

1641086



# Keane Limited

Report and financial statements  
for the year ended 31 December 2005



## Keane Limited

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### Registered number

1641088

### Directors

B T Keane (resigned 10<sup>th</sup> May 2006)  
L D Shaw  
J J Leahy (appointed 10<sup>th</sup> May 2006)

### Secretary

G M Walker

### 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

70 St Mary's Axe  
London  
EC3A 8BD

## Directors' report

The Directors present their report and financial statements for the year ended 31 December 2005.

### Principal activity and review of business

The principal activity of the Company is the supply of IT solution services. As with the rest of the services industry the company is increasing its exposure to offshore based delivery with a corresponding reduction of onshore resource.

This year saw a modest revenue increase with continued pressure on margins. New logos were added to customer base with at least two of these new logos expected to develop into strategic accounts. Early 2005 saw the complete loss of a significant customer through a change in strategy, despite this revenue levels have been maintained albeit at the expense of margin.

As at 31 December 2005, the Directors reviewed the goodwill asset for possible impairment and determined that no impairment were required. As a result, the Company's goodwill was impaired by £nil (2004: £5,509,670).

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

Focused account management for existing accounts is being implemented as part of Keane's Globalisation initiative and is expected to generate increased revenues through account planning and focus on account growth for strategic accounts.

The focus for 2006 will be to continue our vertical go to market position, aggressive growth of our strategic accounts and increasing the levels of offshore billable resource across all clients and new business. In August 2005 the UK managing director left the business.

Q1 2006 will see a new Managing Director join the business to drive the Company's globalisation initiative in line with Keane's overall strategy.

### Results and dividends

The loss for the year after taxation amounted to £1,995,634 (2004 restated\*: £5,856,268 loss). The Directors do not propose any dividend (2004: £nil).

Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounting to £580,000 (2004: £540,000) have been waived by the shareholder.

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

## 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.

### Pensions

On an FRS 17 basis, the Company's pension scheme showed a deficit of £8,869,000 at 31 December 2005 compared with £7,004,000 at 31 December 2004. The increase in the deficit reflects an improvement in investment returns, offset by an increase in liabilities which takes account of the increase in life expectancy along with a reduction in the corporate bond rate used for discounting purposes.

### 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 2005, the Company had an average of 22 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

29 September 2006

## 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 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' (Deficit)/Funds, Balance Sheet and the related notes 1 to 22. 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 (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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.

Keane Limited

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## Independent auditors' report to the members of Keane Limited

### Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 December 2005 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

30 October 2006



# Profit and loss account

for the year ended 31 December 2005

	Notes	2005 £	Restated * 2004 £
<b>Turnover</b>	3	21,864,661	20,530,729
Cost of sales		(19,639,665)	(17,236,152)
<b>Gross profit</b>		2,224,996	3,294,577
Administrative expenses		(4,162,963)	(8,882,241)
Operating (loss)/profit before impairment		(1,937,967)	171,794
Goodwill impairment		-	(5,509,670)
Investment impairment		-	(249,788)
<b>Operating loss</b>	4	(1,937,967)	(5,587,664)
Bank interest receivable		29,904	38,622
Interest payable	6	(2,571)	(34,545)
Net finance expense in respect of pensions	19	(85,000)	(133,000)
<b>Loss on ordinary activities before tax</b>		(1,995,634)	(5,716,587)
Tax on loss on ordinary activities	7	-	(139,681)
<b>Loss for the year</b>	18	(1,995,634)	(5,856,268)

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.

