

PRESS RELEASE

7 December 2006

Interim Results Announcement for the half year ended 31 October 2006

Xansa, the outsourcing and technology company, is pleased to announce its results for the half year ended 31 October 2006.

Business Highlights

- Revenue grew by 7.4%
- Profit before tax increased by 13.3%
- Public sector revenues up 91% year on year to £59.3 million
- Underlying margins* were constant at 7%
- Strong new client list including: BBC; Financial Services Authority; Transport for London
- India workforce increased by 38% since last half year to 4661 people, now representing 54% of the total workforce
- 123 trusts (before reflecting mergers in the existing customer base) are now live or in migration with NHS Shared Business Services: on track towards profitability.

Financial Performance

Summary	H1 2007 £ million	H1 2006 £ million	Change %
Revenue	188.4	175.4	7.4
Underlying operating profit*	13.2	12.3	7.3
Underlying operating margin*	7.0%	7.0%	-
Profit before tax	8.5	7.5	13.3

- Revenue increased 7.4% to £188.4 million (H1 2006: £175.4 million)
- Underlying operating profit* increased 7.3% to £13.2 million (H1 2006: £12.3 million)
- Underlying operating margin* was 7.0% (H1 2006: 7.0%)
- Profit before tax increased 13.3% to £8.5 million (H1 2006: £7.5 million)
- Diluted earnings per share increased by 8.4% to 2.06 pence (H1 2006: 1.90 pence)
- Dividend per share has been proposed at 1.08 pence (H1 2006: 1.08 pence) for the half year

* Before share based payments, but including share of joint venture losses after tax

Bill Alexander, Chairman, Xansa commented:

"Over the last couple of years Xansa has transformed itself to achieve a leadership position that meets the demands of a rapidly evolving marketplace. Today, we are pursuing a strategy to focus on the delivery of key technology and business services to our clients. Progress has been strong in both the government sector, where revenues have risen 91%, and in the private sector where we have continued our 100% success rate of contract renewal. As a result of our strong performance our financial results for the first half of the year have been encouraging."

Commenting on the results, Alistair Cox, Chief Executive, Xansa said:

"In the first half of 2007 we have continued to deliver against our key metrics. Revenue and profit have grown and our sales momentum has continued. NHS Shared Business Services, our joint venture with the Department of Health, is growing strongly and is on track towards profitability.

Our investment in new services is beginning to bear fruit with a foundation HR outsourcing contract signed with Lloyds TSB in the half year. Our contract win at the BBC, one of the most prominent finance and accounting (F&A) deals let to date, strengthens our position as the UK leader in F&A services.

Our strategy of delivering technology and business services to our clients and our focus on building the most compelling solutions around these services has enabled us to create exciting opportunities for our business. Our priority is to deliver those opportunities and consolidate our leadership in key services by continuing to win new clients and to bring innovative and differentiated solutions to the market. This focus is yielding benefits and we expect to continue to grow revenue and profits in the second half. Our objective of creating a high margin and growing business is on track."

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About Xansa

Xansa is a UK-based outsourcing and technology company with over 8000 people in the UK and India.

With a 44-year history of sustaining long-term relationships and pioneering better ways of working, Xansa drives real and long-term cost reductions and performance improvements. Committed to delivering guaranteed business outcomes through a combination of technology and process expertise, Xansa gives clients across the private and public sectors the freedom to do more.

Xansa is listed on the London Stock Exchange (XAN.L) with revenues for 2006 of £357.3 million.

Further information on Xansa can be found at: www.xansa.com

Business Review

Over the last three years, our market place has changed significantly. Clients are very focused on the tangible returns they will achieve from their technology spend. At the same time, they are looking for ways to improve productivity in their services whilst simultaneously freeing up resources to concentrate on their own customers. These changes present significant opportunities to those organisations that can evolve rapidly and focus on delivering expert, high-value solutions to the changing demands of the market. Xansa has embraced that evolution and has transformed itself into a fundamentally different organisation in order to achieve a leadership position in the market place of the future.

