

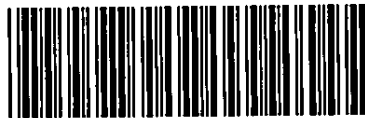
**Keane**  
enabling transformation

Registered number: 1641088

## **Keane Limited**

Director's report and financial statements  
for the year ended 31 December 2007

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## Director's report

The director presents his report and the audited financial statements of the company for the year ended 31 December 2007.

### Principal activity

The principal activity of the company during the year was the supply of IT solution services. Keane partners with its clients to optimise their IT investments by delivering exceptional operation, maintenance, and evolution of systems and business processes. Keane's ShoreWise Adaptive Delivery<sup>SM</sup> model optimises local accountability and global delivery to bring the right skills at the right cost to create a solution that's exactly right for each client.

### Business review

On June 4, 2007, Caritor International Inc completed a 100% acquisition of Keane Inc, the ultimate US parent company of Keane Limited and the new enlarged company was renamed as Keane International Inc. This acquisition substantially broadened the client base in the UK and during 2008 the company has subsequently strengthened the management team and taken actions to improve operational efficiencies.

Caritor International Inc also had a UK company and plans for integration of the UK operations are currently being finalised with completion expected in 2009. This will provide further opportunities to leverage efficiencies and improve processes across the larger combined UK company and is expected to result in a significant strengthening of the company's performance.

Overall the revenue increased by £1.7m (8.8%) from £19.4m in 2006 to £21.1m in 2007. The increase in revenue was largely attributable to the implementation of Keane's Globalisation initiative which encouraged focussed account management and improved account planning - the aim of which was to achieve aggressive growth within company's existing strategic accounts.

Despite cost savings achieved through the use of offshore based delivery resources, gross margin declined from 29.0% in 2006 to 27.5% in 2007. The decline in gross margin reflects the highly competitive nature of the market in which the company operates.

The company's loss on ordinary activities before taxation of £1.1m (2006: *restated profit £2.5m*) is after adjusting for a one-off, fixed asset investment impairment of £2.5m (2006: *£nil*) (note 12), as well as first time interest payable to the parent company of £0.3m (2006: *£nil*) and a foreign exchange gain of £0.1m (2006 *restated: £1.3m*) in respect of amounts owed to group undertakings due after more than one year (note 15). The company's operating profit before adjusting for the above items was £1.6m compared to £1.2m in 2006 (restated).

Net liabilities including pension deficit increased by £4.8m from £6.6m as at 31 December 2006 to £11.4m as at 31 December 2007. This increase was largely due to a £3.6m increase in the company's defined benefit pension liability in respect of the Keane Limited Pension Fund (note 16).

As part of the regular Defined Benefit Pension Scheme valuation and funding cycle, the company is currently in negotiation with the Scheme Trustees on a new valuation and contribution schedule. The technical provisions have been agreed, so determining the size of the deficit to be funded over the next few years, and the company is currently in discussions over the specific length and start date of the repayment period.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below. The director reviews the risks and appropriate processes are put in place to monitor and mitigate them. The principal risks identified are:

#### *Economic environment*

Uncertainty in the economic outlook may slow down our rate of business growth in the short term as companies consider alternative strategies for retaining their profitability in a more difficult market. However, it is expected that most will continue to include outsourced computer services as an integral part of that strategy.

## Director's report (continued)

### *Competitive environment*

The company operates in a highly competitive market in which it competes with other large IT solutions services companies. In addition, there are smaller local or regional IT solutions services companies. A decrease in the number of projects undertaken or fees charged due to competition with other IT solutions services companies or service providers could have a material adverse effect on the business, financial condition and results of the company. The company manages this risk by providing high quality, value added services to its customers and by maintaining strong relationships with its existing customers, whilst continuing to build a pipeline of new customers.

### *Loss of a key customer*

The company has three customers that accounted for 41.8% of the company's revenue in 2007. The loss of a key customer might have a material adverse effect on the business, financial condition and results of operations of the company.

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in exchange rates, debt market prices, credit risk, liquidity risk, and interest rate risk. The policies set by the director are implemented by the company's finance department which has been strengthened through recruitment in the past year.

### *Exchange Rates*

The majority of the company's costs and revenue are based in pounds sterling, however the loans in place from the ultimate parent company, Keane International Inc. are denominated in US\$ and this exposes the company to foreign exchange gains and losses.

