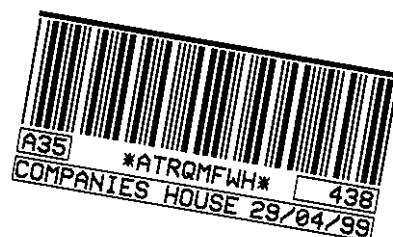


Keane Limited
(formerly Icom Solutions Limited)
Report and Accounts

31 December 1998

Registered Number: 1641088



Keane Limited (formerly Icom Solutions Limited)

Registered No. 1641088

DIRECTORS

Mrs I N Brown
R J Davies
J F Keane
J F Keane jnr
B T Keane

SECRETARY

C G Powell

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

BANKERS

Lloyds Bank plc
125 Colmore Row
Birmingham
B3 3AD

SOLICITORS

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

REGISTERED OFFICE

Lion House
Oscott Road
Witton
Birmingham
B6 7UH

Keane Limited (formerly Icom Solutions Limited)

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The company's profit on ordinary activities for the year ended 31 December 1998 after taxation amounted to £2,338,986 (1997 : £1,291,365). The directors have declared a total dividend of £2,399,657 (1997: £324,112) to be paid to its parent company Keane Europe Limited, leaving £(60,671) to be transferred from reserves.

Cumulative accrued dividends on the 8% cumulative redeemable preference shares amounted to £300,000 (1997 : £260,000), these have been waived by the shareholder.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Keane Limited is one of the UK's leading IT solutions firms, helping clients Plan, Build and Manage application software for business advantage. The company is focused on providing tangible business benefit to clients. This is achieved by providing full life cycle services to clients.

Keane Ltd provides services to major corporates with business specialism and focus, specifically on the Insurance, Financial Services and Utilities sectors. Services in 'Plan' include business operation improvement planning, IT operational improvement and IT strategy planning. With 'Build', application development specialisms are Workflow and Imaging, e-Commerce and Customer Relationship Management. 'Manage' focuses on Application Management utilising the SEI Capability Maturity Model to ensure cost reductions and service level improvements for clients.

The company had excellent performance in the year with revenue and operating profit growing by around 80%. This is a credit to the strength and commitment of both the management team and all of the staff who have focused on clients' business objectives and been innovative in delivering business benefits through business and IT solutions. The decision was made at the start of 1998 to actively seek a partner/acquirer to achieve the objective of the management team to establish the business in the premier league of IT Service companies in the UK. Keane acquired the business on 4 August 1998. With the financial strength of Keane (1998 revenue \$1.1bn), its focus entirely on IT Services across the application lifecycle and its strength in project and process management, this has given the business the platform and support in order to achieve its goal.

As part of Keane the business can provide staff with the benefits of being part of a global learning organisation with immense strength in knowledge sharing, staff development and training. There is very active encouragement for staff to develop both their technical and soft skills, whilst at the same time benefiting from and contributing to global best practice across all the areas of the business.

In 1998 the company actively recruited new IT graduates, returners into the industry and those requiring retraining in new skills. This is to meet the needs of a growing company within an industry characterised by skills shortages. Staff numbers at the end of 1998 were approximately 400.

On 12 October 1998 the company changed its name to Keane Limited.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mrs IN Brown

RJ Davies

J F Keane (appointed 4 August 1998)

J F Keane Jr (appointed 4 August 1998)

B T Keane (appointed 4 August 1998)

The directors hold no interest in the shares of the company at 31 December 1998.

The holdings of the directors in the ultimate parent company are disclosed in that company's accounts.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

FIXED ASSETS

Changes in tangible fixed assets are as set out in note 8 to the financial statements.

EMPLOYEES

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

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

The company is a holder of Investors in People status.

EQUAL OPPORTUNITIES

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

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

DIRECTORS' REPORT

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A significant risk analysis has been performed to determine the impact of the issue on our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communications with these other parties.

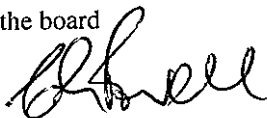
Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

C G Powell
Secretary



19 March 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

**REPORT OF THE AUDITORS
to the members of Keane Limited**

We have audited the accounts on pages 7 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

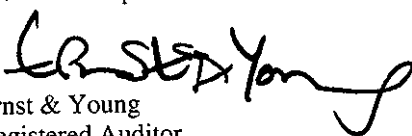
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Birmingham

19 March 1999

Keane Limited (formerly Icom Solutions Limited)

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER	2	34,313,987	18,927,890
Cost of sales		(25,682,885)	(13,378,247)
GROSS PROFIT		8,631,102	5,549,643
Distribution costs		(1,905,556)	(1,628,489)
Administrative expenses		(3,245,888)	(1,986,674)
OPERATING PROFIT	3	3,479,658	1,934,480
Interest receivable		60,391	31,069
Interest payable	5	(91,797)	(63,184)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,448,252	1,902,365
Taxation on profit on ordinary activities	6	(1,109,266)	(611,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,338,986	1,291,365
Dividends	7	(2,399,657)	(324,112)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	15	(60,671)	967,253

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the financial year of £60,671 in the year ended 31 December 1998 and a profit of £967,253 for the year ended 31 December 1997.