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

## Statement of total recognised gains and losses

for the year ended 31 December 2005

	Notes	2005 £	Restated * 2004 £
<b>Earnings available for shareholders</b>		(1,995,634)	(5,856,268)
Actuarial loss on pension scheme	19	(1,838,000)	(1,147,000)
<b>Total recognised loss for the year</b>		<u>(3,833,634)</u>	<u>(7,003,268)</u>
Prior year adjustment on the full adoption of FRS 17		(6,923,000)	
<b>Total recognised losses since previous year end</b>		<u><u>(10,756,634)</u></u>	

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

## Reconciliation of movement in shareholders' (deficit)/funds

for the year ended 31 December 2005

	Notes	2005 £	Restated * 2004 £
Opening shareholders' funds as previously reported		2,693,079	9,615,347
Prior year adjustment on the full adoption of FRS 17		(7,004,000)	(6,923,000)
Prior year adjustment on the full adoption of FRS 25		(500,000)	(500,000)
<b>Opening shareholders' (deficit)/funds as restated</b>		<u>(4,810,921)</u>	<u>2,192,347</u>
Total recognised losses for the year	18	(3,833,634)	(7,003,268)
<b>Closing shareholders' deficit</b>		<u><u>(8,644,555)</u></u>	<u><u>(4,810,921)</u></u>

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

# Balance sheet

at 31 December 2005

	Notes	2005 £	Restated * 2004 £
<b>Fixed assets</b>			
Tangible assets	10	124,215	215,526
Investments	11	2,249,070	2,249,070
		<u>2,373,285</u>	<u>2,464,596</u>
<b>Current assets</b>			
Stocks	12	721,619	391,441
Debtors: amounts falling due within one year	13	9,529,999	3,893,317
: amounts falling due after more than one year	13	3,503,676	4,886,803
Cash at bank and in hand		1,662,936	1,181,263
		<u>15,418,230</u>	<u>10,352,824</u>
<b>Creditors: amounts falling due within one year</b>	14	(12,717,347)	(3,088,259)
<b>Net current assets</b>		<u>2,700,883</u>	<u>7,264,565</u>
<b>Total assets less current liabilities</b>		<u>5,074,168</u>	<u>9,729,161</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(4,849,723)	(7,536,082)
<b>Net assets excluding pension liability</b>		<u>224,445</u>	<u>2,193,079</u>
<b>Pension liability</b>	19	(8,869,000)	(7,004,000)
<b>Net liabilities including pension liability</b>		<u>(8,644,555)</u>	<u>(4,810,921)</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,129,536	2,129,536
Share premium account	18	11,406,048	11,406,048
Profit and loss account	18	(22,180,139)	(18,346,505)
<b>Equity shareholders' deficit</b>	18	<u>(8,644,555)</u>	<u>(4,810,921)</u>

\* Restated on the full adoption of FRS 17 "Retirement Benefits" and FRS 25 "Financial Instruments: Disclosure and Presentation" (see note 2).



L D Shaw, Director  
29 September 2006

## Notes to the accounts at 31 December 2005

### 1 Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. They comply with applicable accounting standards in the United Kingdom, including FRS 17 "Retirement Benefits" which has been applied in full for the first time this year and FRS 25 "Financial Instruments: Disclosure and Presentation". Further details regarding the adoption of FRS 17 and FRS 25 are provided in note 2.

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.

#### ***Prior year adjustments***

The Company has adopted FRS 17 "Retirement Benefits" to record pension costs and the related pension scheme commitments. This has resulted in a change in the accounting treatment of the Company's defined benefit arrangements. In particular, the net liabilities of the pension schemes are included on the balance sheet, current service costs and net financial returns are included in the profit and loss account and actuarial gains and losses are recognised in the statement of total recognised Company gains and losses.

The Company has also adopted FRS 25 to record redeemable preference shares as a current liability.

#### ***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 contracts 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.

## Notes to the accounts at 31 December 2005

### 1 Accounting policies (*continued*)

#### ***Fixed asset investments***

Fixed asset investments are stated at cost less any impairment.

#### ***Tangible fixed assets***

All fixed assets are initially recorded at cost.

