



Xenos

Second Quarter Report

Three and six months ended March 31, 2003

To Our Shareholders:

Xenos revenues in the second quarter were \$3,809,000, a 32% increase over revenues of \$2,877,000 for the same period last year. EBITDA in the quarter increased to \$597,000 as compared to \$50,000 in the prior year. The second quarter also represented a fourth consecutive quarter of profitability, producing net earnings of \$46,000 in the quarter and \$640,000 for the first six months of fiscal 2003.

Of note, the Company recorded a net loss on foreign exchange of \$396,000 in the quarter due to the dramatic appreciation of the Canadian dollar. The loss was primarily due to the translation impact on foreign denominated US and UK assets including cash and short-term investments. On an operating basis, the Company has hedged virtually all US dollar revenues for the current fiscal year at approximately the 64.5 cent level. We continue to investigate strategies to minimize the impacts going forward.

The sale of infoWEB to Santa Cruz County marked the entry of our report distribution software into county governments. The implementation has produced outstanding results and we are pleased that Santa Cruz has offered to act as an enthusiastic reference for Xenos in this large market.

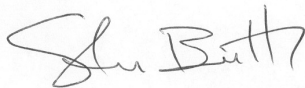
Xenos announced during the quarter that it has joined the US-based Association for Cooperative Operations Research and Development (ACORD), a global, non profit insurance association whose mission is to facilitate the development and use of standards for the insurance, reinsurance and related financial services industries. ACORD Standards allow different companies to transact business electronically with agents, brokers and other data partners in the insurance, reinsurance and related financial services industries.

Xenos now provides solutions that incorporates the ACORD XML standards into its d2e Platform software. Xenos foresees strong demand for XML-based solutions that conform to the ACORD standards, as the implementation of standards-based solutions is an industry-wide phenomenon.

During the second quarter we unveiled an important technology initiative. The Company released the first version of Xenos XML2PDF Merge™ for general distribution. XML2PDF Merge re-purposes XML data to create PDF documents. With XML2PDF Merge, Xenos is entering exciting markets that use XML data to generate online electronic documents through standard forms.

During the quarter, Xenos began marketing Xenos d2e Vision™ into the Asian market and Xenos Chairman and CEO Stuart Butts spoke to the 2003 China International Information Technology Fair in Nanjing on April 9, 2003. During his visit to the People's Republic of China, which included Nanjing, Shenzhen, Shanghai and Beijing, Xenos and its distributor iBridge Capital met with a number of prospective business partners and customers.

We continue to manage the business for top and bottom line growth.



Stuart Butts
Chairman of the Board
and Chief Executive Officer



Jim Farmer
President and
Chief Operating Officer

Management's Discussion and Analysis of Financial Results for the Three and Six Months ended March 31, 2003.

The following discussion should be read in conjunction with the Company's unaudited quarterly financial statements for the periods ending March 31, 2003 and 2002 contained herein and the notes thereto, as well as the management's discussion of the financial results and financial position for the year ended September 30, 2002.

Selected Consolidated Financial Information

(\$000's except per share amounts)	Three Months		Six Months	
	Mar 31 2003	Mar 31 2002	Mar 31 2003	Mar 31 2002
Sales	\$3,809	\$2,887	\$8,605	\$6,066
Gross Profit	\$3,087	\$2,267	\$6,597	\$4,810
EBITDA ⁽¹⁾	\$ 597	\$ 50	\$1,514	\$ (46)
Net income (loss) ⁽²⁾	\$ 46	\$ (206)	\$ 640	\$ (489)
Net income (loss) per share ⁽²⁾	\$ 0.00	\$(0.03)	\$ 0.07	\$(0.06)

⁽¹⁾ EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of operating profitability. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss). Xenos' method of calculating EBITDA may differ from other companies and accordingly may not be comparable to measures used by other companies.

⁽²⁾ - Net Income (Loss) is equivalent to Income from Continuing Operations for the periods disclosed as there were no Discontinued Operations or Extraordinary Items.