- We have built the largest offshore operation of any of our UK competitors.
- We have established the leading shared service capability in UK government.
- We are the acknowledged leader in key corporate services.

Our strategy is to focus on the delivery of key technology and business services to our clients and I am pleased to say that results in the first half of our year have been encouraging and our key performance indicators have shown improvement.

Revenues have grown 3.6% sequentially and at £188.4 million were 7.4% higher than the first half last year. Group operating profit increased by 7.3% to £13.2 million (H1 2006: £12.3 million) before share based payments. Profit before tax increased by 13.3% to £8.5 million (H1 2006: £7.5 million).

Revenue growth reflects three key achievements:

- Our investment in the government sector has delivered revenue growth of 91%.
- We have won a number of significant new clients and extended contracts with several existing ones.
- Our transition towards offshore delivery for existing work is almost complete.

Progress has been strong in the government sector and we have won work at new clients including: Monitor in Government; Kent Connects; and Oxford Strategic. We are progressing with the construction of a new platform for web access and content management for The Club, a consortium of government departments consisting of the Cabinet Office, Department of Health and Department for Education & Skills. This scalable platform represents a solution for the management of the entire estate of government web content and services for citizen access. Our largest operation in the public sector is NHS Shared Business Services, our joint venture with the Department of Health to deliver Finance and Accounting services to NHS Trusts. On a like for like basis we have 123 trusts either live on the system or undergoing migration although the actual number of entities is now 113 due to mergers within the existing client base. As volumes increase, we are coming towards the end of the start-up phase of this investment and expect NHS Shared Business Services to move into profitability in the near future. As well as providing an exciting position in the NHS, the model we have created in partnership with the government represents an ideal form of venture that could be replicated in other areas of the public sector. It allows the government and local authorities to access private sector

expertise, achieve immediate savings and retain a share of the upside as we invest to make our services even more productive.

Our investment in sales has paid off in the private sector too. We have continued our 100% success rate of contract renewal and extended contracts at Barclays (minimum commitment £75 million), Office for National Statistics (minimum commitment £6 million) and Lawson. In addition, we have won contracts at new clients including Financial Services Authority, National Car Parks Ltd, Eversheds, and Portman Building Society.

I am particularly pleased that we were selected by the BBC to deliver Finance, Accounting and Payroll services. This contract, worth £85 million over 10 years and signed in early November, further consolidates our position as market leaders in the UK Finance & Accounting market. Furthermore, it represents the BBC's first engagement with offshore services. As the BBC embarks upon a period of strategic change, the opportunity for us to build a position as their trusted partner around key business services is important to us.

Over the last six months we have extended our service lines and entered the HR administration market with our contract with Lloyds TSB. This five year contract provides a wide range of HR services including administration, recruitment and existing helpdesks for training, advice and guidance and general queries. Xansa is working with Lloyds TSB to develop, host and support new recruitment and management information platforms and to transform HR processes.

The HR administration market is expected to grow significantly and we are putting in place the capabilities to address this opportunity, just as we have built a leadership position in the Finance & Accounting market.

We have continued to build delivery capability to service the increased demand for our services. The scale and diversity of our Indian operations continue to go from strength to strength. Headcount in India increased 19% over the last 6 months to close at 4661 at the end of October. Integrated UK/India delivery is at the heart of our business. Being the largest UK-based supplier of these services gives us a key advantage in our market place. We have opened new capacity at each of our centres in Delhi, Chennai and Pune and expect strong growth to continue.

Our strategy is to create the most compelling solution to our clients' issues. That often means working in partnership with other organisations who are experts in their own fields. I am pleased to say that we have extended and strengthened this capability and are now working closely with a wide range of organisations providing capabilities in areas as diverse as consultancy, infrastructure, niche and enterprise applications and contact centres. The results of this strategy are evident as a number of our major programmes successfully reach important milestones. An excellent example is our work for Northern Ireland Water Services where we and our partners are successfully building complex billing systems and progressively rolling out and administering those systems and the entire customer support network that is required for the Northern Ireland market. I anticipate that such eco-systems of partners will become more prevalent in the marketplace and this trend will play to our strengths.

