

### Tuning in to savings

In the BBC's first major offshore business process outsourcing partnership, Xansa is providing finance and accounting expertise that will save the Corporation more than £200 million over the next ten years. That is equivalent to 1.5 million licence fees.

Working from Xansa locations in the UK and India, we will deliver purchasing and sales transaction processing, artist and contributor payments, financial management and project accounting, payroll processes and expenses.



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### Banking on better HR

In the first multi-process HR outsourcing deal within the UK financial services sector, Xansa is providing administration, recruitment, training and general enquiries service to Lloyds TSB.

During the course of the five-year contract, we will develop, host and support new recruitment management platforms and transform HR processes. As a result, UK staff will be able to focus on what they do best, including face-to-face support and policy guidance.



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## Market report

**Xansa is a UK-based outsourcing and technology company that specialises in delivering business services that help our clients do more. Our 8,600 people, enabled by leading technology, operate out of facilities in the UK and India to meet our clients' needs in five fundamental ways: HR outsourcing, finance and accounting outsourcing, applications management, IT transformation and web access. We provide these services for major organisations across the public and private sectors.**

What sets us apart from our competitors? Our focus is on outcomes rather than inputs. And we work closely with our clients to ensure that those outcomes precisely meet their requirements.

**Our market** Each of Xansa's clients is different. But all have similar objectives. They want to boost their customer appeal by improving the quality and delivery of their services. Yet in increasingly competitive environments, they recognise the need to keep their costs under control. At Xansa we understand both of these imperatives, which drive both the public and private sectors.

In the **public sector** we serve some of the largest, most complex Government departments and their agencies. Under the Office of Government Commerce Catalyst framework, Xansa is registered to supply a wide range of IS/IT consultancy and services. These include strategy, e-business, security, ERP, financial management and accounting. Increasingly, we are extending our public sector expertise to local authorities as well.

In the **private sector** our client base includes companies engaged in financial services, retail, utilities, telecoms, media and logistics. The companies for which we work are among the leaders in their fields. Within financial services these include tier 1 UK banks and life and pension companies such as Lloyds TSB and Co-operative Financial Services. Among utilities we also work for the larger players, like Thames Water, many of which are part of global corporations. Retail clients include those names that dominate UK high streets such as Tesco and Boots.

**Market trends** Public spending accounts for more than 45% of GDP in the UK and is still rising. However, the rate of growth has tapered off at national level due to political uncertainties that are slowing down the pace of major spending decisions. Nevertheless, the drive for greater efficiencies and fewer civil servants – as spelled out in the still influential Varney and Gershon Reports – has its own momentum and the target of £20 billion in savings by the end of 2007 remains. So does Xansa's ability to help make efficiency a way of life throughout the **public sector**. In 2006 our skills, experience, culture and philosophy continued to meet public sector requirements.

Looking ahead, we see growing potential in the local government market, particularly for the type of shared services approach that Xansa pioneered with the NHS. This model could be adapted in two ways – either by sharing services among different authorities or within a single authority across a wide variety of departments or units. In either case, success will rely on new partnerships throughout the value chain. These could include companies that specialise in security, infrastructure, telecoms, property or the provision of frontline services.

In the **private sector**, as inflation rises, all businesses are facing higher costs, increasing competition and rising consumer expectations. To retain or increase their customer base without sacrificing the bottom line, they are turning to outsourcing services in finance and accounting, human resources, IT and web solutions – all areas in which Xansa demonstrably excels.

### Keeping the Co-op ahead of the competition

Co-operative Financial Services (CFS) has recently extended and expanded a long-standing relationship with Xansa. Now we are creating a unified Applications Development and Support (ADS) service to help meet the twin challenges of a highly competitive marketplace and an increasing regulatory environment.

Our technology-enabled business services will enable CFS to respond to the regulatory pressures in a cost-effective, timely manner while simultaneously expanding and enhancing product lines and improving speed to market.



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### On the right track

Xansa has been helping the 2005 and 2006 world champion ING Renault F1 Team since 2005, providing work on key technology areas including SAP functionality in engine development and analysis of vital wind tunnel and off-car data.

Much of this expertise comes from our offshore operations in India, where we have also enhanced the team's existing documentation and drawn up comprehensive documentation for all new processes as they are applied. The result: world-beating performance achieved more cost-effectively than ever.



