore delivery into its new service offerings and Keane India are included in 90% of all bids.

The focus for the 2003 will be to fundamentally change the revenue mix from build to manage services as well as introduce formalised account management for existing customers.

Our current service offerings, combining the efficiencies of the Capability Maturity Model (CMM) with the cost advantages of offshore, are well placed to meet the ongoing cost reduction focus of our clients

DIRECTORS' REPORT

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

I N Brown (resigned 30 September 2002)  
B T Keane  
L D Shaw (appointed 2 September 2002)  
P G Woodcock (resigned 13 September 2002)

At 31 December 2002, the directors hold no interest in the shares of the company at 31 December 2002.

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

**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

During the year insurance was maintained for directors and officers of the company against certain liabilities which they might incur personally.

**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 or 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.

**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 29/9/03  
Director

## Keane Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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; 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 2002 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.

**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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young UK*

Ernst & Young LLP  
Registered Auditor  
Birmingham

27/9/03

# Keane Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £	2001 £
<b>TURNOVER</b>	2	20,179,521	33,682,066
Cost of sales		(15,457,439)	(25,025,711)
<b>GROSS PROFIT</b>		<u>4,722,082</u>	<u>8,656,355</u>
Administrative expenses		(8,031,804)	(9,828,316)
Operating loss before goodwill amortisation		(1,257,721)	(616,960)
Goodwill amortisation	8	(555,001)	(555,001)
Impairment loss	8	(1,497,000)	-
<b>OPERATING (LOSS)</b>	3	(3,309,722)	(1,171,961)
Bank interest receivable		71,137	144,029
Interest payable	5	(128,175)	(152,979)
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(3,366,760)</u>	<u>(1,180,911)</u>
Tax on (loss) on ordinary activities	6	-	173,146
<b>(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(3,366,760)</u>	<u>(1,007,765)</u>
Dividends	7	-	-
<b>(LOSS) FOR THE FINANCIAL YEAR</b>	17	<u><u>(3,366,760)</u></u>	<u><u>(1,007,765)</u></u>

There are no recognised gains or losses other than those included in the profit and loss account above.

# Keane Limited

## BALANCE SHEET at 31 December 2002

	Notes	2002 £	2001 £
<b>FIXED ASSETS</b>			
Intangible assets	8	7,568,019	9,620,020
Tangible assets	9	1,045,941	2,168,835
Investments	10	249,788	249,788
		<u>8,863,748</u>	<u>12,038,643</u>
<b>CURRENT ASSETS</b>			
Stocks	11	102,849	272,837
Debtors : amounts falling due within one year	12	3,318,348	4,473,115
: amounts falling due after more than year	12	3,450,974	3,720,143
Cash at bank and in hand		1,267,006	2,727,819
		<u>8,139,177</u>	<u>11,193,914</u>
<b>CREDITORS : amounts falling due within one year</b>	13	(2,845,950)	(5,253,594)
<b>NET CURRENT ASSETS</b>		<u>5,293,227</u>	<u>5,940,320</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>14,156,975</u>	<u>17,978,963</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	(371,704)	(826,932)
		<u>13,785,271</u>	<u>17,152,031</u>
<b>CAPITAL AND RESERVES</b>			
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	(250,313)	3,116,447
	17	<u>13,785,271</u>	<u>17,152,031</u>
<b>Analysis of shareholders funds:</b>			
Equity		13,285,271	16,652,031
Non equity		500,000	500,000
	17	<u>13,785,271</u>	<u>17,152,031</u>

Approved by the Board

L D Shaw  
Director

29/9/03



NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2002

1. ACCOUNTING POLICIES

*Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies' Act 1985 s256.

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.

*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. 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 provision for diminution in value.

*Tangible fixed assets*

All fixed assets are initially recorded at cost.

*Depreciation*

Depreciation is calculated so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives as follows:

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

*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 following exception:

- 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.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2002

1. ACCOUNTING POLICIES (continued)

**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.

**Pensions**

The company operates both defined contribution and defined benefit pension schemes.

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.

Contributions to the defined contribution scheme are charged in 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 area is given below:

	2002 £	2001 £
United Kingdom	18,606,503	30,827,113
Rest of Europe	435,306	1,833,076
North America	1,127,320	1,008,623
Rest of world	10,392	13,254
	<u>20,179,521</u>	<u>33,682,066</u>

3. OPERATING (LOSS)

This is stated after charging/(crediting):

	2002 £	2001 £
Profit on disposal of fixed assets	(126,790)	(173,916)
Depreciation of assets held under finance leases and hire purchase contracts	473,790	706,033
Depreciation of owned fixed assets	491,400	662,160
Amortisation of goodwill	555,001	555,001
Impairment loss	1,497,000	-
Auditors' remuneration and expenses - audit	31,300	23,000
- non audit services	27,240	32,820
Operating lease rentals - land and buildings	838,316	1,235,774
- plant and machinery	242,311	341,437
	<u></u>	<u></u>