Financial Performance

Revenue for the six months ended 31 October 2006 was £188.4 million. This is an increase of 7.4% over the comparable period in the previous year. Operating profit before share based payments in the first half was £13.2 million compared with £12.3 million in the first half of last year. The increase in profit reflects improved performance in our business as well as in NHS Shared Business Services. This profit represents a margin of 7.0% (2006: 7.0%). Our underlying business performance has improved, however the headline margin remains constant due to start up costs of new contracts and services.

The charge for share-based payment increased from £1.5 million in the first half of last year to £2.1 million this year and compares to £2.3 million in the second half of last year.

Progress in NHS Shared Business Services continues to be positive and the share of loss for the period was £1.2 million (2006: £1.5 million). Revenue included for the period in relation to arm's length services supplied to NHS Shared Business Services was £7.7 million and £5.4 million in relation to employment group services.

Net finance expenses decreased from £3.3 million to £2.6 million. The net finance expense associated with the defined benefit pension plans reduced by £0.8 million to £0.4 million, whilst the £0.1 million increase in other net finance costs reflects higher average borrowings, which were £38.2 million in the six months to 31 October 2006 compared to £33.0 million in the comparable period last year.

Working capital (defined as receivables, prepayments and inventories less trade and other payables) increased from a net liability of £15.5 million at April 2006 to a net asset of £1.8 million at 31 October 2006 and reflects the changing nature of contracts as the payments in advance which Xansa has benefited from in the past become less common. We continue to focus on operating cash management, evidenced by the level of debtor days, which were 32 compared to 34 at the same period last year and 35 at 30 April 2006.

As noted in the 2006 Annual Report, Xansa undertook a consultation last financial year with employees, members, the scheme trustees and other interested parties of the Xansa Pension Plan to determine the best way to address the pension funding deficit. As a result of this consultation, contributions to the scheme increased to £8.8 million in the six months to 31 October 2006, up £1.2 million from the comparable period last year. Despite this increase the deficit in the fund increased from £84.5 million at 30 April 2006 to £103.0 million at 31 October 2006, primarily because the interest rate used to discount liabilities back to a present day value reduced by 0.2%.

The effective tax rate for the period continues to track significantly below the UK headline rate due to the Indian tax holiday under which a significant proportion of our profits are assessed. This tax holiday is progressively phased out from March 2007. For the period our tax rate is 16.9% compared with 14.1% for the year ended 30 April 2006, an increase partly attributable to one month of tax being payable on certain Indian operating profits.

Diluted earnings per share of 2.06 pence were 8.4% higher than the 1.90 pence for the first half last year.

Dividend

The Board proposes to maintain the interim dividend payment at 1.08 pence per share. The dividend is covered 1.9 times by interim diluted earnings per share of 2.06 pence.

Outlook

Xansa has successfully executed a major transformation over the last two years. Our focus is to deliver key technology and business services to our clients and we have already established leadership positions in certain services, including Finance & Accounting Outsourcing and Application Management. At the same time, we have entered new services including HR Administration and Web Content & Access management and intend to build equivalent leading positions in each of these core lines. The potential market for each of these service lines is significant, although a number of these markets are still at relatively early stages of development. By building the most compelling solutions, we aim to help open up these markets, as well as establishing ourselves as the expert provider in each case.

This focus has allowed us to create a very material and exciting set of opportunities for our company. Our priority now is to deliver those opportunities, consolidate our market leadership in key services by continuing to win new clients and bring new innovative and differentiated solutions to the market. Having grown our business faster than at any other time over the last 5 years, this strategy will allow us to further accelerate revenue growth and allow us to continue to improve the overall margin of the business. With increased sales momentum and continued progress in key metrics we view the future with confidence.