### *Debt market prices*

The company seeks to limit the adverse effect on the financial performance of the company by monitoring levels of debt finance and the related finance costs with loans in place from the parent company, Keane International Inc. at a fixed interest rate.

### *Credit risk*

The company has implemented policies that require appropriate checks on potential customers before services are provided.

### *Liquidity risk*

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

### *Interest rate cash flow risk*

The company has both interest bearing assets and liabilities. Interest bearing assets comprise cash balances which earn interest at variable rates. Where possible, the company maintains debt at fixed interest rates to ensure certainty of future interest cash flow. The company has a Global Treasury department in the US who determine cash management policies in line with parent company requirements.

The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

### **Dividends**

No dividends were paid during the year (2006: £nil).

### **Directors**

The directors who held office during the year were as follows:

C M D Settrington	(appointed 4 <sup>th</sup> June 2007)
L D Shaw	(resigned 30 <sup>th</sup> June 2008)
J J Leahy	(resigned 30 <sup>th</sup> June 2008)

## Director's report (continued)

### Director's indemnities

The company's ultimate parent company, Keane International Inc., maintains liability insurance for the company's director and officers. The liability insurance includes an indemnity for the company's director and officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 1985.

### Policy and practice on payment of creditors

It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and services, and to adhere to those payment terms. At 31 December 2007, the company had an average of 10 days purchases outstanding in trade creditors (2006: 42 days).

### Going concern

Since 31 December 2007 the company has financed its day to day activities from its trading activities and has accumulated additional cash reserves. Although the current economic conditions do create some level of uncertainty over the demand for the company's services, based on current financial forecasts the director expects continued cash inflows from operations, before pension contributions, in the foreseeable future.

The company had net liabilities of £11,401,157 as at 31 December 2007 (2006: £6,638,679). The company's principal liability is the deficit on the defined benefit pension fund and as part of the routine review required under UK pension legislation, the company's management are currently in negotiation with the Trustees of this fund to agree a new funding schedule. The negotiations are now at an advanced stage and the director believes that the company will be able to make the payments in the next twelve months under the possible final funding scenarios currently under discussion.

The director has also confirmed that the company's ultimate parent company Keane International Inc, will provide support to the company to meet its liabilities as they fall due over a minimum of the next twelve months.

Taking into consideration all of the above, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the director continues to adopt the going concern basis in preparing these financial statements.

### Auditors and disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that:

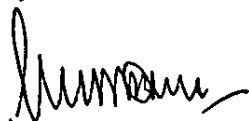
- So far as he is aware, there is no relevant audit information of which the company's auditors are unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

After the year end Ernst & Young LLP formally resigned as auditors to the company and the director appointed KPMG LLP to fill the casual vacancy.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



C M D Setterington  
Director

Date: 3<sup>rd</sup> April 2009

65 Leadenhall Street  
London  
EC30 2AD

## **Statement of director's responsibilities in respect of the Director's Report and the financial statements**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.





## **KPMG LLP**

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

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

We have audited the financial statements of Keane Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes. 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 auditor's 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 director's responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 4.

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 Director's Report is not 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 Director's 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.

## 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss 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 Director's Report is consistent with the financial statements.

KPMG 

6 April 2008

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

**Profit and Loss Account**  
*for the year ended 31 December 2007*

	Note	2007	Restated 2006
		£	£
<b>Turnover</b>	2	21,137,899	19,366,597
Cost of sales		(15,329,291)	(13,748,395)
<b>Gross profit</b>		5,808,608	5,618,202
Administrative expenses (including an impairment of an investment in subsidiaries of £2,488,933 (2006: £nil.))	12	(6,618,059)	(4,409,035)
<b>Operating (loss)/profit</b>		(809,451)	1,209,167
Interest receivable and similar income	6	72,390	48,733
Net foreign exchange gains	7	70,964	1,250,075
Interest payable and similar charges	8,16	(388,381)	(4,000)
<b>(Loss)/profit on ordinary activities before taxation</b>	3	(1,054,478)	2,503,975
Tax on (loss)/profit on ordinary activities	9	-	(375,023)
<b>(Loss)/profit for the financial year</b>		(1,054,478)	2,128,952

All results relate to continuing operations.