#### ***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 at 31 December 2005

1 Accounting policies (*continued*)**Pensions**

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

For the Company's define benefit arrangements, the current service cost of providing pension benefits to employees, together with the costs of any benefits relating to past service, is charged to operation profit and included in administration expenses. The interest cost and the expected return on assets are shown as a net amount of finance cost or income adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The difference between the market value of the pension scheme assets and the present value of the accrued pension liabilities is shown separately as an asset or liability on 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 Changes in accounting policy

The Company has adopted FRS 17 "Retirement Benefits" to record pension costs and the related pension scheme commitments. In prior years, the Company has complied with the transitional disclosure requirements of this standard.

The full adoption of FRS 17 has resulted in a change in the accounting treatment of the Company's defined benefit arrangements. In particular, the net liabilities of the pension schemes are included on the balance sheet, current service costs and net financial returns are included in the profit and loss account and actuarial gains and losses are recognised in the statement of total recognised gains and losses. Further information is provided in notes 1 and 19.

Previous accounting under SSAP 24 "Accounting for Pension Costs" required the charging of regular costs and variations from regular cost in the profit and loss account with the difference between the cumulative amounts charged and the payments made to the pension scheme shown as either a prepayment or creditor on the balance sheet. This change in accounting policy has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly, below:

The Company has also adopted FRS 25 "Financial Reporting: Disclosure and Presentation" which is reflected by reclassifying the redeemable preference shares from equity to current liabilities.

**Profit and loss account for the year ended 31 December 2004**

	<b>Profit before interest £</b>	<b>Interest £</b>	<b>Tax £</b>	<b>Earnings £</b>
As previously reported	(6,786,664)	4,077	(139,681)	(6,922,268)
Adoption of FRS 17	1,199,000	(133,000)	-	1,066,000
As restated	<u>(5,587,664)</u>	<u>(128,923)</u>	<u>(139,681)</u>	<u>(5,856,268)</u>

## Notes to the accounts at 31 December 2005

2 Changes in accounting policy *(continued)*

## Balance Sheet at 31 December 2004

	Current liabilities	Net pension liabilities	Shareholders' (deficit)/funds
	£	£	£
As previously reported	(2,588,259)	-	2,693,079
Adoption of FRS 17	-	(7,004,000)	(7,004,000)
Adoption of FRS 25	(500,000)	-	(500,000)
As restated	<u>(3,088,259)</u>	<u>(7,004,000)</u>	<u>(4,810,921)</u>

## 3 Turnover

Turnover represents delivery of IT services, net of value added tax, to the following geographical market:

	2005 £	2004 £
United Kingdom	19,797,311	19,560,371
Rest of Europe	-	11,746
North America	334,698	885,298
Rest of World	1,732,652	73,314
	<u>21,864,661</u>	<u>20,530,729</u>

## 4 Operating loss

This is stated after charging/(crediting):

	2005 £	Restated * 2004 £
Profit on disposal of fixed assets	(65,780)	(142,723)
Depreciation of assets held under finance leases and hire purchase contracts	8,133	157,212
Depreciation of owned fixed assets	109,197	161,876
Goodwill impairment	-	5,509,670
Investment impairment	-	249,788
Auditors remuneration and expenses	36,000	35,622
	- non audit services	57,191
Operating lease rentals	650,730	619,095
	- land and buildings	192,265
	- plant and machinery	168,436

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

Notes to the accounts at 31 December 2005

5 Staff costs and Directors' emoluments

(a) Staff costs

	2005	Restated *
	£	2004
		£
Wages and salaries	9,528,801	9,706,577
Social security costs	1,023,124	1,116,796
Other pension costs	608,279	(539,073)
	<u>11,160,204</u>	<u>10,284,300</u>
Other Pension costs comprise:		
Defined benefit scheme:		
- Current service costs	32,000	151,000
- Curtailment loss/(gain)	-	(1,188,000)
Total defined benefit scheme costs (note 19)	<u>32,000</u>	<u>(1,037,000)</u>
Defined contribution scheme contributions	<u>576,279</u>	<u>497,927</u>
	<u>608,279</u>	<u>(539,073)</u>

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

	No.	No.
	2005	2004
Distribution	10	12
Administration	29	35
Production	145	170
	<u>184</u>	<u>217</u>

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).