Consolidated Income Statement

For the six months ended 31 October 2006

		6 months to 31 October 2006	6 months to 31 October 2005	Year to 30 April 2006 Before Exceptional items	Year to 30 April 2006 Exceptional Items	Year to 30 April 2006 Total
	Note	£ million	£ million	£ million	£ million	£ million
Group revenue		188.4	175.4	357.3	-	357.3
Operating profit:						
Before share-based payments and share of joint venture's loss after tax		14.4	13.8	26.0	(4.3)	21.7
Share-based payments		(2.1)	(1.5)	(3.8)	-	(3.8)
Share of joint venture's loss after tax		(1.2)	(1.5)	(2.7)	-	(2.7)
Operating profit		11.1	10.8	19.5	(4.3)	15.2
Finance income	2	0.6	0.2	0.5	-	0.5
Finance expense	2	(3.2)	(3.5)	(6.7)	-	(6.7)
Profit (loss) on ordinary activities before taxation		8.5	7.5	13.3	(4.3)	9.0
Taxation	4	(2.0)	(1.4)	(2.8)	1.4	(1.4)
Profit for the period		6.5	6.1	10.5	(2.9)	7.6
Attributable to:						
Equity shareholders of the company		6.5	5.9	10.2	(2.9)	7.3
Minority interests		-	0.2	0.3	-	0.3
		6.5	6.1	10.5	(2.9)	7.6
Earnings per share expressed in pence per share						
- basic	5	2.09p	1.94p			2.39p
- diluted	5	2.06p	1.90p			2.32p
Earnings per share before share- based payments and exceptional items:						
- basic	5	2.70p	2.37p			4.42p
- diluted	5	2.66p	2.31p			4.29p
Proposed dividend per share		1.08p	1.08p			3.24p
Proposed dividend (£ million)		3.5	3.4			10.2
Dividend paid per share		2.16p	2.16p			3.24p
Dividend paid (£ million)		6.9	6.8			10.2

Consolidated balance sheet

As at 31 October 2006

	Note	31 October 2006 £ million	31 October 2005 £ million	30 April 2006 £ million
ASSETS				
Non-current assets				
Property, plant and equipment		23.9	22.4	24.9
Deferred income tax assets		19.9	17.0	20.4
Intangible assets		84.8	85.1	85.9
Prepayments		1.7	1.9	1.6
Investment in joint venture		7.6	8.9	8.8
Other receivables		0.2	-	0.2
		<u>138.1</u>	<u>135.3</u>	<u>141.8</u>
Current assets				
Inventories		0.3	-	0.2
Trade and other receivables		51.9	48.5	49.1
Amount due from joint venture		3.1	2.0	6.5
Prepayments		9.8	5.8	7.1
Cash and cash equivalents	7	24.1	22.8	33.3
		<u>89.2</u>	<u>79.1</u>	<u>96.2</u>
TOTAL ASSETS		<u>227.3</u>	<u>214.4</u>	<u>238.0</u>
EQUITY AND LIABILITIES				
Issued capital		17.4	17.2	17.3
Reserves		(31.5)	(31.6)	(11.4)
Total equity attributable to equity holders of the parent	8	<u>(14.1)</u>	<u>(14.4)</u>	<u>5.9</u>
Non-current liabilities				
Trade and other payables		0.8	1.8	0.5
Interest bearing loan and borrowings	7	0.7	32.7	38.3
Provisions		3.7	3.2	3.9
Post-retirement benefit liability	9	103.6	95.7	84.8
		<u>108.8</u>	<u>133.4</u>	<u>127.5</u>
Current liabilities				
Trade and other payables		64.4	71.8	79.7
Interest bearing loans and borrowings	7	57.0	9.8	12.7
Income tax payable		7.9	9.6	6.5
Provisions		3.3	4.2	5.7
		<u>132.6</u>	<u>95.4</u>	<u>104.6</u>
TOTAL LIABILITIES		<u>241.4</u>	<u>228.8</u>	<u>232.1</u>
TOTAL LIABILITIES AND EQUITY		<u>227.3</u>	<u>214.4</u>	<u>238.0</u>

