KEANE

Co Reg No 1641088

Keane Limited

Report and financial statements for the year ended 31 December 2006

Registration number
1641088
Directors

C M D Setterington	(appointed 4th June 2007)
L D Shaw	(resigned 4th June 2007)
B T Keane	(resigned 10th May 2006)
J J Leahy	(appointed 10th May 2006), (resigned 10th May 2007)

Secretary
P McGolpin
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
65 Leaden Hall Street
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2006.

Principal activity and review of business

The principal activity of the company continued to be that of the supply of IT solution services. As with the rest of the services industry the company is increasing its utilisation of offshore based delivery with a corresponding reduction of onshore resource
This year saw a reduction in revenue by 11% (compared to an increase in 2005 of 10% over 2004) which is attributable to a loss of a number of customers However despite the fall in revenue, gross margins have improved to 29% (2005 10%), due to cost savings achieved through the use of offshore resource and a general closer monitoring of operating and other overhead costs In addition, a number of new clients were added to the customer base in 2005 several of which have developed into strategic accounts in the period under review.
In March 2006 a new Managing Director was appointed in the UK to improve strategic direction of the UK business The management team continues its investment in marketing, sales and its vertical solutions approach to the market The focus for 2007 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 existing clients and new business
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 achieving growth within strategic accounts.
As detailed per the balance sheet on page 10 of the financial statements attached, the financial position has improved over the period under review, with a reduction in net liabilities from £8,644,555 in 2005 to £7,132,655 in the current year – achieved via an improvement in direct and indirect cost control Of this deficit, £8,489,000 (2005 £8,869,000) is represented by the pension liability attributable to the company's defined benefit pension scheme.

Principal risks and uncertainties

The company operates in a highly competitive market which is a continuing risk to the company and could results in losing sales to its key competitors The company manages this risk by providing high quality, value adding services to its customers and maintaining strong relationships with its existing customers, whilst continue to build a pipeline of new customers

Results and dividends

The profit for the year after taxation amounted to £1,253,900 (2005. £1,995,634 loss) The Directors do not propose any dividend (2005 £nil)
Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounting to £620,000 (2005 £580,000) have been waived by the shareholder

Directors and their interests

The directors who served during the year were as follows
B T Keane
L D Shaw
J J Leahy
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 £8,489,000 at 31 December 2006 compared with £8,869,000 at 31 December 2005 The reduction 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 2006, the company had an average of 42 days purchases outstanding in trade creditors

Subsequent Events

Following year end the ultimate parent, Keane Inc, were acquired by Cantor Inc The acquisition was completed on 4th June 2007

Going concern

The directors are of the opinion that, having regard to the funding available from its parent company, Cantor Inc, there is a reasonable expectation that the group has sufficient working capital to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Ernst & Young LLP have conducted the audit for the year ended 31 December 2006 and have indicated they will not seek re-appointment at the forthcoming Annual General Meeting, following the acquisition of the parent undertaking A resolution proposing the appointment of KPMG LLP will be put to the Annual General Meeting.

On behalf of the Board

C M D Setterington
Director
Date · 17th March 2008

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of Keane Limited

We have audited the company financial statements (the "financial statements") of Keane Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders Deficit, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under 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

The directors' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements In addition we report to you if, in our opinion, 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 other transactions 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Birmingham

Date 27 March 2008

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	2	19,366,597	21,864,661
Cost of sales		(13,748,395)	(19,639,665)
Gross profit		5,618,202	2,224,996
Administrative expenses		(4,409,035)	(4,162,963)
Operating profit/(loss)	3	1,209,167	(1,937,967)
Bank interest receivable		48,733	29,904
Interest payable	5	-	(2,571)
Net finance expense in respect of pensions	16	(4,000)	(85,000)
Profit/(loss) on ordinary activities before tax		1,253,900	(1,995,634)
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) for the year	15	1,253,900	(1,995,634)

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

Statement of total recognised gains and losses

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Profit / (loss) for the Year		1,253,900	(1,995,634)
Actuarial gain/(loss) on pension scheme	16	258,000	(1,838,000)
Total recognised gains and losses for the year		1,511,900	(3,833,634)

Reconciliation of movement in shareholders' deficit

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Opening shareholders' deficit		(8,644,555)	(4,810,921)
Total recognised gains and losses for the year	15	1,511,900	(3,833,634)
Closing shareholders' deficit		(7,132,655)	(8,644,555)