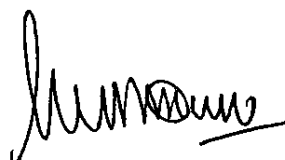
There are no material differences between the (loss)/profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

**Balance Sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b> £	<b>2007</b> £	Restated 2006 £	Restated 2006 £
<b>Fixed assets</b>					
Intangible assets	10		-		-
Tangible assets	11		53,685		84,635
Investments	12		-		2,488,933
			<u>53,685</u>		<u>2,573,568</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	13	26,269,348		21,173,897	
Cash at bank and in hand		1,695,628		1,203,836	
		<u>27,964,976</u>		<u>22,377,733</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(19,553,596)</u>		<u>(15,182,057)</u>	
<b>Net current assets</b>			<u>8,411,380</u>		<u>7,195,676</u>
<b>Total assets less current liabilities</b>			<u>8,465,065</u>		<u>9,769,244</u>
<b>Creditors: amounts falling due after more than one year</b>	15		<u>(7,768,222)</u>		<u>(7,918,923)</u>
<b>Net assets excluding pension deficit</b>			<u>696,843</u>		<u>1,850,321</u>
<b>Pension deficit</b>	16		<u>(12,098,000)</u>		<u>(8,489,000)</u>
<b>Net liabilities including pension deficit</b>			<u>(11,401,157)</u>		<u>(6,638,679)</u>
<b>Capital and reserves</b>					
Called up share capital	17		2,129,536		2,129,536
Share premium account			11,406,048		11,406,048
Profit and loss account	18		<u>(24,936,741)</u>		<u>(20,174,263)</u>
<b>Shareholder's deficit</b>	19		<u>(11,401,157)</u>		<u>(6,638,679)</u>

The financial statements above were approved by the board of directors on  
and were signed on its behalf by:

3<sup>rd</sup> April 2009



C M D Setterington  
Director



**Statement of Total Recognised Gains and Losses**  
*for the year ended 31 December 2007*

		2007 £	Restated 2006 £
(Loss)/profit for the financial year		(1,054,478)	2,128,952
Actuarial (loss)/gain recognised in the pension scheme	16	(3,708,000)	258,000
<b>Total recognised (losses) and gains relating to the financial year</b>		<b>(4,762,478)</b>	<b>2,386,952</b>
Prior year adjustment (as explained in note 1)		493,976	
<b>Total losses recognised since last annual report</b>		<b>(4,268,502)</b>	

## Notes

*(forming part of the financial statements)*

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

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

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Keane UK Ltd, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Keane UK Ltd, within which this company is included, can be obtained from the address given in note 21.

#### ***Going concern***

Since 31 December 2007 the company has financed its day to day activities from its trading activities and has accumulated additional cash reserves. Although the current economic conditions do create some level of uncertainty over the demand for the company's services, based on current financial forecasts the director expects continued cash inflows from operations in the foreseeable future.

The company had net liabilities of £11,401,157 as at 31 December 2007 (2006: £6,638,679). The company's principal liability is the deficit on the defined benefit pension fund and as part of the routine review required under UK pension legislation, the company's management are currently in negotiation with the Trustees of this fund to agree a new funding schedule. The negotiations are now at an advanced stage and the director believes that the company will be able to make the payments in the next twelve months under the possible final funding scenarios currently under discussion.

The director has also confirmed that the company's ultimate parent company Keane International Inc, will provide support to the company to meet its liabilities as they fall due over a minimum of the next twelve months.

Taking into consideration all of the above, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the director continues to adopt the going concern basis in preparing these financial statements.

## Notes (continued)

### 1. Accounting policies (continued)

#### *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the company's activities. Revenue is shown net of value-added tax, rebates and discounts.

The company recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the company's activities described below. The company bases its estimates on historical results, taking into consideration the type of client, the type of transaction, and the specifics of each arrangement.

Revenue in respect of time and material contracts is recognised as services are rendered and as direct expenses are incurred. Revenue in respect of fixed price contracts is recognised as services are rendered under the percentage of completion method and as direct expenses are incurred. Under the percentage of completion method, revenue is generally recognised based on the estimate of services performed to date as a percentage of the total services to be performed. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known to management. 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. Deferred revenue represents the estimated unearned portion of fees received or receivable to the extent they are considered recoverable.

#### *Other income*

Income that cannot be classified as either revenue or interest receivable and similar income is classified as other income.

#### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost comprises the purchase price together with all expenses directly incurred in bringing the asset to its location and condition ready for use. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. When an item is replaced, the carrying amount of the replaced item is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is provided on all tangible fixed assets in order to write down the cost, less the estimated residual value, of each asset on a straight line basis at the following rates:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The company tests tangible fixed assets for impairment when facts and circumstances indicate that their carrying amount may not be recoverable. Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of impairment testing. The test compares the undiscounted future cash flows associated with the asset (or asset group) with its carrying amount. When the carrying amount exceeds the undiscounted future cash flows, an impairment loss is realised to the extent that the carrying amount of the asset exceeds its fair value.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income" in the profit and loss account.



## Notes (continued)

### 1. Accounting policies (continued)

#### *Investments*

Investments held as fixed assets are stated at cost less any impairment.

#### *Foreign currencies*

##### *Functional and presentation currency*

Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). These financial statements are presented in Sterling, which is the company's functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within the profit and loss account.

##### *Amounts recoverable on contracts*

Amounts recoverable on contracts are stated at the proportion of the anticipated revenue 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.

##### *Classification of financial instruments issued by the Company*

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

##### *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

## Notes (continued)

### 1. Accounting policies (continued)

#### *Leases and hire purchase commitments*

Leases of tangible fixed assets where substantially all the risks and rewards of ownership have been transferred to the company are classified as finance leases. Finance leases and hire purchase contracts are recorded on the inception of the lease or contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in creditors. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The tangible fixed assets acquired under finance leases or hire purchase contracts are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### *Employee benefits*

##### *Pension obligations*

The company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The company has both defined benefit and defined contribution plans.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation, employee benefit costs, and contributions are calculated by independent, qualified actuaries on the basis of triennial valuations using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The assets of the scheme are held separately from those of the company. The assets of the scheme are measured using market values. For quoted securities the mid-market price is taken as market value. Contributions to defined benefit plans are charged to the profit and loss account so as to spread the cost over the average remaining service lives of the employees.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised gains and losses in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## Notes (continued)

### 1. Accounting policies (continued)

#### *Employee benefits (continued)*

##### *Bonus plans*

The company recognises a liability and an expense for bonuses based on formulae that take into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### *Prior year adjustments*

##### a) Accounting for foreign exchange

The financial statements have been adjusted to correct an error in the accounting for the balance due to the ultimate parent company (see note 15). Previously this amount was incorrectly treated as being denominated in sterling and therefore not subject to any foreign exchange movements. The comparative balances have been restated to reflect the foreign exchange movements on this balance and the resultant tax impact.

The impact of this adjustment has been to increase the opening shareholder's deficit at 1 January 2006 by £381,076 and to increase the profit before tax for the financial year ended 31 December 2006 by £1,250,075. The tax impact of this adjustment is to increase the tax charge and creditor for the financial year ended 31 December 2006 by £375,023. This gives an overall reduction in net liabilities at 31 December 2006 of £493,976.

##### b) Classification of intercompany balances

In the 2006 financial statements the company had offset certain intercompany assets and liabilities without a formal right of set-off. In addition certain intercompany balances were classified as "due after more than one year" without agreements specifying a repayment date.

Accordingly the 2006 amounts for Debtors: amounts falling due within one year, Debtors: amounts falling due after one year, Creditors: amounts falling due within one year, Creditors: amounts falling due after one year, and the related notes have been restated to correct this error.

The overall impact of these changes is an increase in current assets of £3,871,810, and an increase in liabilities due after more than one year of £3,871,810. There is no impact on net liabilities nor on the profit and loss account for the year ended 31 December 2006.

### 2. Analysis of turnover

The turnover for the year was derived from the company's principal activity and is attributable to geographical markets as follows:

	2007 Turnover £	2006 Turnover £
<i>By geographical market</i>		
United Kingdom	19,549,611	16,075,444
Rest of Europe	357,450	115,987
North America	1,230,838	3,082,877
Rest of World	-	92,289
	<hr/>	<hr/>
	21,137,899	19,366,597
	<hr/>	<hr/>



## Notes (continued)

### 3. (Loss)/profit on ordinary activities before taxation

	2007 £	2006 £
<i>(Loss)/profit on ordinary activities before taxation is stated after charging / (crediting):</i>		
Depreciation of owned fixed assets	54,102	78,892
Operating lease:		
Plant and machinery	-	94,095
Other assets (land and buildings)	719,517	580,985
	<u>719,517</u>	<u>580,985</u>

