

XeBusiness - Stability in a Challenging Trading Year



David Cullis - MD of XeBusiness Ltd

Despite the difficult conditions prevailing amongst high street garment retailers and the intense cost and price pressures on their supply chains arising from the abandonment of import quotas in early 2005, XeBusiness has responded well in what has been a challenging business climate.

Tight operating cost control and a service focus on our clients coupled with aggressively priced new business sales campaigns has meant that we continued to trade profitably with a healthy cash surplus with no borrowing or bank overdraft requirements.

We have maintained investment in the continued development of our world class apparel and textile business management product Xe-ERP 2. We launched a new 'enterprise' version of the software in 2005 targeted at medium sized and larger apparel suppliers. Early reaction to this new product has been positive from both existing and prospective clients.

We have also done a considerable amount of marketing work in building the XeBusiness brand. This has included a corporate advertising campaign in the trade press, an on-going cyclical 'mailer' campaign about XeBusiness and its products and services to every apparel enterprise in the UK and a sustained public relations campaign of press releases and editorial features announcing our contract wins, opinions on the industry and product development initiatives that have received broad and frequent coverage in trade journals and global industry web portals. We have also actively (at speaker level) participated in a number of conference and workshop events. The fact that we are picking up an increasing number of unsolicited enquiries from both UK and overseas apparel and textile enterprises demonstrates the increasing strength and reach of the XeBusiness brand.

Despite the challenges of 2005, I remain confident that the four key elements that add value to the company, namely our clients, our team, our product and the strength of the XeBusiness brand, will ensure the company's continued progress in 2006 and beyond.

XeBusiness Global Reach

There continues to be a great deal of interest particularly in the company's manufacturing management, MRP and production planning modules from regions where garment and textile manufacture is now taking place in a big way.

Apart from sites in the UK and Ireland, XeBusiness also has sites in Eastern Europe, Egypt, Turkey, Morocco Vietnam and China.

There is an increasing trend for our UK based clients to recommend us to their manufacturing partners and manufacturing plants in off-shore locations as the installation of our systems at these sites facilitates the seamless exchange of information between our front end CRM, planning and distribution systems in the UK with our manufacturing and MRP systems at the off-shore site.

Neither is systems support an issue for these remote sites as we use available technology to remotely access our systems at these sites and communicate with these clients on a 24x7 basis.

XeBusiness offers an 'out of working hours' support and maintenance service For both UK and overseas clients that can be tailored to any client's specific requirements.



Orla Kiely

Norwood

Sales Contract Success - the Xe Factor

Despite difficult industry sector investment conditions in 2005, XeBusiness was awarded a number of orders for its flagship product Xe-ERP2 from new clients and existing users alike.

Amongst others, new clients Orla Kiely (Fashion), Trendairo (Distribution logistics), Bodyguard Workwear (corporate workwear), Belle Jewellery (jewellery and accessories), Gemini Fashions (Fashion), Supreme Fashions (Fashion) and Drew Brady (fashion) awarded implementation contracts to XeBusiness following competitive evaluations in a number of cases.

A number of user base upgrade orders were also booked from existing clients that included Henri-Lloyd (marine and fashion), Monarch Textiles (workwear), Fielding (schoolwear), Mikar Holdings/CCA (specialist workwear), Cookson and Clegg (specialist workwear), Altimo (menswear) and Try and Lilly (headwear).

Client comments from press releases announcing a sample of these contract awards ranged as follows:

Martin Strzelecki, joint Chief Executive of Henri-Lloyd:

"We have used prior versions of the XeBusiness product for many years and worked closely with their team over a period in which the Henri-Lloyd business has changed dramatically in both focus and scale." He added, "XeBusiness has proved an effective IT partner during this challenging period and we now once again move forward with them in partnership and a high degree of mutual confidence."

Ian Nicholson, General Manager of Belle Jewellery:

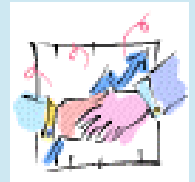
"Over two detailed presentations of their software, XeBusiness took the time to quickly customise their standard product to reflect our specific requirements to enable us to decide in favour of their system on a 'seeing is believing' basis. "In fact," he added, "their consultant provided us with a number of ideas to streamline our warehousing and distribution operations by applying functionality within their system to these areas."

Munaf Ahmed, Director of Gemini Fashions:

"We awarded these contracts to XeBusiness quite simply because of the understanding they demonstrated of our operational requirements and the ability of their system to be quickly customised to exactly what we required. In fact, they completed the additional development work we required before we placed the contract with them."