Balance sheet
at 31 December 2006

	Notes	2006	2005
		£	£
Fixed assets			
Tangible assets	9	84,635	124,215
Investments	10	2,488,933	2,249,070
		2,573,568	2,373,285
Current assets			
Debtors amounts falling due within one year	11	10,678,579	10,251,618
amounts falling due after more than one year	11	3,654,168	3,503,676
Cash at bank and in hand		1,203,836	1,662,936
		15,536,583	15,418,230
Creditors: amounts falling due within one year	12	(11,837,694)	(12,717,347)
Net current assets		3,698,889	2,700,883
Total assets less current liabilities		6,272,457	5,074,168
Creditors: amounts falling due after more than one year	13	(4,916,112)	(4,849,723)
Net assets excluding pension liability		1,356,345	224,445
Pension liability	16	(8,489,000)	(8,869,000)
Net liabilities including pension liability		(7,132,655)	(8,644,555)
Capital and reserves			
Called up share capital	14	2,129,536	2,129,536
Share premium account	15	11,406,048	11,406,048
Profit and loss account	15	(20,668,239)	(22,180,139)
Shareholders' deficit	15	(7,132,655)	(8,644,555)

On behalf of the Board

C M D Setterington
Director
Date :17th March 20008

Notes to the accounts at 31 December 2006

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

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

Going Concern

The directors are of the opinion that, having regard to the funding available from its parent company, Caritor Inc, there is a reasonable expectation that the group has sufficient working capital to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

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

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

Notes to the accounts at 31 December 2006

1 Accounting policies *(continued)*

Amounts recoverable on Contracts

Amounts recoverable on contracts are stated at the proportion of the anticipated net sales value earned to date less amounts billed on account To the extent that fees paid on account exceed the value of work performed, they are included in creditors as payments on account

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

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 loses 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

Notes to the accounts at 31 December 2006

2 Turnover

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

	2006	2005
	£	£
United Kingdom	16,075,444	19,797,311
Rest of Europe	115,987	-
North America	3,082,877	334,698
Rest of World	92,289	1,732,652
	19,366,597	21,864,661

3 Operating profit/(loss)

This is stated after charging/(crediting)

		2006	2005
		£	£
Profit on disposal of fixed assets		(7,673)	(65,780)
Depreciation of assets held under finance leases and hire purchase contracts		-	8,133
Depreciation of owned fixed assets		78,892	109,197
Auditors remuneration and expenses	- audit	53,140	36,000
	- non audit services	24,350	57,191
Operating lease rentals	- land and buildings	580,985	650,730
	- plant and machinery	94,095	192,265

Notes to the accounts at 31 December 2006

4 Staff costs and Directors' emoluments

(a) Staff costs

	2006 £	2005 £
Wages and salaries	8,636,431	9,528,801
Social security costs	948,534	1,023,124
Other pension costs	524,787	608,279
	10,109,752	11,160,204
Other pension costs comprise		
Defined benefit scheme		
- Current service costs	32,000	32,000
Total defined benefit scheme costs (note 17)	32,000	32,000
Defined contribution scheme contributions	492,787	576,279
	524,787	608,279

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

	No. 2006	No. 2005
Distribution	11	10
Administration	24	29
Production	131	145
	166	184

Notes to the accounts at 31 December 2006

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

(b) Directors' emoluments

	2006	2005
	£	£
Emoluments	303,672	309,353
Company contributions paid to money purchase pension schemes	16,460	15,750
	320,132	325,103
	No.	No.
Members of defined contribution pension scheme	1	1
	1	1

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

	2006	2005
	£	£
Emoluments	303,672	309,353
Company contributions paid to money purchase pension schemes	16,460	15,750
	320,132	325,103

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

Following the year end, one director agreed a sum of £1,257,268 with the company as compensation for loss of office Of this £556,933 has been paid in 2007, with the balance of £700,335 to be paid in 2008 These costs were recharged to Keane Inc and are not borne by Keane Limited

5 Interest payable

	2006	2005
	£	£
Finance charges payable under finance leases and hire purchase contracts	-	2,571

Notes to the accounts at 31 December 2006

6 Tax on loss on ordinary activities

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows

	2006	2005
	£	£
UK corporation tax		
Adjustments in respect of previous periods	-	-