#### Auditors' remuneration:

	2007 £	2006 £
Audit of these financial statements	54,000	53,140
Amounts receivable by the auditors and their associates in respect of: Other services relating to taxation	1,250	24,350
	<u>1,250</u>	<u>24,350</u>

### 4. Staff costs

	2007 £	2006 £
Wages and salaries	9,957,889	8,636,431
Social security costs	1,147,041	948,534
Other pension costs	762,103	524,787
	<u>11,867,033</u>	<u>10,109,752</u>
Other pension costs comprise:		
Defined benefit scheme current service costs (see note 16)	96,000	32,000
Defined contribution and defined benefit scheme contributions	666,103	492,787
	<u>762,103</u>	<u>524,787</u>

The average number of persons employed by the company (including directors) during the year was as follows:

	2007 Number	2006 Number
Distribution	5	11
Administration	17	24
Production	128	131
	<u>150</u>	<u>166</u>



**Notes (continued)**

**5. Directors' emoluments**

	2007 £	2006 £
Aggregate emoluments	126,664	303,672
Compensation for loss of office	556,933	-
Company contributions to money purchase pension schemes	9,540	16,460
	<u>693,137</u>	<u>320,132</u>
	Number	Number
Retirement benefits are accruing to the following number of directors under:		
Members of defined contribution pension scheme	-	1

The aggregate of emoluments of the highest paid director was £683,597 (2006: £303,672), and company pension contributions of £9,540 (2006: £16,460) were made to a money purchase scheme on his behalf.

The directors' emoluments are recharged to Keane International Inc. and are not borne by the company.

During the year, one director agreed a sum of £1,257,268 with the company as compensation for loss of office. Of this amount, £556,933 was paid during the year, with the balance of £700,335 to be paid in 2008. These costs were recharged to Keane International Inc. and have not been borne by the company.

**6. Interest receivable and similar income**

	2007 £	2006 £
Interest receivable on cash and cash equivalents	<u>72,390</u>	<u>48,733</u>

**7. Net foreign exchange gain**

	2007 £	Restated 2006 £
Net foreign exchange gain	<u>70,964</u>	<u>1,250,075</u>
	<u>70,964</u>	<u>1,250,075</u>

**8. Interest payable and similar charges**

	2007 £	2006 £
Interest payable on loan from parent company (see note 15)	322,381	-
Net finance expense in respect of defined benefit pension scheme	66,000	4,000
	<u>388,381</u>	<u>4,000</u>

## Notes (continued)

### 9. Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows:

	2007 £	Restated 2006 £
<b>Current tax:</b>		
UK corporation tax	-	375,203
	<u>          </u>	<u>          </u>

The tax charge for the period is higher (2006: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £	Restated 2006 £
(Loss)/profit on ordinary activities before tax	(1,054,477)	2,503,975
	<u>          </u>	<u>          </u>
(Loss)/profit on ordinary activities multiplied by standard UK corporation tax rate of 30% (2006: 30 %)	(316,343)	751,193
Effects of:		
Disallowed impairment of investment	746,680	-
Other disallowed expenses and non-taxable income	92,603	6,000
Depreciation for period in excess of capital allowances	-	21,366
Capital allowances for period in excess of depreciation	(102,349)	-
Short-term timing differences	18,000	-
Timing differences in respect of pensions	(29,700)	(36,600)
Group relief	-	(14,620)
Utilisation of tax losses	(408,891)	(352,316)
	<u>          </u>	<u>          </u>
Total current tax charge (see above)	-	375,203
	<u>          </u>	<u>          </u>

	2007 £	2006 £
<b>Unrecognised deferred tax asset</b>		
Accelerated capital allowances	309,577	434,038
Losses	814,613	1,281,691
Other timing differences	15,400	(1,500)
Pension deficit	3,387,440	2,546,700
	<u>          </u>	<u>          </u>
	4,527,030	4,260,929
	<u>          </u>	<u>          </u>

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. The impact of this change has been to reduce the unrecognised deferred tax asset at 31 December 2007 by £323,359, and is reflected above.