A strategic web ecommerce alliance was also announced between XeBusiness and Leeds based Shopcreator to enable XeBusiness clients to sell to and service their customers on-line. Andy Kitchener, Shopcreator MD commented on the alliance thus:

"Our partnership with XeB provides specialist apparel and textile businesses, of any size, with simple access to proven, integrated e-business supply chain technology. We are looking forward to offering value to the sector through providing solutions that deliver improved efficiencies, reduced operating costs, increased revenues and enhanced service levels, through a scalable platform that will nurture future business growth."



Development Investment in Xe-ERP2 Continues.....

To ensure our product Xe-ERP2's world class status is maintained, development investment continued over 2005.

Two major new release of the system were launched in the year. The first featured a 'flexible' version of the product that permits quick and easy (and low cost!) customisation for specific client requirements, with the second release being an 'enterprise' version of the product with an industry standard relational database manager capable of supporting high transaction information processing environments and 200+ on line users in real time.

Some of the product enhancements resulting from this investment are as follows:

Merchandising and Procurement

Pre Production – Effective sourcing and merchandising functions within UK based apparel suppliers are essential in dealing with off-shore manufacturers to ensure labour cost savings generated from sourcing in low wage cost regions are not whittled away by poor product data management at the pre-production stage.

Full PDM and specification management functionality - enhanced management of the process, information and internet based communication involved in agreeing product specifications including management of size charts, imaging etc, is now available within Xe-ERP2. Event management via the setting up of critical paths to ensure all process bases and

information requirements are covered by agreed timescales is also provided.

Tracking Outsourced Production Order Deliveries

Functionality is now available to allow the setting up of stages through which the receipt of a shipment or part shipment can be tracked and deviations from targets reported on automatically.

Orders can move in bulk or be part progressed. In addition, multiple orders can be combined for shipment in containers and moved/processed as single or multiple container loads.



General

More streamlined processing of orders, particularly for smaller apparel suppliers with relatively simple business models.

Enhanced and more visual management information reporting involving colour and graphics to present information with more impact.

Availability of customised (at no extra cost) KPI 's (Key Performance Indicators) for senior and middle management that can be quickly set up based on specific client rule based requirements and then distributed to the desk-top in a variety of ways including as an email attachment, SMS mobile message or by PIN access to a website.

Additional functionality to enhance and streamlined the corporate workwear version of the product, including strategic customer service areas like corporate wardrobe and man pack management.

All the above ensures that Xe-ERP2 remains a leading apparel an textile specialist IT product with a low ROI/Payback and the capability of providing client users with fast and effective competitive advantage.

XeBusiness 'Best of Breed' Modular Solutions

Whereas our flagship product Xe-ERP2 is a fully integrated 'end to end' business system specifically designed and developed for apparel and textile suppliers, it is a highly modular system that allows our clients to choose and phase modules covering particular parts of their business model without redundancy, making implementation a good deal easier than the alternative 'big bang' approach.

This high level of modularity also allows certain strategic modules within the overall system to be marketed as 'best of breed' solutions for specific business areas even though there may already be an alternative enterprise system in place that either does not cover the specific problem area or covers it inadequately.

Typical operational areas where our 'best of breed' modules are typically deployed include Warehouse Management, Shop floor Production control, Production Planning and MRP (Materials Requirements Planning).

Where a third party enterprise system is already in place, our development team can quickly build integration and interface links to this system to enable export and import of data to take place.

Clients who have taken on 'best of breed' modules from XeBusiness include Burberry (real time shop floor production control), Stirling Group/Bentwood (Warehouse Management with RF bar code product scanning), Quang Viet Enterprises Vietnam (Time and Attendance Monitoring and Production Control) and Fashionworld (Production Control).

BURBERRY



prêt à porter



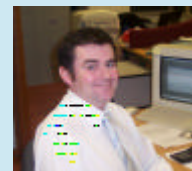
HORWICH SEWING LIMITED



Face to the Name

Eamonn Molloy – Support Services Director

Without doubt the most popular individual in the company (with our clients that is), Eamonn leads and plays a major role in our support operation of which, with some justification, we are inordinately proud!



Having gained an honours degree in electrical engineering at Liverpool, he shortly afterwards joined Kewill Systems Plc of which XeBusiness was a part until the end of 1999 when the company became independent following a successful MBO (Management Buy Out) that included Eamonn and his team.

Eamonn has a number of personal qualities which when allied to his deep knowledge and long experience of the apparel and textile sector and of XeB's systems, makes him an indispensable member of the company and very highly regarded by clients and colleagues alike.

As our systems are 'mission critical' to the business operations our clients, Eamonn leads a support team whose strategic objectives are twofold: firstly, to minimise systems downtime at client installations in the event of any problems being reported so as to minimise any impact on their business, and secondly, to ensure that our clients get maximum value from their IT investment with XeBusiness with the provision of unlimited consultancy support and advice.

Based on the large amount of positive feedback we get from our clients on the quality of the support we provide, these objectives are being achieved.