(b) Factors affecting the tax charge for the year

	2006	2005
	£	£
Profit/(loss) on ordinary activities before tax	1,253,900	(1,995,634)
Profit/(loss) on ordinary activities multiplied by standard UK corporation tax rate of 30% (2006 30%)	376,170	(598,690)
Effects of		
Disallowed expenses and non-taxable income	6,000	34,536
Capital allowances in advance of depreciation	21,366	32,759
Short-term timing differences	-	(24,000)
Timing differences in respect of pensions	(36,600)	(8,100)
Group relief	(14,620)	-
Losses carried forward	-	563,495
Utilisation of brought forward tax losses	(352,316)	-
Total current tax	-	-

(c) Unrecognised deferred tax asset

The unrecognised deferred tax asset is analysed as follows	2006	2005
	£	£
Accelerated capital allowances	434,038	109,198
Losses	1,281,691	1,824,315
Other timing differences	(1,500)	(80,000)
Pension deficit	2,546,700	2,660,700
	4,260,929	4,514,213

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

On 21 March 2007, the Chancellor of the Exchequer announced a number of corporate tax reforms effective from 1 April 2008 The main change applicable to the company is the corporation tax rate reduction from 30% to 28% The legislative changes were enacted in June 2007 If the changes had been enacted at the balance sheet date the unrecognised deferred tax asset would have reduced by £284,091

Notes to the accounts at 31 December 2006

7 Dividends

Cumulative accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £620,000 (2005 £580,000) have been waived by the shareholder

8 Intangible fixed assets

	Goodwill
	£
Cost	
At 31 December 2005 and 31 December 2006	11,100,023
Amortisation	
At 31 December 2005 and 31 December 2006	(11,100,023)
Net book value	
At 31 December 2005 and 31 December 2006	-

9 Tangible fixed assets

	Motor vehicles	Computer equipment & fixtures & fittings	Total
	£	£	£
Cost			
At 31 December 2005	178,716	5,111,159	5,289,875
Additions	-	45,332	45,332
Disposals	(150,527)	-	(150,527)
At 31 December 2006	28,189	5,156,491	5,184,680
Depreciation			
At 31 December 2005	(160,633)	(5,005,027)	(5,165,660)
Charge for the year	(10,253)	(68,639)	(78,892)
Disposals	144,507	-	144,507
At 31 December 2006	(26,379)	(5,073,666)	(5,100,045)
Net book value			
At 31 December 2006	1,810	82,825	84,635
At 31 December 2005	18,083	106,132	124,215

Included within fixed assets are assets held under finance leases or hire purchase contracts The net book value of these assets amounts to £nil (2005 £nil)

Notes to the accounts at 31 December 2006

10 Investments

	Subsidiary undertaking
	£
Cost	
At 31 December 2005	13,784,654
Additions	239,863
At 31 December 2005 and 31 December 2006	14,024,517
Provision	
At 31 December 2005 and 31 December 2006	11,535,584
Net book value	
At 31 December 2006	2,488,933
At 31 December 2005	2,249,070

At 31 December 2006, 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

Notes to the accounts at 31 December 2006

11 Debtors

	2006	2005
	£	£
Amounts falling due within one year		
Trade debtors	2,618,190	4,650,565
Amounts owed by group undertakings	6,631,192	4,563,643
Other debtors	60,783	58,162
Prepayments and accrued income	246,218	257,629
Amounts recoverable on Contracts	1,122,196	721,619
	10,678,579	10,251,618
Amounts falling due after more than one year		
Amounts owed by group undertakings	3,654,168	3,503,676

12 Creditors: amounts falling due within one year

	2006	2005
	£	£
8% cumulative redeemable preference shares of £1 each	500,000	500,000
Trade creditors	441,094	380,920
Amounts owed to group undertakings	8,056,988	8,510,221
Taxation and social security	1,428,452	785,602
Accruals and deferred income	1,411,160	2,540,604
	11,837,694	12,717,347

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 2006

12 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

13 Creditors: amounts falling due after more than one year

	2006	**2005**
	£	**£**
Amounts owed to group undertakings	4,916,112	4,849,723

14 Share capital

	Number of shares	*Authorised*	*Number of shares*	*31 December 2005 and 2006 Allotted, called up and fully paid*
		£		£
Ordinary shares of £0 50 each	4,260,000	2,130,000	4,259,072	2,129,536
		2,130,000		2,129,536