## Notes (continued)

### 10. Intangible fixed assets

	Goodwill
	£
<i>Cost</i>	
At 31 December 2006 and 31 December 2007	11,100,023
<i>Amortisation</i>	
At 31 December 2006 and 31 December 2007	(11,100,023)
<i>Net book value</i>	
At 31 December 2006 and 31 December 2007	-

### 11. Tangible fixed assets

	Motor vehicles	Computer equipment and fixtures & fittings	Total
	£	£	£
<i>Cost</i>			
At 31 December 2006	28,189	5,156,491	5,184,680
Additions	-	26,629	26,629
Disposals	(17,981)	(4,612,556)	(4,630,537)
At 31 December 2007	10,208	570,564	580,772
<i>Depreciation</i>			
At 31 December 2006	(26,379)	(5,073,666)	(5,100,045)
Charge for year	(1,810)	(52,292)	(54,102)
On disposals	17,981	4,609,079	4,627,060
At 31 December 2007	(10,208)	(516,879)	(527,087)
<i>Net book value</i>			
At 31 December 2007	-	53,685	53,685
At 31 December 2006	1,810	82,825	84,635

Included within fixed assets are assets held under finance leases or hire purchase contracts. The net book value of these assets amounts to £nil (2006: £nil).



**Notes (continued)**

**12. Fixed asset investments**

	Shares in group undertakings £
<i>Cost</i>	
At 31 December 2006 and 31 December 2007	14,024,517
<i>Provisions</i>	
At 31 December 2006	11,535,584
Impairment	2,488,933
At 31 December 2007	14,024,517
<i>Net book value</i>	
At 31 December 2007	-
At 31 December 2006	2,488,933

At 31 December 2007, 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 owns 100% of 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 owns 100% of 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.

The value of the investment in Fast Track Holdings Ltd was assessed on the basis of the present value of future cash flows from its wholly owned subsidiary, Fast Track Consulting Ltd., over the period 2008 to 2012. The present value was calculated using a discount rate of 10%. Following this assessment, the carrying value of the investment was not considered recoverable, and the investment has been fully impaired.



## Notes (continued)

### 13. Debtors

	2007	Restated 2006
	£	£
<i>Amounts falling due within one year</i>		
Trade debtors	4,872,826	2,618,190
Amounts owed by fellow Keane International Inc group companies	11,378,663	10,274,240
Amounts owed by subsidiaries of Keane Ltd	7,471,016	6,852,270
Amounts recoverable on contracts	2,090,849	1,122,196
Other debtors	48,887	60,783
Deferred costs	241,720	-
Prepayments and accrued income	165,387	246,218
	<u>26,269,348</u>	<u>21,173,897</u>

Amounts owed by fellow Keane International Inc group companies and Keane Limited subsidiaries falling due within one year are unsecured, bear no interest, and are repayable on demand.

### 14. Creditors: amounts falling due within one year

	2007	Restated 2006
	£	£
8% cumulative redeemable preference shares of £1 each	500,000	500,000
Trade creditors	118,061	441,094
Amounts due to fellow Keane International Inc group companies	3,861,708	2,724,025
Amounts due to subsidiaries of Keane Ltd	9,862,052	8,302,303
Taxation and social security	1,814,822	1,803,475
Accruals and deferred income	3,396,953	1,411,160
	<u>19,553,596</u>	<u>15,182,057</u>

Amounts due to fellow Keane International Inc group companies and Keane Limited subsidiaries falling due within one year are unsecured, bear no interest, and are repayable on demand.



## Notes (continued)

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

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. Accrued dividends amounting to £660,000 (2006: £620,000) have been irrevocably waived by the shareholder. The shareholder has also signed an agreement waiving all future dividends until such time as notice is given that the shareholder wishes to reverse the waiver. In such case, dividends will accrue from the half year following notice of such a change.

#### *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.

### 15. Creditors: amounts falling due after more than one year

	2007	Restated 2006
	£	£
Amounts owed to parent company	<u>7,768,222</u>	<u>7,918,923</u>

During the period from March 2003 to November 2005 the company received funding from its ultimate parent, Keane International Inc. In November 2006 the company entered into a loan agreement with Keane International Inc to formalise this funding. This loan is denominated in US dollars, is unsecured, bears interest at a rate of 4.15% per annum, and is repayable upon the winding up of the company.