Consolidated cash flow statement

For the six months ended 31 October 2006

	Note	6 months to 31 October 2006 £ million	6 months to 31 October 2005 £ million	Year to 30 April 2006 £ million
Profit before tax for the period		8.5	7.5	9.0
Depreciation and amortisation		4.7	3.0	6.9
Cost of employee share schemes		2.1	1.5	3.8
Finance income		(0.6)	(0.2)	(0.5)
Finance expense		3.2	3.5	6.7
Pension contributions (in excess of) lower than current service cost		(2.1)	1.4	3.6
Share of joint venture's loss after tax		1.2	1.5	2.7
Exceptional costs charged to profit and loss account	3	-	-	4.3
Exceptional costs spent	3	(1.7)	(2.2)	(4.1)
Working capital		(17.5)	(3.4)	(4.4)
Cash generated from operations		(2.2)	12.6	28.0
Interest paid		(2.5)	(2.2)	(3.6)
Tax (paid) received		(0.2)	0.3	(0.8)
Net cash generated from operating activities		(4.9)	10.7	23.6
Cash flows from investing activities				
Proceeds on disposal of property, plant and equipment		0.1	0.1	0.1
Interest received		0.6	0.2	0.5
Investment in joint venture		(0.9)	(2.1)	(3.9)
Purchases of property, plant and equipment		(3.3)	(3.1)	(6.5)
Purchases of intangible assets		(0.9)	(3.8)	(5.9)
Net cash flows used in investing activities		(4.4)	(8.7)	(15.7)
Cash flows from financing activities				
Proceeds from new borrowings		17.7	-	-
Repayments of amounts borrowed		-	(5.6)	(0.1)
Cash paid to acquire own shares		(0.9)	(0.4)	(1.2)
Proceeds from sale of own shares		0.8	0.8	2.1
Payment of finance lease liabilities		(0.4)	(0.2)	(0.6)
Dividends paid to the Company's equity holders		(5.7)	(5.7)	(7.8)
Net cash flows from financing activities		11.5	(11.1)	(7.6)
Net increase (decrease) in cash and cash equivalents	7	2.2	(9.1)	0.3
Cash and cash equivalents:				
At beginning of period		22.4	21.9	22.0
Effect of changes in foreign exchange rates		(0.5)	0.2	0.1
At end of period		24.1	13.0	22.4
Cash and cash equivalents consist of:				
Cash and cash equivalent current assets		24.1	22.8	33.3
Overdrafts		-	(9.8)	(10.9)
At end of period		24.1	13.0	22.4

Consolidated statement of recognised income and expense

For the six months ended 31 October 2006

	6 months to 31 October 2006	6 months to 31 October 2005	Year to 30 April 2006
	£ million	£ million	£ million
Employee defined benefit obligations:			
- actuarial losses on defined benefit obligations	(20.5)	(0.5)	13.7
- deferred taxation recognised directly in equity	-	-	5.0
Employee share option scheme - deferred taxation recognised in equity	(0.1)	-	0.3
Net exchange adjustments	(2.2)	0.9	(0.4)
Net (expense) income recognised directly in equity	<u>(22.8)</u>	<u>0.4</u>	<u>18.6</u>
Profit for the period	<u>6.5</u>	<u>6.1</u>	<u>7.6</u>
Total recognised (expense) income for the period	<u>(16.3)</u>	<u>6.5</u>	<u>26.2</u>
Attributable to:			
Equity shareholders of the company	(16.3)	6.3	25.9
Minority interests	-	0.2	0.3
	<u>(16.3)</u>	<u>6.5</u>	<u>26.2</u>

Notes to the Accounts

1 Basis of preparation

The Group prepares its annual financial statements on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 1985. The financial information presented in this interim report has been prepared in accordance with the accounting policies expected to be used in preparing the annual financial statements for the year ended 30 April 2007, which do not differ significantly from those used for the most recent financial statements, with the exception that the requirements of IFRIC 4 'Determining Whether an Arrangement Contains a Lease' has been adopted. The adoption of IFRIC 4 did not have a significant impact on the results or financial position of the Group.