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**Service delivery** In **finance and accounting** for example, we are the largest Europe-based provider. Xansa clients include BT, O<sub>2</sub>, MyTravel, Lloyds TSB, BBC and, the biggest organisation of them all, the NHS. Whatever the size of the organisation, whatever the sector, we enable our clients to concentrate on their core activities; leaving the otherwise costly and time-consuming distractions of transactional activities to us. Typically, we save our clients anywhere from 33%–45% of their costs by taking on their finance and accounting processes.

Similarly, Xansa's **human resources** outsourcing provides better HR for less. Building on one of our earliest services, payroll processing, we have expanded our offering to meet client demand. Today, Xansa provides a full range of integrated HR services as well as consultancy. One of our largest contracts is also one of our newest: a multi-process HR outsourcing deal with Lloyds TSB – the first of its kind in the financial services sector.

When it comes to **IT services**, we have the technology and, just as important, the people to make a difference throughout our clients' operations. After 45 years, we also have the experience and scale. Xansa's IT capabilities are vast, encompassing everything from the management of Europe's largest SAP retail implementation to the maintenance of the entire application portfolio for a high street bank.

As consumers and citizens alike increasingly turn to the internet for routine and one-off transactions, **web solutions** are assuming new importance. That is why clients in both the private and public sectors are turning to Xansa. We have been developing web solutions for a number of years; from developing the UK's first separately branded internet bank with the Co-operative Bank in 1999 to supporting Boots' largest retail outlet today, Boots.com. For the UK Government our online initiatives have included a pioneering HR portal, an award-winning online grants system and the jobs and skills website.

Increasingly the power of technology is allowing businesses to examine their performance in new and exciting ways. Businesses generate massive quantities of data and locked within this can be the answers to fundamental business questions. Often the challenge is that data volumes are large, it resides in multiple locations, in a variety of formats, and is quickly out of date and/or has a significant number of errors. Xansa is at the forefront of using technology to quickly unlock that information from our clients' systems to give them a competitive edge. We already provide **analytics services** to banks, retailers, utilities, the government and even, the fastest moving business of all, F1 racing.

**Strategic partnerships** One of the strengths which our clients appreciate most is our awareness of our limitations be that in scale, experience or specific expertise. Equally important is our ability to make those limitations irrelevant by establishing partnerships with companies whose qualities complement our own.

One example is our relationship with **Oracle**. With more than 200 Oracle specialists, Xansa has become one of the UK's largest and most experienced Oracle Delivery Practices. As a certified Oracle Partner we have immediate access to one of the world's greatest sources of end-to-end ERP expertise. By combining Oracle's skills with our own focus on change management, together we are delivering the right solutions for clients like Solihull Metropolitan Borough Council.

Our partnership with **SAP** dates back to 1990. Since then, the Xansa SAP offering has expanded in the UK and India to cover every aspect of the SAP product suite from core ERP to the latest functions and technologies. Close liaison with SAP Consulting ensures secure delivery and risk reduction, particularly for new modules or new technology. With large customers across the Retail, Media, Government and Logistics sectors, Xansa's SAP expertise supports, enables and improves our

customers' business processes and systems, delivering cost savings together with ongoing innovation. Recently, to maximise the client benefits of our partnership, we have developed a SAP Enterprise Innovation Centre, accessible to clients from anywhere in the world.

Our relationship with **Microsoft** is equally close. As a Microsoft Managed Partner and a subscriber to Microsoft Premier Support, Xansa has a privileged standing with the most powerful software organisation in the world. This has manifold benefits for Xansa clients, including the involvement of Microsoft consultants when needed, quality assurance and stress-testing for all of our Microsoft-based solutions and continuing support throughout the solution lifecycle. Most important of all, our partnership with Microsoft enables us to concentrate on what we do best: helping our clients to become more efficient by concentrating on what they do best. Which is precisely what we did when creating a job-seekers website for the Department of Work and Pensions. This has not only attracted 600,000 page requests every day, but also a host of awards, including Government Computing Best Partnership Project in the Public Service and a British Computer Society Award for Innovation.

**The way forward** Our aim is for Xansa to continue growing – both in revenue and profit.

To accomplish this, we will build on our strengths in the private and public sectors.

In the public sector, we do not foresee a materially different agenda in relation to the services we are selling. If anything, the drive for efficiencies will increase.

At the same time, we will put particular emphasis on expanding our offering to local government – which, in line with national policy, is expanding its powers and services.