Keane Limited (formerly Icom Solutions Limited)

BALANCE SHEET at 31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	2,062,304	1,553,458
CURRENT ASSETS			
Debtors	9	8,050,147	6,366,198
Cash at bank and in hand		1,931,574	1,701,122
		<u>9,981,721</u>	<u>8,067,320</u>
CREDITORS : amounts falling due within one year	10	6,936,161	4,740,637
NET CURRENT ASSETS		<u>3,045,560</u>	<u>3,326,683</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,107,864</u>	<u>4,880,141</u>
CREDITORS: amounts falling due after more than one year	11	1,013,330	724,936
		<u>4,094,534</u>	<u>4,155,205</u>
CAPITAL AND RESERVES			
Called up share capital	13	2,500,000	2,500,000
Profit and loss account	14	1,594,534	1,655,205
	15	<u>4,094,534</u>	<u>4,155,205</u>
Shareholders Funds:			
Equity		3,594,534	3,655,205
Non Equity		500,000	500,000
	15	<u>4,094,534</u>	<u>4,155,205</u>



I N Brown

Director

19 March 1999

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

In accordance with Financial Reporting Standard 1 (re-issued), the company has not presented a cash flow statement as more than 90% of the voting rights are controlled within the group and the consolidated financial statements in which the company is included are publicly available.

Depreciation

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

Motor vehicles	-	4 years
Computer equipment and fixtures and fittings	-	3 - 10 years

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will become payable in the foreseeable future, calculated at the rate at which it is expected to reverse.

Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into sterling at the rate of exchange ruling at the year end. Differences arising on trading transactions in the year are reflected in profit before taxation.

Pensions

Contributions to a defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' average remaining service lives with the company.

Leasing

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. Payments under operating leases are charged to the profit and loss account as they arise.

Keane Limited (formerly Icom Solutions Limited)

NOTES TO THE ACCOUNTS

at 31 December 1998

2. TURNOVER

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

	1998 £	1997 £
United Kingdom	33,432,023	17,930,585
Rest of Europe	737,185	784,241
North America	118,602	168,980
Australasia	22,199	29,680
Africa	4,184	4,184
Far East	675	7,532
Middle East	(2,688)	2,688
Rest of world	1,807	-
	<u>34,313,987</u>	<u>18,927,890</u>

3. OPERATING PROFIT

(a) Directors remuneration

	1998 £	1997 £
Salaries and other benefits	229,745	193,690
Pension contributions	23,576	19,420
	<u>253,321</u>	<u>213,110</u>

The emoluments of the highest paid director amounted to £122,248 (1997: £104,179), and accrued pension at 31 December 1998 amounted to £40,500. Two directors were members of the defined benefit scheme.

(b) This is stated after charging/(crediting):

	1998 £	1997 £
Profit on disposal of fixed assets	(70,460)	(82,191)
Depreciation of tangible fixed assets - leased	403,693	338,071
- owned	360,590	372,921
Auditors' remuneration and expenses - audit	17,000	12,500
- non audit services	15,180	12,375
Hire of plant and equipment	110,534	70,259
Release of reorganisation provision	-	(986)
Operating lease rentals - land and buildings	439,447	431,358
	<u>1,365,884</u>	<u>1,263,388</u>

Keane Limited (formerly Icom Solutions Limited)

NOTES TO THE ACCOUNTS

at 31 December 1998

4. STAFF COSTS

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

	<i>Number of employees</i>	
	<i>1998</i>	<i>1997</i>
Distribution	22	29
Administration	27	26
Production	288	193
	<u>337</u>	<u>248</u>

The aggregate payroll costs of these persons were as follows:

Salaries	9,975,267	6,975,491
Social security costs	857,836	593,217
Other pension costs	773,224	566,888
	<u>11,606,327</u>	<u>8,135,596</u>

5. INTEREST PAYABLE

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts	5,178	887
Finance charges payable under finance leases and hire purchase contracts	86,619	62,297
	<u>91,797</u>	<u>63,184</u>

6. TAXATION

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Based on the profit for the year:		
UK corporation tax at 31 % (1997 : 31.5%)	1,115,000	611,000
Prior year over provision	(5,734)	-
	<u>1,109,266</u>	<u>611,000</u>

The unprovided deferred tax asset is analysed as follows:

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Accelerated capital allowances	89,280	102,000
Other timing differences	26,486	11,000
	<u>115,766</u>	<u>113,000</u>

Keane Limited (formerly Icom Solutions Limited)

NOTES TO THE ACCOUNTS

at 31 December 1998

7. DIVIDENDS

	1998 £	1997 £
Ordinary shares	2,399,657	324,112

Accrued dividends on the 8% cumulative redeemable preference shares of £1 each amounting to £300,000 (1997 : £260,000) have been waived by the shareholder.

8. TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer equipment and fixtures and fittings £	Total £
Cost:			
At 31 December 1997	2,117,953	3,831,774	5,949,727
Additions	761,697	533,761	1,295,458
Disposals	(438,051)	(307,393)	(745,444)
At 31 December 1998	2,441,599	4,058,142	6,499,741
Depreciation:			
At 31 December 1997	1,142,806	3,253,463	4,396,269
Charge for year	419,417	344,866	764,283
Disposals	(419,476)	(303,639)	(723,115)
At 31 December 1998	1,142,747	3,294,690	4,437,437
Net book value			
At 31 December 1998	1,298,852	763,452	2,062,304
At 31 December 1997	975,147	578,311	1,553,458

Included within motor vehicles are £1,260,186 (1997 - £947,299) at net book value of assets held under finance leases. These are included at a cost of £2,294,774 and an accumulated depreciation charge of £1,034,588.

9. DEBTORS

	1998 £	1997 £
Trade debtors	5,281,048	4,151,051
Amounts owed by group undertaking	2,580,631	2,043,551
Other debtors	82,103	72,807
Prepayments and accrued income	106,365	64,249
ACT recoverable	-	34,540
	8,050,147	6,366,198

Keane Limited (formerly Icom Solutions Limited)

NOTES TO THE ACCOUNTS at 31 December 1998

10. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Obligations under finance leases (note 12)	452,785	371,577
Trade creditors	2,310,587	1,478,929
Current corporation tax	1,022,607	572,326
Other taxes and social security costs	826,288	695,729
Other creditors	1,280,954	311,818
Accruals and deferred income	1,042,940	1,253,088
ACT payable	-	57,171
	<u>6,936,161</u>	<u>4,740,638</u>

11. CREDITORS: amounts falling due after more than one year

	1998 £	1997 £
Obligations under finance leases (note 12)	<u>1,013,330</u>	<u>724,936</u>

12. OBLIGATIONS UNDER FINANCE LEASES

	1998 £	1997 £
Amounts payable:		
within one year	554,722	453,517
within two and five years	1,174,596	857,061
	<u>1,729,318</u>	<u>1,310,578</u>
Less: finance charges allocated to future years	(263,203)	(214,065)
	<u>1,466,115</u>	<u>1,096,513</u>

	1998 £	1997 £
Finance leases are analysed as follows:		
Current obligations	452,785	371,577
Non-current obligations	<u>1,013,330</u>	<u>724,936</u>
	<u>1,466,115</u>	<u>1,096,513</u>

Keane Limited (formerly Icom Solutions Limited)

NOTES TO THE ACCOUNTS at 31 December 1998

13. SHARE CAPITAL

	<i>31 December 1998 and 31 December 1997</i>			
	<i>Allotted, called up and fully paid</i>			
	<i>No.</i>	<i>Authorised £</i>	<i>No.</i>	<i>£</i>
Equity:				
Ordinary shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
Non-equity:				
8% Cumulative Redeemable Preference shares of £1 each	500,000	500,000	500,000	500,000
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>

14. RESERVES

	<i>1998 £</i>	<i>1997 £</i>
Brought forward	1,655,205	687,952
Retained (loss)/profit for the year	(60,671)	967,253
At 31 December 1998	<u>1,594,534</u>	<u>1,655,205</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>1998 £</i>	<i>1997 £</i>
Brought forward	4,155,205	3,187,952
Retained (loss)/profit for the year	(60,671)	967,253
At 31 December 1998	<u>4,094,534</u>	<u>4,155,205</u>

Keane Limited (formerly Icom Solutions Limited)

NOTES TO THE ACCOUNTS at 31 December 1998

16. CAPITAL COMMITMENTS

Capital commitments at 31 December 1998, for which no provision has been made in these financial statements, were as follows:

	1998 £	1997 £
Contracted	237,911	129,174

17. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for its employees. Assets are held separately from the company in an independently administered fund. Scheme members transferred from the IMI pension fund, operated by the parent undertaking, on 1 April 1996. The transfer value from the IMI pension fund was equal to the liabilities accrued up to the date of transfer of the scheme.

The next actuarial valuation of the scheme will be performed on 1 April 1999. Contributions are currently being paid at rate of 13.3% calculated in line with advice obtained from a qualified actuary based on the following assumptions at the date of transfer:

Rate of Return of investments:	9.0%
Market value of scheme assets:	£4,208,600
Rate of growth in pensionable salaries:	6.5%

18. DISCLOSABLE CONTRACTS

There were no disclosable contracts or arrangements between the company and any of its directors, nor were any of the directors materially interested in any contract or arrangement subsisting during or at the end of the year.

19. CONTINGENT LIABILITY

The company has issued a cross guarantee in respect of the bank overdraft and borrowings of Keane Europe Limited.

20. LEASING COMMITMENTS

Annual commitments in respect of lease contracts are as follows:

	<i>Land and buildings</i>	
	1998	1997
	£	£
Operating leases which expire:		
Between two and five years	466,643	454,120

21. PARENT UNDERTAKING

The company's immediate parent undertaking is Keane Europe Limited and it is included in its group accounts, copies of which are available from its registered office: Lion House, Oscott Road, Witton, Birmingham, B6 7UH.

The company recognises its ultimate parent undertaking as Keane, Inc., incorporated in the USA. A copy of the group financial statements of the ultimate parent undertaking is available from the above address.

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