This interim report was approved by a duly appointed and authorised committee of the Board of directors on 6 December 2006. This statement does not comprise the statutory accounts of the Group, as defined in section 240 of the Companies Act 1985. The financial information for the half years ended 31 October 2006 and 31 October 2005 are unaudited. The financial information for 30 April 2006 has been extracted from statutory accounts on which an unqualified audit report has been issued.

The statutory accounts of Xansa plc for the year ended 30 April 2006 have been delivered to the Registrar of Companies. The auditors, Ernst and Young LLP, reported on those accounts in accordance with section 235 of the Companies Act 1985 and their report was unqualified and did not contain an emphasis of matter reference or a statement under section 237(2) or (3) of the Companies Act 1985.

2 Finance income and expense

	6 months to 31 October 2006 £ million	6 months to 31 October 2005 £ million	Year to 30 April 2006 £ million
Finance income	<u>0.6</u>	<u>0.2</u>	<u>0.5</u>
Finance expense, excluding items relating to pension scheme	(2.8)	(2.3)	(4.4)
Expected return on pension fund assets	8.0	5.9	12.0
Interest on pension fund liabilities	<u>(8.4)</u>	<u>(7.1)</u>	<u>(14.3)</u>
Finance expense	(3.2)	(3.5)	(6.7)

3 Exceptional costs

In the years to 30 April 2004 and 2006 Xansa incurred costs which were classified as 'exceptional' in the income statement in that year. In the cash flow statement 'Exceptional costs spent' represents the utilisation of the accruals and provisions so created.

4 Taxation

	6 months to 31 October 2006 £ million	6 months to 31 October 2005 £ million	Year to 30 April 2006 £ million
UK corporation tax	1.5	2.4	0.6
Foreign tax	0.1	0.1	-
Total current tax	<u>1.6</u>	<u>2.5</u>	<u>0.6</u>
Deferred tax	0.4	(1.1)	0.8
	<u>2.0</u>	<u>1.4</u>	<u>1.4</u>

The tax charge of £2.0 million on profit before tax, share based payments and share of joint venture's results of £11.8 million (year to 30 April 2006: £19.8 million) results in a tax rate of 16.9% (year to 30 April 2006: 14.1%). The tax charge includes a credit in respect of share based payments of £0.2 million (year to 30 April 2006: £0.5 million). The tax charge excluding these items is £2.2 million, which results in an effective tax rate of 18.6% (year to 30 April 2006: 16.7%).

5 Earnings per share

	6 months to 31 October 2006	6 months to 31 October 2005	Year to 30 April 2006
Basic and diluted earnings per share			
Profit attributable to equity holders of the company (£ million)	6.5	5.9	7.3
Weighted average number of ordinary shares in issue, excluding shares held by ESOP trusts (thousands)	310,992	303,560	305,745
Adjustments for dilutive effects of share options and free and matching shares (thousands)	<u>4,282</u>	<u>7,642</u>	<u>8,621</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>315,274</u>	<u>311,202</u>	<u>314,366</u>
Basic earnings per share (pence per share)	2.09	1.94	2.39
Diluted earnings per share (pence per share)	2.06	1.90	2.32
Adjusted basic and diluted earnings per share			
Profit attributable to equity holders of the company (£ million)	6.5	5.9	7.3
Adjustments for:			
- share based payments	2.1	1.5	3.8
- exceptional items	-	-	4.3
- tax effect of the above adjustments	<u>(0.2)</u>	<u>(0.2)</u>	<u>(1.9)</u>
Adjusted profit (£ million)	<u>8.4</u>	<u>7.2</u>	<u>13.5</u>
Basic earnings per share (pence per share)	2.70	2.37	4.42
Diluted earnings per share (pence per share)	2.66	2.31	4.29

6 Dividends

The directors have declared a dividend of £3.5 million out of the profits for the six months to 31 October 2006 (31 October 2005: £3.4 million), representing 1.08 pence per share (31 October 2005: 1.08 pence), payable on 12 April 2007 to members registered at the close of business on 26 January 2007. The final dividend for the year to 30 April 2006 of £6.9 million, representing 2.16 pence per share, was paid during the six months to 31 October 2006.