### 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 pension scheme was closed to new entrants on 1 April 2004. At the same time, the company established a defined contribution scheme to provide benefits to new employees. The assets of the schemes are held in self-administered trust funds separately from the company's assets.





## Notes (continued)

### 16. Pension commitments (continued)

#### *Defined benefit scheme*

In the year to December 2007, the company paid regular contributions to the defined benefit pension scheme of £165,000, net of pension levy. It has been agreed that the contributions will remain at £180,000 for 2008 and a minimum of £180,000 for 2009.

As part of the regular Defined Benefit Pension Scheme valuation and funding cycle, the company is currently in negotiation with the Scheme Trustees on a new valuation and contribution schedule. The technical provisions have been agreed, so determining the size of the deficit to be funded over the next few years, and the company is currently in discussions over the specific length and start date of the repayment period.

An actuarial valuation of the Keane Limited Pension Scheme using the projected unit method was carried out at for the period ended 31 December 2007 by Capita Hartshead Solutions Ltd, independent consulting actuaries.

The principal assumptions used by the actuary to determine the liabilities were:

	31/12/2007	31/12/2006
Discount Rate	5.60%	5.35%
Salary increases	N/A	N/A
Pension increases in payment at the 5%LPI rate	3.40%	3.10%
Inflation Assumption (RPI)	3.40%	3.10%
Post retirement mortality assumption	Px92, year of birth, medium cohort projections	

#### **Expected Return on Assets**

The assets of the scheme and the net expected long-term return on these assets are:

	2007		2006	
	Rate of Return	Value £000's	Rate of Return	Value £000's
Equities	8.00%	-	8.70%	3,491
Hedge Fund	8.00%	8,169	8.70%	8,122
Total return fund	8.00%	8,761	-	-
Bonds	5.60%	572	5.35%	1,449
Property	6.00%	547	6.50%	849
Cash/Other	5.50%	18	5.00%	3003
<b>Total Fair Value of Assets</b>	<b>7.86%</b>	<b>18,067</b>	<b>7.65%</b>	<b>16,914</b>

The assets of the Scheme were invested with BlackRock, GLG and Legal & General Investment Management.

**Notes (continued)**

**16. Pension commitments (continued)**

**Reconciliation of the Present Value of Scheme Liabilities and Fair Value of Assets to the Liability Recognised in the Balance Sheet**

	31/12/2007 £000's	31/12/2006 £000's
Fair Value of Assets	18,067	16,914
Value of Liabilities (defined benefit obligation)	(30,165)	(25,403)
Funded Status	(12,098)	(8,489)
Unrecognised Past Service Costs	-	-
<b>Recognised Liability</b>	<b>(12,098)</b>	<b>(8,489)</b>

It has been assumed that the entire deficit is allocated to the Employer and none to the employees.

**Total Expense Recognised in Profit or Loss**

	31/12/2007 £000's	31/12/2006 £000's
Current service cost	(96)	(32)
Interest cost on obligation	(1,359)	(1,171)
Expected return on Scheme assets	1,293	1,167
<b>Total Profit and Loss Charge</b>	<b>(162)</b>	<b>(36)</b>

The scheme is closed and has no active members. As such no benefits accrued during 2007 (2006: £nil).  
The Current service cost represents the Pension Protection Fund levy only.



**Notes (continued)**

**16. Pension commitments (continued)**

**Changes in the present value of the defined benefit obligation**

	<b>31/12/2007</b>	<b>31/12/2006</b>
	<b>£000's</b>	<b>£000's</b>
<i>Opening defined benefit obligation</i>	<b>25,403</b>	<b>23,954</b>
Interest cost on obligation	1,359	1,171
Current service cost	96	32
Actuarial (gain)/loss on obligation	3,554	379
Benefits and other payments	(247)	(133)
<i>Closing defined benefit obligation</i>	<b>30,165</b>	<b>25,403</b>

**Changes in the fair value of Scheme Assets**

	<b>31/12/2007</b>	<b>31/12/2006</b>
	<b>£000's</b>	<b>£000's</b>
<i>Opening fair value of Scheme Assets</i>	<b>16,914</b>	<b>15,085</b>
Expected Return	1,293	1,167
Actuarial gain/(loss)	(154)	637
Employer Contributions	261	158
Benefits and other payments	(247)	(133)
<i>Closing fair value of Scheme Assets</i>	<b>18,067</b>	<b>16,914</b>