Throughout the public sector, our focus will be on those opportunities that can give us the scope and scale to make a positive and lasting contribution to our clients' business – and to our bottom line.

Leveraging the convergence of IT and business process outsourcing will remain a major objective in both the public and private sectors. By successfully delivering an outsourcing contract, we are often able to expand our client relationship through the introduction of a range of complementary offerings as well. Pursuing this strategy had a positive impact on our 2006 orderbank, which was up by almost £100 million.

One of Xansa's greatest strengths is our offshore capability centred in India. For our purposes – and those of our clients – it provides an ideal mix of language, cultural affinity, a well-educated workforce and a convenient time zone. Therefore, we will continue to expand our operations in such complex, value-added services as medical underwriting.

Xansa's continuing success relies on enhancing our ability to provide clients with increased efficiencies and lower costs. The demand is there and growing. And our offering is more than keeping pace as Xansa develops compelling new business propositions based on real market needs and application of the latest, most robust – and most appropriate – technologies.

But at Xansa technology is never an end in itself. It is an enabler for our clients and the Xansa people who serve them. Which is why we are also continuing to hire and retrain highly skilled employees with an unswerving commitment to client service delivery.

We are doing more to help our clients do more of what they do best.

## Stakeholder report

**Doing more for employees** Our clients choose to work with Xansa because Xansa people enable them to do more. There's a good reason for that. It's because we do more for our people. Xansa recognises that each employee is an individual with individual needs and we treat them accordingly. For instance, instead of a take-it-or-leave-it predetermined benefit package, Xansa offers flexibility. From a fund that covers the cost of contractual benefits, employees can select the options that suit them best. Exceptional bonuses reward outstanding performance.

Xansa's corporate culture is built on the basis of long-term relationships and long-term mutual gain. So we develop and deploy our people in line with business requirements. Xansa's career framework enables a consistent design and approach to people development and performance management. This includes 360-degree performance appraisals and a performance management procedure linked to our behaviour model. Xansa training, whether done internally or via external organisations, encourages and enables people to become experts in their diverse fields. In India we have invested in initiatives to provide ongoing work related education opportunities and have launched a highly successful induction programme to support people through their first seven quarters with Xansa.

Since Xansa people are at the heart of all we do, we are naturally committed to attracting and retaining the best. To ensure we have the right leaders in the right roles with the right skills, we assess all new entrants to leadership roles against a set of benchmarked criteria and have our own Leadership Academy providing a suite of developmental support from external and internal developmental providers. Just as important, we encourage a good work/life balance by providing the opportunity for flexible working times or part time working. And to help keep personal lives running smoothly, Xansa's employee assistance programme is there to give confidential support on important personal or domestic issues to employees and their immediate family.

Effective communication is vital, so we listen and take time to understand. Through eXchange, Xansa's employee consultative body, and our annual employee survey (which again this year showed increasing levels of employee satisfaction), Xansa monitors morale and ensures that employee views and issues are heard at a senior level. Action plans resulting from the surveys are communicated and monitored for progress. We also have a popular, ongoing, programme of quarterly forums for several hundred leaders in both the UK and India which is now in its third year. These gatherings are opportunities to discuss the direction of our business in interactive briefing sessions that encourage debate.

**Doing more in the community** People are at the heart of Xansa's business and just as our people and our clients do not exist on an island, neither does our Company. Our people and our clients care about Xansa's impact on the communities in which we operate, and therefore we make it a concern of our business.

When Xansa began its community programme in 1994, we did it because it was the right thing to do. We focus our community programme on the things that we do best which is why we focus on the following areas:

- Education and mentorship;
- Educational infrastructure and IT skills;
- Entrepreneurship skills.

This year has seen a continuation of this commitment. December marked the launch of Do More Day, a new annual event to raise awareness amongst our employees and clients of Xansa's community activities. Do More Day not only involves fundraising and volunteering events, but also re-energises our community work across the UK and India on an annual basis. During Do More Day 2006, we raised £21,000 in 24 hours for educational and charitable organisations.

### Having the right facilities is an important component to learning

Xansa and Lloyds TSB Group, a long-standing client, are partnering together to help the Yash Memorial School in Noida, India. The school serves over 600 children, mainly from underprivileged backgrounds. Xansa has worked with the school to meet tutor charges, support remedial classes and provide funds for maintenance. Lloyds TSB Group established a new physics and chemistry laboratory for the school, setting it up in just three weeks.