Results of Operations:

For the second quarter ended March 31, 2003, sales were \$3.8 million as compared to \$2.9 million in the previous year. The increase was primarily due to significantly higher sales in the United States on a year-over-year basis. For the six months ended March 31, 2003, sales were \$8.6 million as compared to \$6.1 million in the previous year.

Geographically, 71% of revenues in the second quarter were in North America while 27% were in Europe compared to 57% and 41% respectively in fiscal 2002. License sales comprised approximately 34% of total revenues in the quarter compared to 28% in the prior year.

Gross profits for the quarter were relatively consistent at 81% of sales compared to 79% in the prior year. For the six months ended March 31, 2003, gross profits were 77% and 79% in the comparable period.

Sales and marketing expenses were \$1.2 million for the quarter compared with \$941,000 in the prior year. On a year-to-date basis, the expenses were \$2.4 million and \$2.0 million respectively.

Total expenditures on Product Development, gross of amounts deferred, were \$854,000 during the quarter as compared to \$1.1 million in fiscal 2002. For the six months ended March 31, 2003, these expenditures were \$1.7 million and \$2.3 million respectively. The decrease was the result of the relocation of certain positions to Toronto from the United Kingdom and the United States.

Administrative expenses increased to \$624,000 for the quarter from \$543,000 on a year-over-year basis. Year-to-date, the expenses were consistent at \$1.3 million in the current and prior year.

The Company allocates common costs based on relative headcount or other relevant measures. These costs include rent and other facility-related costs, communication and infrastructure expenditures.

Amortization charges of \$340,000 were higher than the \$283,000 in fiscal 2002 as a result of the release of our new d2e Vision™ product. For the six months ended March 31, 2003, the amortization expense was \$593,000 as compared to \$553,000 in the prior year.

The tax recovery in the quarter of \$123,000 (Q2 fiscal 2002 expense - \$31,000) is related to reversals in U.K. and U.S. entity tax provisions which were expected due to seasonality. Year-to-date, the tax provisions are \$23,000 and \$104,000 respectively.

EBITDA profit for the second quarter was \$597,000 as compared to \$50,000 in the prior year. For the six months ended March 31, 2003, EBITDA profit was \$1.5 million as compared to an EBITDA loss of \$(46,000) in the prior year. The significant increase in this measure reflects improvements in all aspects of the operating components of the business.

The net income for the quarter ended March 31, 2003 was \$46,000 or \$0.00 per share, an improvement over the second quarter of fiscal 2002 where the Company incurred a loss of \$(206,000) or \$(0.03) per share. Year-to-date, net income was \$640,000 as compared to a net loss of \$(489,000) in the prior period.

Liquidity and Capital Resources:

As at March 31, 2003, cash and short-term investments stood at \$12.8 million (March 31, 2002 - \$12.8 million) or \$1.46 per common share.

The Company currently has an operating line of credit of \$1.0 million of which \$500,000 (March 31, 2002 - \$ 500,000) was unused, bearing interest at prime. The Company continues to have no long-term debt other than a small obligation relating to a capital lease.

Capital expenditures for the quarter ended March 31, 2003 were \$69,000, versus \$72,000 during the same period in the prior year. Year-to-date, capital expenditures were \$171,000 and \$110,000 respectively. The expenditure levels continue to be moderate given our emphasis on cost control and targeted spending.

Development costs capitalized in the quarter were \$157,000 versus \$398,000 last year (Year-to-date \$311,000 and \$690,000 respectively) and represent the internal development costs relating to specific products as required by Canadian Generally Accepted Accounting Principles. The most relevant factor in determining the appropriate treatment is the establishment of technological feasibility. For fiscal 2003, we anticipate that the amounts capitalized will continue to run at lower rates than in the previous year.

At March 31, 2003, shareholders' equity stood at \$17.9 million or \$2.04 per share compared to \$16.0 million or \$1.90 per share as at March 31, 2002.