Notes to the accounts at 31 December 2005

5 Staff costs and Directors' emoluments *(continued)*

*(b) Directors' emoluments*

	2005	Restated *
	£	2004
		£
Emoluments	309,353	299,855
Company contributions paid to money purchase pension schemes	15,750	14,500
	<u>325,103</u>	<u>314,355</u>
	<b>No.</b>	<b>No.</b>
Members of defined contribution pension scheme	1	1
	<u>1</u>	<u>1</u>

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

	2005	2004
	£	£
Emoluments	309,353	299,855
Company contributions paid to money purchase pension schemes	15,750	14,500
	<u>325,103</u>	<u>314,355</u>

The Director's emoluments are recharged to Keane Inc and are not borne by Keane Limited.

6 Interest payable

	2005	Restated *
	£	2004
		£
Finance charges payable under finance leases and hire purchase contracts	2,571	32,662
Other interest	-	1,883
	<u>2,571</u>	<u>34,545</u>

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

## Notes to the accounts at 31 December 2005

## 7 Tax on loss on ordinary activities

*(a) Tax on loss on ordinary activities*

The tax charge is made up as follows:

	2005	Restated *
	2004	
	£	£
UK corporation tax:		
Adjustments in respect of previous periods	-	139,681

*(b) Factors affecting the tax charge for the year*

	2005	Restated *
	2004	
	£	£
Loss on ordinary activities before tax	(1,995,634)	(5,716,587)
Loss on ordinary activities multiplied by standard UK corporation tax rate of 30% (2004: 30%)	(598,690)	(1,714,976)
Effects of:		
Disallowed expenses and non-taxable income	34,536	1,763,387
Capital allowances in advance of depreciation	32,759	(65,626)
Short-term timing differences	(24,000)	(606)
Timing differences in respect of pensions	(8,100)	(319,800)
Group relief	-	150,014
Adjustments in respect of previous periods	-	139,681
Losses carried forward	563,495	187,607
Total current tax	-	139,681

*(c) Unrecognised deferred tax asset*

	2005	Restated *
	2004	
	£	£
The unrecognised deferred tax asset is analysed as follows:		
Accelerated capital allowances	109,198	269,493
Losses	1,824,315	1,138,848
Other timing differences	(80,000)	32,075
Pension deficit	2,660,700	2,101,200
	4,514,213	3,541,616

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

\* Restated on the full adoption of FRS 17 "Retirement Benefits" (see note 2).

Notes to the accounts at 31 December 2005

8 Dividends

Cumulative accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £580,000 (2004: £540,000) have been waived by the shareholder.

9 Intangible fixed assets

**Goodwill**  
**£**

**Cost**

At 31 December 2004 and 31 December 2005 11,100,023

**Amortisation**

At 31 December 2004 and 31 December 2005 (11,100,023)

**Net book value**

At 31 December 2004 and 31 December 2005 -

10 Tangible fixed assets

	<b>Motor vehicles</b>	<b>Computer equipment &amp; fixtures &amp; fittings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 31 December 2004	451,158	5,085,140	5,536,298
Additions	-	26,019	26,019
Disposals	(272,442)	-	(272,442)
At 31 December 2005	178,716	5,111,159	5,289,875
<b>Depreciation</b>			
At 31 December 2004	(409,496)	(4,911,276)	(5,320,772)
Charge for the year	(23,579)	(93,751)	(117,330)
Disposals	272,442	-	272,442
At 31 December 2005	(160,633)	(5,005,027)	(5,165,660)
<b>Net book value</b>			
At 31 December 2005	18,083	106,132	124,215
At 31 December 2004	41,662	173,864	215,526

Included within fixed assets are assets held under finance leases or hire purchase contracts. The net book value of these assets amounts to £ nil (2004: £8,133).