**Notes (continued)**

**16. Pension commitments (continued)**

**Total Amounts Recognised in the Statement of Total Recognised Gains and Losses (STRGL)**

	31/12/2007 £000's	31/12/2006 £000's
<i>Pension Scheme Liability at start of year</i>	<i>(8,489)</i>	<i>(8,869)</i>
P&L Charge	(162)	(36)
(i) Actuarial Gain/(Loss) on Assumptions	(3,554)	(379)
(ii) Actuarial Gain/(Loss) on Experience	-	-
(iii) Actuarial Gain/(Loss) on Assets	(154)	637
STRGL Gains/(Losses) (i + ii + iii)	(3,708)	258
Employer Contributions	261	158
<i>Pension Scheme Liability at end of year</i>	<i>(12,098)</i>	<i>(8,489)</i>

**Actual Return on Scheme Assets**

	31/12/2007 £000's	31/12/2006 £000's
Expected Return on Scheme Assets	1,293	1,167
Actual Return on Scheme Assets	1,139	1,804
<i>Actual less Expected Return on Scheme Assets</i>	<i>(154)</i>	<i>637</i>

**History of experience gains and losses**

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (£000)	(154)	637	1,665	683	1,229
Percentage of year end scheme assets	(1%)	4%	11%	5%	11%
Experience gains and losses on scheme liabilities:					
Amount (£000)	-	(162)	(258)	(327)	645
Percentage of year end present value of scheme liabilities	-	(1%)	(1%)	(2%)	4%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(3,708)	258	(1,838)	(1,147)	(922)
Percentage of year end present value of scheme liabilities	(12%)	1%	(8%)	(6%)	(5%)

## Notes (continued)

### 16. Pension commitments (continued)

The company also operates a defined contribution pension scheme. At 31 December 2007 there were no outstanding or prepaid contributions (2006: £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 £610,694 (2006: £492,787).

### 17. Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
4,260,000 ordinary shares of £0.50 each	2,130,000	2,130,000
	<u>2,130,000</u>	<u>2,130,000</u>
<i>Allotted, called up and fully paid</i>		
4,259,072 ordinary shares of £0.50 each	2,129,536	2,129,536
	<u>2,129,536</u>	<u>2,129,536</u>

### 18. Reserves

	Profit and loss account £
At 31 December 2006 as originally stated	(20,668,239)
Prior year adjustment (as described in note 1)	493,976
At 31 December 2006 as restated	(20,174,263)
Loss for the year	(1,054,478)
Actuarial loss on pension scheme	(3,708,000)
At 31 December 2007	<u>(24,936,741)</u>





## Notes (continued)

### 19. Reconciliation of movements in shareholder's deficit

	2007 £000	Restated 2006 £000
(Loss)/Profit for the financial year	(1,054,478)	2,128,952
Actuarial (loss)/gain on pension scheme	(3,708,000)	258,000
<b>Net (reduction in)/addition to shareholder's deficit</b>	<b>(4,762,478)</b>	<b>2,386,952</b>
Opening shareholder's deficit as originally stated	(7,132,655)	(8,644,555)
Prior year adjustment as explained in note 1	493,976	(381,076)
Opening shareholder's deficit as restated	(6,638,679)	(9,025,631)
<b>Closing shareholder's deficit</b>	<b>(11,401,157)</b>	<b>(6,638,679)</b>

### 20. Commitments

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

	2007 Land and buildings £	Other £	2006 Land and buildings £	Other £
Operating leases which expire:				
Within one year	845,498	-	-	23,600
In the second to fifth years inclusive	-	-	511,240	-
	<u>845,498</u>	<u>-</u>	<u>511,240</u>	<u>23,600</u>

### 21. Ultimate parent undertaking

The company's immediate parent undertaking is Keane Europe Limited, a company registered in England and Wales.

The parent company of the smallest group for which consolidated financial statements are prepared and into which the results of the company are consolidated is Keane UK Limited. The financial statements of Keane UK Limited are publicly available and may be obtained from its registered office at 65 Leadenhall Street, London, EC3A 2AD.

The parent company of the largest group for which consolidated financial statements are prepared is Keane International Inc., a company registered in the United States of America. Keane International Inc. is also the ultimate controlling shareholder of the company. The financial statements of Keane International Inc. are not publicly available.