7 Reconciliation of net increase in cash and cash equivalents to movement in net (debt) funds

	6 months to 31 October 2006 £ million	6 months to 31 October 2005 £ million	Year to 30 April 2006 £ million
Increase (decrease) in cash and cash equivalents in period	2.2	(9.1)	0.3
Cash outflow (inflow) from decrease (increase) in debt and lease financing	(17.3)	5.8	0.7
Change in net (debt) funds resulting from cash flows	(15.1)	(3.3)	1.0
New finance leases	(0.2)	(0.7)	(1.9)
Amortisation of issue costs of debt	(0.1)	(0.2)	(0.4)
Translation difference	(0.5)	0.3	(0.6)
Movement in net (debt) funds in the period	(15.9)	(3.9)	(1.9)
Net (debt) funds at start of period	(17.7)	(15.8)	(15.8)
Net (debt) funds at period end	(33.6)	(19.7)	(17.7)
Net (debt) funds comprises:			
Cash and cash equivalent current assets	24.1	22.8	33.3
Interest bearing loans and borrowings due within one year	(57.0)	(9.8)	(12.7)
Interest bearing loans and borrowings due after more than one year	(0.7)	(32.7)	(38.3)
	(33.6)	(19.7)	(17.7)

8 Changes in Equity

	6 months to 31 October 2006 £ million	6 months to 31 October 2005 £ million	Year to 30 April 2006 £ million
Opening equity	5.9	(16.9)	(16.9)
Profit for the period attributable to equity shareholders of the company	6.5	5.9	7.3
Net actuarial losses on defined benefits obligations, net of tax	(20.5)	(0.5)	18.7
Net exchange adjustments	(2.2)	0.9	(0.4)
Employee share option scheme			
- value of employee services	2.1	1.5	3.8
- deferred taxation recognised directly in equity	(0.1)	-	0.3
Issue of ordinary shares - scrip dividends	1.2	1.1	2.4
Payments to acquire own shares	(0.9)	(0.4)	(1.2)
Receipts from sale of own shares	0.8	0.8	2.1
Dividends paid	(6.9)	(6.8)	(10.2)
Closing equity	(14.1)	(14.4)	5.9

9 Post-retirement benefit liability

	31 October 2006 £ million	31 October 2005 £ million	30 April 2006 £ million
Fair value of plan assets	249.9	201.9	235.2
Present value of defined benefit obligation	(353.5)	(297.6)	(320.0)
Deficit	(103.6)	(95.7)	(84.8)

The material financial assumptions used for estimating the benefit obligations are set out below.

	31 October 2006 % per annum	31 October 2005 % per annum	30 April 2006 % per annum
Rate of increase in salaries	3.7	4.0	3.7
Rate of increase in deferred pensions and pensions in payment	3.0	3.0	3.0
Discount rate	5.0	5.1	5.2
Inflation assumption	3.0	3.0	3.0

Assumptions regarding future mortality experience are set based upon published statistics and experience. The calculations as at 31 October 2005 are based upon the '80 series' mortality tables, whilst those at 30 April 2006 and 31 October 2006 are based upon the updated '92 series' mortality tables with a short cohort projection. These assume that the average life expectancy of a male at age 60 is 86.5 years and of a female is 89.4 years (80 series: 82.8 years and 86.0 years respectively).

Independent review report to Xansa plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 October 2006 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2006.

Ernst & Young LLP

London

6 December 2006

Financial calendar

Ex-dividend date for 2006/2007 interim dividend	24 January 2007
Record date for 2006/2007 interim dividend	26 January 2007
2006/2007 interim dividend paid *	12 April 2007
Financial year end	30 April 2007
Announcement of annual results	28 June 2007
Ex-dividend date for 2006/2007 final dividend	4 July 2007
Record date for 2006/2007 final dividend	6 July 2007
Annual General Meeting	13 September 2007
2006/2007 final dividend paid *	27 September 2007

* A scrip dividend alternative will be available