15 Reconciliation of shareholders' deficit funds and movement on reserves

	Share capital	*Share premium account*	*Profit and loss account*	*Total shareholders' (deficit)funds*
	£	£	£	£
As at 1 January 2005	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)
As at 31 December 2005	2,129,536	11,406,048	(22,180,139)	(8,644,555)
Profit for the year	-	-	1,253,900	1,253,900
Actuarial gain on pension scheme	-	-	258,000	258,000
At 31 December 2006	2,129,536	11,406,048	(20,668,239)	(7,132,655)

16 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 2006, the company paid regular contributions to the pension scheme of £157,500 in respect of the defined benefit arrangements It has been agreed that the contributions over the next two years will remain at £180,000 per year

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 2006 Scheme assets are stated at their market value at 31 December 2006 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

	2006	**2005**	**2004**
	%	**%**	**%**
Discount rate	5 35	4 90	5 40
Rate of increase in pensionable salaries	n/a	n/a	n/a
Inflation assumption	3 10	2 90	2 80
Rate of increase in pensions in payment (where applicable)	3 10	2 90	2 80

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

	2006	**2005**	**2004**	**2006**	**2005**	**2004**
	%	**%**	**%**	**£000**	**£000**	**£000**
Equities	8 70	8 00	8 00	3,491	7,150	11,319
Bonds	5 35	4 90	5 40	1,449	702	735
Property	6 50	4 90	5 40	849	469	386
Hedge Fund	8 70	8 00	n/a	8,122	6,755	-
Cash	5 00	4 10	4 75	3,003	9	62
Total market value of assets				16,914	15,085	12,502
Present value of liabilities				(25,403)	(23,954)	(19,506)
Deficit in the scheme				(8,489)	(8,869)	(7,004)

Notes to the accounts at 31 December 2006

16 Pension commitments *(continued)*

Analysis of the amount which has been charged to operating loss

	2006 £000	2005 £000
Current service cost	32	32

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

	2006 £000	2005 £000
Expected return on pension scheme assets	1,167	962
Interest on pension scheme liabilities	(1,171)	(1,047)
Other financing expense	(4)	(85)

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

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	637	1,665
Experience gains and losses arising on pension scheme liabilities	(162)	(258)
Changes in assumptions underlying the present value of the scheme liabilities	(217)	(3,245)
Actual gain/(loss) recognised in the STRGL	258	(1,838)

Analysis of the movement in the deficit over the year

	2006 £000	2005 £000
Deficit in the scheme at the start of the year	(8,869)	(7,004)
Current service cost	(32)	(32)
Contributions paid	158	90
Other financing expense	(4)	(85)
Actuarial gain/(loss)	258	(1,838)
Deficit in the scheme at the end of the year	(8,489)	(8,869)

Notes to the accounts at 31 December 2006

16 Pension commitments *(continued)*

History of experience gains and losses

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
Difference between the expected and actual return on scheme assets					
Amount	637	1,665	683	1,229	(3,587)
Percentage of scheme assets	4%	11%	5%	11%	11%
Experience gains and losses on scheme liabilities					
Amount	(162)	(258)	(327)	645	(662)
Percentage of scheme assets	(1%)	(1%)	(2%)	4%	(5%)
Total amount recognised in STRGL					
Amount	258	(1,838)	(1,147)	(922)	(4,711)
Percentage of scheme assets	1%	(8%)	(6%)	(5%)	(33%)

The company also operates a defined contribution pension scheme At 31 December 2006 there were no outstanding or prepaid contributions (2005 £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 £492,787 (2005 £576,279)

17 Operating lease commitments

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

	Land and buildings		Other	
	2006 £	2005 £	2006 £	2005 £
Operating leases which expire				
Within one year	-	81,369	23,600	70,495
Between two and five years	511,240	511,240	-	23,600
	511,240	592,609	23,600	94,095

Notes to the accounts at 31 December 2006

18 Related party disclosures

The company has taken advantage of the exemptıon wıthın FRS 8 not to dısclose transactıons wıth other group companıes

19 Parent undertaking

The company's ımmedıate parent undertakıng ıs Keane Europe Lımıted

The parent of the smallest group for whıch group accounts are prepared and ınclude the company ıs Keane UK Lımıted Copıes are avaılable from the address below

The ultımate parent undertakıng and controllıng party at 31 December 2006 was Keane Inc Keane Inc ıs ıncorporated ın the USA and has ıncluded the company ın ıts group accounts, copıes of whıch are avaılable from

70 St Mary's Axe
London
EC3A 8BD

On 4 June 2007 the entıre share capıtal of the ultımate parent company, Keane Inc, was acquıred by Carıtor Inc, the new ultımate parent company of the group