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 4. STAFF COSTS AND DIRECTORS' EMOLUMENTS

#### (a) Staff costs

	2002 £	2001 £
Wages and salaries	12,399,678	19,701,027
Social security costs	1,257,058	1,984,508
Other pension costs	908,213	1,253,397
	<u>14,564,949</u>	<u>22,938,932</u>

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

	Number of employees	
	2002	2001
Distribution	17	16
Administration	46	48
Production	216	380
	<u>279</u>	<u>444</u>

#### (b) Directors emoluments

	2002 £	2001 £
Emoluments	345,817	339,474
Company contributions paid to money purchase schemes	12,577	7,130
	<u></u>	<u></u>
	No.	No.
Members of defined benefit scheme	1	1
Members of defined contribution scheme	2	1
	<u></u>	<u></u>

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

	2002 £	2001 £
Emoluments	140,441	202,664
Company contributions paid to money purchase schemes	8,373	7,130
	<u></u>	<u></u>

The highest paid director's accrued pension at the year end is £nil (2001: £70,927).

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 5. INTEREST PAYABLE

	2002	2001
	£	£
Bank loans and overdrafts	-	119
Finance charges payable under finance leases and hire purchase contracts	117,438	147,275
Other interest	10,737	5,585
	<u>128,175</u>	<u>152,979</u>

### 6. TAX

#### (a) Tax on (loss) on ordinary activities:

The tax charge is made up as follows:

	2002	2001
	£	£
UK corporation tax:		
UK corporation tax charge for the period	-	(159,200)
Adjustments in respect of previous periods	-	(13,946)
	<u>-</u>	<u>(173,146)</u>

#### (b) Factors affecting the tax charge for the period:

	2002	2001
	£000	£000
(Loss) on ordinary activities before tax	(3,366,760)	(1,180,911)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30.00% (2001: 30.00%)	(1,010,028)	(354,273)
Effect of:		
Disallowed expenses and non-taxable income	60,000	212,819
Depreciation in excess of capital allowances	65,842	(18,245)
Short-term timing differences	75,000	499
Adjustments in respect of previous periods	-	(13,946)
Losses	809,186	-
Current tax charge for the period	<u>-</u>	<u>173,146</u>

#### (c) Unrecognised deferred tax asset

The unrecognised deferred tax asset is analysed as follows:

	2002	2001
	£	£
Accelerated capital allowances	313,011	182,760
Losses	809,186	-
Other timing differences	118,847	43,847
	<u>1,241,044</u>	<u>226,607</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2002

7. DIVIDENDS

Accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £460,000 (2001: £420,000) have been waived by the shareholder.

8. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	
At 1 January 2002 and at 31 December 2002	11,100,023
Amortisation:	
At 1 January 2002	1,480,003
Charge for the year	555,001
Impairment loss	1,497,000
At 31 December 2002	3,532,004
Net book value:	
At 31 December 2002	7,568,019
At 1 January 2002	9,620,020

The discount rate used to calculate the impairment loss was 9.20%.

Goodwill on the acquisition of the assets, liabilities and trade of Parallax Solutions Limited is being amortised over the directors' estimated useful economic life of 20 years.

9. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Computer equipment and fixtures and fittings</i> £	<i>Total</i> £
Cost:			
At 1 January 2002	2,832,156	5,616,840	8,448,996
Additions	-	54,070	54,070
Disposals	(1,051,536)	(203,874)	(1,255,410)
At 31 December 2002	1,780,620	5,467,036	7,247,656
Depreciation:			
At 1 January 2002	1,513,400	4,766,761	6,280,161
Charge for year	520,402	444,788	965,190
Disposals	(869,292)	(174,344)	(1,043,636)
At 31 December 2002	1,164,510	5,037,205	6,201,715
Net book value:			
At 31 December 2002	616,110	429,831	1,045,941
At 1 January 2002	1,318,756	850,079	2,168,835

Included within fixed assets are assets held under finance leases or hire purchase contracts. The net book value of these assets amounts to £585,880 (2001: £1,243,675).

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 10. INVESTMENTS

	<i>Subsidiary undertaking</i>
Cost:	£
At 1 January 2002 and at 31 December 2002	11,535,584
Provision:	
At 1 January 2002 and at 31 December 2002	11,285,796
Net book value:	
At 1 January 2002 and at 31 December 2002	249,788

At 31 December 2002, the company owned the entire issued share capital of Parallax Holdings Ltd, 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 company incorporated in England and Wales.