 **For more information on this story visit**  
[www.xansa.com/about/community](http://www.xansa.com/about/community)

### Prince's Trust

Xansa supports the Prince's Trust, a charity that works with 14 to 30 year-olds in the UK who have struggled at school, have been in care, are long-term unemployed or have been in trouble with the law. Xansa's financial support helps the Prince's Trust achieve its mission of providing practical and financial support to disenfranchised young people. In 2006, we accepted the Prince's Trust challenge to set up a corporate team of ten people with a target of raising at least £20,000 in nine months. The team members developed a fundraising strategy and worked together to implement it. Xansa's team has beaten its target by more than 75%, raising over £35,000.

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### Making a difference for marginalised children

Xansa's mentoring programme in Chennai involves over 30 volunteers who conduct workshops for children from local schools and orphanages. These sessions include careers counselling, academic tutoring and personal guidance. The children get a new perspective on their lives from role models outside their everyday experience – and at the same time, our employees gain personal satisfaction from making a difference in the community. The programme is so successful that we are partnering with the NalandaWay foundation, a local non-governmental organisation (NGO), to expand and train additional Xansa mentors in our Noida and Pune offices.



For more information on this story visit [www.xansa.com/about/community](http://www.xansa.com/about/community)



### FTSE4Good

FTSE Group confirms that Xansa has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social, ethical and environment criteria, and are positioned to capitalise on the benefits of responsible business practice.



For more information on this story visit [www.xansa.com/investors/shares](http://www.xansa.com/investors/shares)

In India other initiatives this year have included summer camps for schoolchildren in Chennai and Noida, and mentoring and computer literacy programmes for schools and orphanages in Noida and Chennai. In the UK, Xansa people have provided on-going support for charities such as St Basil's in Birmingham and Young Enterprise in Reading and are involved in BEST (Business and Education Succeed Together) in Manchester. More details of our activities can be found in Xansa's Community report which can be requested from the Company Secretary or is available online at [www.xansa.com/community](http://www.xansa.com/community).

We continue to run matching funds and enabling grants schemes. Our employees submitted 180 applications over the year, covering fundraising events from cake and book sales to sponsored events like swims, slims, and cycles. Enabling grants have provided support for projects that included the provision of sport and music equipment for children's clubs, production of a charity calendar and funding concerts for a Saturday music school. During 2006 matching funds and enabling grants raised just under £43,000 for charities – in addition to £94,000 raised by Xansa people themselves.

**Doing more for the environment** Though the IT industry may not have a large environmental impact, we feel it is important to monitor and manage our activities to minimise our footprint and protect and sustain resources. Xansa continues to regard governmental legislation on environmental issues in the jurisdictions in which it operates as the minimum acceptable standard – and wherever possible, the Company aims to exceed it.

We have a growing range of programmes for minimising environmental impact. Xansa's printer and copy paper is manufactured from recycled materials and, once used, waste paper is recycled. This year alone we have recycled over 25 tonnes of paper equating to over 500 trees.

To reduce CO<sub>2</sub> emissions, we maintain high quality video conferencing facilities with the aim of reducing business travel. In India, carbon filters are fitted to all back-up generators to reduce CO<sub>2</sub> emissions. In addition, in India, our rainwater harvesting systems enables us to maximise the use of this valuable natural resource and substantially reduces the amount of groundwater that we use.

In order to manage energy consumption across our UK and India property estate, we monitor Building Management System settings and adjust them to maintain the working environment at a comfortable level using the minimum of energy. Motion sensors on lighting in areas of minimal usage ensure that lights are on only when required. We also turn off all non-essential equipment when not in use.

To further demonstrate our commitment to the environment we are developing an Environmental Management System and we will seek certification to ISO 14001 (Environmental Management Systems). This will initially cover our office in the heart of Belfast but will have the scope to be rolled out across the Company in the future.

Xansa's commitment to health, safety and the environment can also be seen by the fact that Xansa's Chief Executive chairs our Health, Safety & Environment (HS&E) Steering Board. Xansa has an excellent health and safety track record, our accident and incident rate is well below industry average. However, we are not complacent. As an award winning, long standing member of the British Safety Council we are committed to achieving best practice in all areas of health and safety. As part of this commitment we are further developing our health and safety systems by implementing the principles laid out in the Health & Safety Executives (HSE) guidance HSG65. We anticipate achieving alignment of our systems with this guidance by April 2008.