

At Xansa, we do more...

Xansa is the outsourcing and technology company that allows organisations to do more. In 2007, Xansa's IT expertise is helping Tesco focus on improving customer experience, NHS Shared Business Services became the largest external payroll processing provider in the NHS, Co-operative Financial Services expanded its outsourcing with Xansa and Thresher topped up its IT with an £8 million Xansa deal.

Our business did more too:

- Revenue grew by 6.3%
- Underlying operating margin* increased to 6.6%
- Profit before tax** increased by 23.3%
- Continued growth of public sector – revenues up 56%
- New client wins and expansion in the F&A, HRO and the IT services space, including the FSA, Threshers, BBC, Co-operative Financial Services and Lloyds TSB
- 100% of contract renewals successfully completed
- Orderbank of £549 million the highest for four years
- India workforce increased by 29% to 5,038
- NHS Shared Business Services joint venture continues to make good progress

Increase in revenue

+6.3%

05 376.4
06 357.3
07 379.7

Revenue (£ million)

Increase in profit before tax**

+23.3%

05 15.5
06 13.3
07 16.4

Profit before tax** (£ million)

Increase in earnings per share*

+19.3%

05 3.79
06 4.29
07 5.12

Earnings per share* (pence)

*Before exceptional items and share based payments, but including share of joint venture losses after tax.

**Before exceptional items.

Chairman's statement I am pleased to report a year of continuing progress in the transition of our business from a UK centric IT outsourcing business to an integrated onshore/offshore business services provider.



Dear Xansa Shareholder,

I am pleased to report a year of continuing progress in the transition of our business from a UK centric IT outsourcing business to an integrated onshore/offshore business services provider. This success can be seen in a number of areas. Firstly, we have grown underlying profits and margins and continued to grow our revenue. We have also continued to see expansion in our India operations. Xansa India has expanded by 29% and we now have more than 5,000 people working offshore. We have also continued to see strong progress in our public sector business which has grown by 56%. This is evidenced by the addition of new clients such as the BBC, a great example of how we continue to expand our client base. We also continued with our impressive contract renewal record and, in new client situations, we successfully led and participated in a number of consortia bids in both the public and private sector. This success is demonstrated by our orderbank which is the strongest it has been for many years. New services have been added to our portfolio and our leadership position in existing services has been consolidated.

Dividend As a consequence of the continuing momentum of the business the Board is recommending we maintain our final dividend at 2.16p, making an unchanged total for the year of 3.24p.

Board composition There have been a number of changes to your Board of Directors during 2007. Badri Agarwal joined Xansa as a Non-executive Director on 27 June 2006. Badri was president of the Infotel Division of Bharti Airtel Limited, part of Bharti Enterprises, a leading provider of telecommunications services in India. He has a proven track record in manufacturing and, more recently, considerable experience in outsourcing.

Chris Bunker joined Xansa as a Non-executive Director on 2 October 2006, Chris was formerly the Finance Director of Thames Water Plc and has over 20 years experience in senior finance roles. He gave up his full time executive role in April 2004. He has extensive international financial and commercial experience as a director in both executive and non-executive capacities.

We announced on 4 June 2007 that Alistair Cox resigned as Chief Executive, stepping down from the Board with immediate effect. We are grateful to Alistair for his contribution to the development of Xansa's business over the past five years. He successfully refocused the business on its strong UK franchise and has helped to build a market leading operation in India. The search for a new Chief Executive has commenced and I will be Acting Chief Executive until a permanent appointment has been made.

Finally, Andrew Buxton will be retiring from Xansa's Board on 13 September 2007 after eight years. We are grateful for his significant contribution and wish him a long and happy retirement. On Andrew's retirement, David Thomas will be appointed Senior Independent Director and Chris Bunker will be taking over responsibility as Audit Committee Chairman.

Headcount by location at period end

	05	06	07
UK	3,713	3,794	3,586
India	2,815	3,920	5,038
Other	17	3	1
	6,545	7,717	8,625

Share schemes During 2007, we intend to review the current Equity Incentive Plan in conjunction with our remuneration advisers and, if adjustments to the Plan are considered appropriate, we will consult with our shareholders ahead of seeking their formal consent at the Annual General Meeting in 2008.

Corporate governance Although not wholly compliant because of my interim role, your Board of Directors continues to ensure good governance by adopting best practice to underpin the success of the Company. In the Corporate governance statement you will find detailed explanations of the Committees through which we govern the Company. I would like to thank the Committee chairmen for their considerable efforts this year.

AGM I look forward to seeing you again at our Annual General Meeting on 13 September 2007. This year has seen changes to the Companies Act including moves to encourage electronic shareholder communication. In line with this, Xansa will be producing an online version of our Annual Report, which will be available at www.xansa.com/investors/. At this year's AGM, we will also be including a resolution concerning electronic communication to shareholders.

Conclusion I would like to thank our clients for the trust they place in us and to thank my colleagues in Xansa for all their hard work and commitment over the last year. The commitment and passion of my colleagues in Xansa plays a vital part in achieving customer satisfaction – which is evidenced by the contract wins, renewals and extensions that we have seen during the year. I would like to thank Xansa's clients who through these contracts continue to show their confidence in our business. It is our service to our clients which is key to our success. This can be seen in the commitment of many of our clients in their contribution to Xansa's community projects in the UK and India. Xansa remains dedicated to community support and this is a key part of the culture that makes Xansa a success. I would therefore like to thank those colleagues who give so much of their own time and energy to support the communities in which we operate. In particular, I would like to recognise the work that went into 'Do More Day', Xansa's first annual community action day and also the team who raised funds as part of the Prince's Trust Enterprise Challenge. Finally, I would like to welcome those who have joined us during the year and to wish them every success with Xansa.



Bill Alexander CBE Chairman and Acting Chief Executive