### 11. STOCKS

	2002 £	2001 £
Work in progress	102,849	272,837

### 12. DEBTORS

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	2,959,693	4,080,208
Amounts owed by group undertakings	14,090	-
Other debtors	17,430	-
Prepayments and accrued income	327,070	353,104
Corporation tax	65	39,803
	3,318,348	4,473,115
Amounts falling due after more than one year:		
Amounts owed by group undertakings	3,450,974	3,720,143

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 13. CREDITORS: amounts falling due within one year

	2002 £	2001 £
Obligations under finance leases (note 15)	484,771	695,448
Trade creditors	365,873	489,896
Amounts owed to group undertakings	17,213	20,001
Taxation and social security	595,873	1,093,626
Accruals and deferred income	1,382,220	2,954,623
	<u>2,845,950</u>	<u>5,253,594</u>

### 14. CREDITORS: amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases (note 15)	371,704	826,932
	<u>371,704</u>	<u>826,932</u>

### 15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	2002 £	2001 £
Amounts payable:		
within one year (note 13)	484,771	695,448
within two and five years (note 14)	371,704	826,932
	<u>856,475</u>	<u>1,522,380</u>

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 16. SHARE CAPITAL

			<i>2002 and 2001 Allotted, called up and fully paid</i>	
	<i>No.</i>	<i>Authorised £</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £0.50 each	4,260,000	2,130,000	4,259,073	2,129,536
8% cumulative redeemable preference shares of £1 each	500,000	500,000	500,000	500,000
		<u>2,630,000</u>		<u>2,629,536</u>

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.

### 17. RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Total shareholders funds £</i>
At 1 January 2001	2,629,536	11,406,048	4,124,212	18,159,796
Loss for the year	-	-	(1,007,765)	(1,007,765)
At 31 December 2001	2,629,536	11,406,048	3,116,447	17,152,031
Loss for the year	-	-	(3,366,760)	(3,366,760)
At 31 December 2002	2,629,536	11,406,048	(250,313)	13,785,271



NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2002

20. PENSION COMMITMENTS

(a) SSAP 24 Disclosures

The company operates a defined contribution pension scheme. At 31 December 2002 the amount of any outstanding or prepaid contributions was £nil. The costs of this scheme are charged to the profit and loss account in the period in which they are incurred.

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 defined accrued benefit method.

The most recent valuation was carried out as at 1 April 2002. 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	9.0% p.a. (dividend growth 5.8% p.a.)
Fixed Interest Gilts	8.0% p.a.
Index Linked Gilts	3.85% p.a.

Rate of increase on pensionable pay: 6.0% p.a.

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.

(b) FRS 17 Disclosures

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 2002. Scheme assets are stated at their market value at 31 December 2002 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:

	2002 %	2001 %
Discount rate	5.75	6.0
Rate of increase in pensionable salaries	3.75	4.0
Inflation assumption	2.25	2.5
Rate of increase in pensions in payment (where applicable)	2.25	2.25

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2002

18. PENSION COMMITMENTS (continued)

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

	<i>Long-term rate of return expected</i>		<i>Value</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>%</i>	<i>%</i>	<i>£'000</i>	<i>£'000</i>
Equities	8.0	8.25	8,160	10,690
Cash	4.0	4.0	440	83
Total market value of assets			8,600	10,773
Present value of liabilities			(14,250)	(11,539)
(Defecit) in the scheme			(5,650)	(766)

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

	<i>2002</i>
	<i>£'000</i>
Current service cost	943

Analysis of the amount which would have been credited to other financing income:

	<i>2002</i>
	<i>£'000</i>
Expected return on pension scheme assets	882
Interest on pension scheme liabilities	(720)
Other financing income	162

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

	<i>2002</i>
	<i>£'000</i>
Actual return less expected return on pension scheme assets	(3,587)
Experience gains and losses arising on pension scheme liabilities	(662)
Changes in assumptions underlying the present value of the scheme liabilities	(462)
Actual (loss) recognised in the STRGL	(4,711)

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 18. PENSION COMMITMENTS (continued)

Analysis of the movement in the deficit over the period:

	2002 £'000
(Deficit) in the scheme at 1 January 2002	(766)
Current service cost	(943)
Contributions paid	(608)
Other financing income	162
Actuarial gains / (losses)	(4,711)
(Deficit) in the scheme at 31 December 2002	<u>(5,650)</u>

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

	2002 £'000
Difference between the expected and actual return on scheme assets:	
Amount	(3,587)
Percentage of scheme assets	-42%
Experience gains and losses on scheme liabilities:	
Amount	(662)
Percentage of present value of scheme liabilities	-5%
Total amount recognised in statement of total recognised gains and losses:	
Amount	(4,711)
Percentage of present value of scheme liabilities	-33%

# Keane Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 19. LEASING COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>			<i>Other</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
Within one year	-	-	-	10,442
Between two and five years	749,990	1,169,494	5,859	5,859
	<u>749,990</u>	<u>1,169,494</u>	<u>5,859</u>	<u>16,301</u>

### 20. 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.

### 21. RELATED PARTY DISCLOSURES

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