Notes to the accounts at 31 December 2005

11 Investments

*Subsidiary  
undertaking*  
£

**Cost**

At 31 December 2004 and 31 December 2005

13,784,654

**Provision**

At 31 December 2004 and 31 December 2005

11,535,584

**Net book value**

At 31 December 2004 and 31 December 2005

2,249,070

At 31 December 2005, the Company owned the entire issued share capital of Parallax Holdings Limited, a company incorporated in England and Wales and Fast Track 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. Fast Track Holdings Limited acts as an intermediate holding company. Fast Track Holdings Limited wholly owns Fast Track Consulting Limited, a trading company incorporated in England and Wales, Bankside Consulting Limited and Milestone Enterprise Resources Limited, both non-trading companies incorporated in England and Wales.

12 Stocks

	2005	2004
	£	£
Work in progress	721,619	391,441

Notes to the accounts at 31 December 2005

13 Debtors

	2005 £	2004 £
Amounts falling due within one year:		
Trade debtors	4,650,565	3,618,618
Amounts owed by group undertakings	4,563,643	-
Other debtors	58,162	27,655
Prepayments and accrued income	257,629	247,044
	<u>9,529,999</u>	<u>3,893,317</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>3,503,676</u>	<u>4,886,803</u>

14 Creditors: amounts falling due within one year

	2005 £	Restated 2004 £
Obligations under finance leases (note 16)	-	96,978
8% cumulative redeemable preference shares of £1 each	500,000	500,000
Trade creditors	380,920	210,649
Amounts owed to group undertakings	8,510,221	100,867
Taxation and social security	785,602	792,017
Accruals and deferred income	2,540,604	1,387,748
	<u>12,717,347</u>	<u>3,088,259</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.

Notes to the accounts at 31 December 2005

14 Creditors: amounts falling due within one year (*continued*)

***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.

15 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Amounts owed to group undertakings	4,849,723	7,536,082

16 Obligations under finance leases and hire purchase contracts

	2005	2004
	£	£
Amounts payable within one year (note 14)	-	96,978

17 Share capital

	<i>Number of shares</i>	<i>Authorised £</i>	<i>Number of shares</i>	<i>31 December 2004 and 2005 Allotted, called up and fully paid £</i>
Ordinary shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
Ordinary shares of £0.50 each	260,000	260,000	259,072	129,536
		<u>2,260,000</u>		<u>2,129,536</u>

Notes to the accounts at 31 December 2005

18 Reconciliation of shareholders' (deficit)/funds and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' (deficit)funds</i>
	£	£	£	£
At 1 January 2005 as previously stated	2,629,536	11,406,048	(11,342,505)	2,693,079
Prior year adjustment - restatement of redeemable preference shares as on adoption of FRS 25	(500,000)	-	-	(500,000)
Prior year adjustment - adoption of FRS 17	-	-	(7,004,000)	(7,004,000)
At 1 January 2005 as restated	2,129,536	11,406,048	(18,346,505)	(4,810,921)
Loss for the year	-	-	(1,995,634)	(1,995,634)
Actuarial loss on pension scheme	-	-	(1,838,000)	(1,838,000)
At 31 December 2005	2,129,536	11,406,048	(22,180,139)	(8,644,555)

## Notes to the accounts at 31 December 2005

### 19 Pension commitments

Retirement and death benefits are provided for eligible employees in the United Kingdom principally by the Keane Limited Pension Scheme. The defined benefit sections of the plan was closed on 1 April 2004 with a defined contribution scheme provided after that date. The assets of the schemes are held in self-administered trust funds separate from the Company's assets.

In the year to December 2005, the Company paid regular contributions to the pension scheme of £90,000 in respect of the defined benefit arrangements. It has been agreed that the contributions over the next two years will remain at £90,000 per year.

The Company has adopted FRS 17 "Retirement Benefits" in full for the year ended 31 December 2005 and prior year amounts have been restated accordingly. See note 2 for further details. In previous years, the Company accounted for pensions under SSAP 24 and gave disclosures under the transitional arrangements of FRS 17.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2005 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 2005. Scheme assets are stated at their market value at 31 December 2005 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:

	2005	2004	2003
	%	%	%
Discount rate	4.90	5.40	5.50
Rate of increase in pensionable salaries	n/a	n/a	4.25
Inflation assumption	2.90	2.80	2.75
Rate of increase in pensions in payment (where applicable)	2.90	2.80	2.75

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

	2005	2004	2003	2005	2004	2003
	%	%	%	£000	£000	£000
Equities	8.00	8.00	8.00	7,150	11,319	10,031
Bonds	4.90	5.40	5.50	702	735	658
Property	4.90	5.40	5.50	469	386	320
Hedge Fund	8.00	n/a	n/a	6,755	-	-
Cash	4.10	4.75	4.00	9	62	43
Total market value of assets				15,085	12,502	11,052
Present value of liabilities				(23,954)	(19,506)	(17,975)
Deficit in the scheme				(8,869)	(7,004)	(6,923)



Notes to the accounts at 31 December 2005

19 Pension commitments *(continued)*

Analysis of the amount which has been charged to operating loss:

	2005 £000	2004 £000
Current service cost	32	151
Curtailments gain	-	(1,188)
	<u>32</u>	<u>(1,037)</u>

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

	2005 £000	2004 £000
Expected return on pension scheme assets	962	853
Interest on pension scheme liabilities	(1,047)	(986)
Other financing expense	<u>(85)</u>	<u>(133)</u>

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

	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	1,665	683
Experience gains and losses arising on pension scheme liabilities	(258)	(327)
Changes in assumptions underlying the present value of the scheme liabilities	(3,245)	(1,503)
Actual loss recognised in the STRGL	<u>(1,838)</u>	<u>(1,147)</u>

Analysis of the movement in the deficit over the year:

	2005 £000	2004 £000
Deficit in the scheme at the start of the year	(7,004)	(6,923)
Current service cost	(32)	(151)
Contributions paid	90	162
Curtailments gain	-	1,188
Other financing expense	(85)	(133)
Actuarial losses	<u>(1,838)</u>	<u>(1,147)</u>
Deficit in the scheme at the end of the year	<u>(8,869)</u>	<u>(7,004)</u>

Notes to the accounts at 31 December 2005

19 Pension commitments *(continued)*

History of experience gains and losses:

	2005 £000	2004 £000	2003 £000	2002 £000
Difference between the expected and actual return on scheme assets:				
Amount	1,665	683	1,229	(3,587)
Percentage of scheme assets	11%	5%	11%	(42%)
Experience gains and losses on scheme liabilities:				
Amount	(258)	(327)	645	(662)
Percentage of scheme assets	(1%)	(2%)	4%	(5%)
Total amount recognised in STRGL:				
Amount	(1,838)	(1,147)	(922)	(4,711)
Percentage of scheme assets	(8%)	(6%)	(5%)	(33%)

The Company also operates a defined contribution pension scheme. At 31 December 2005 there were no outstanding or prepaid contributions (2004: £nil). The costs of the scheme are charged to the profit and loss account in the period in which they are incurred. Costs for the year amounted to £576,279 (2004: £497,927).

20 Operating lease commitments

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

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Operating leases which expire:				
Within one year	81,369	58,121	70,495	1,192
Between two and five years	511,240	592,609	23,600	94,095
	<u>592,609</u>	<u>650,730</u>	<u>94,095</u>	<u>95,287</u>

## Notes to the accounts at 31 December 2005

### 21 Related party disclosures

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

### 22 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