Based on the positive cash being generated, Management believes that the Company's current cash reserves will increase, through normal operations, in F2003 exclusive of any acquisition or unforeseen transactions. Therefore, we anticipate that the Company has sufficient cash to fund its anticipated cash requirements for operations, working capital and capital expenditures for at least the next 12 months. We also continue to actively pursue opportunities to acquire other companies, products or technologies that will drive profitable growth and where synergies exist.

Risks and Uncertainties

Xenos is subject to the typical risks of software-based technology companies. These risks and uncertainties include, but are not limited to, the following:

The Company is subject to rapid technological change, particularly the impact of the Internet and its growing adoption as a business tool. The growth of certain emerging industry verticals such as Electronic Statement Presentment, Electronic Invoice Payment & Presentment, Secure E-mail and Information & Document Archival and Retrieval will be relevant. Xenos, as a middleware provider to these markets, will be impacted both through our direct sales and those of our alliance partners.

The future benefits of deferred product development costs, intellectual property and goodwill, while supported by market research and technology reports, have uncertainties associated with their realization.

Also, to the extent that we continue to grow our Document Solutions capabilities in the UK and North America, we will be subject to normal risks and limitations associated with the third party software providers who supply us. However, Management believes that there are adequate alternate vendors in the marketplace to allow us to source replacements should they be required.

Because most of its sales are to customers in countries outside Canada, the Company is subject to foreign exchange risk. In particular, the majority of revenues are denominated in US dollars, UK pounds and to a lesser extent, Euros. In addition, the Company has assets and liabilities in the United States and United Kingdom that are denominated in foreign currencies. The Company believes that its cash inflows in foreign currencies will exceed its cash outflows in those same currencies, and that generally a natural hedge exists for the Company that can protect it from some but not all changes in foreign exchange rates. As well, for fiscal 2003, the Company has entered into forward contracts to hedge the US dollar revenue stream at specified rates as detailed in the Notes to the Financial Statements.

The Company has a number of quasi-competitors with financial resources that are significantly larger than the Company's. Management believes that its focus on specific segments of the market, its product leadership position, its Alliance strategy, and its extensive customer base limits its exposure to any one competitor.

The Company can experience fluctuations in operating results caused by changes in demand, sales cycles, delays in new product introductions or unexpected problems related to the implementation of its products. The Company has a strong base of recurring maintenance revenue which reflects the strong customer base that Xenos has established. However, for new license and service revenues, the Company is dependent on a relatively small number of transactions which are typically part of larger projects and in combination with other software vendors and integrators. As a result, new product and services revenue in any given period is difficult to forecast and is subject to forces beyond the Company's control.

The Company is dependent on its ability to hire and retain key employees having assembled a very effective and experienced team, many of whom are highly marketable. The Company believes its corporate culture, opportunities for internal growth and compensation programs, including competitive salaries, bonus plans and stock options, are sufficient to attract and retain the resources necessary to carry out its business plans.

Outlook:

During fiscal 2003 and more so in fiscal 2004, we anticipate incremental revenue growth from several sources including our infoWEB™ Report Distribution product, our recently introduced Java-based Xenos d2e Vision™ product, our expanding Document Solutions capabilities and our extended geographic reach into Continental Europe, Latin America and Asia.

We believe that our current model will allow us to convert a substantial percentage of new revenues directly into bottom line profits. Based on our models, Management anticipates solid improvements in fiscal 2003 and significantly better results in fiscal 2004 and beyond. Given the moderate number of shares outstanding and the lack of dilutive financial instruments other than normal stock options, the anticipated increase in profitability should translate into significant earnings per share growth.

This management's discussion and analysis contains forward-looking statements based on current expectations. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Risks and uncertainties about the Company's business are more fully discussed in the Management Discussion and Analysis published in the Company's annual report.

Xenos Group Inc.**Consolidated Statements of Operations**

(Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	2003	2002	2003	2002
Sales	\$3,809,265	\$2,886,793	\$8,604,509	\$6,066,089
Cost of sales	722,098	620,075	2,007,182	1,256,320
Gross profit	<u>3,087,167</u>	<u>2,266,718</u>	<u>6,597,327</u>	<u>4,809,769</u>
Expenses				
Sales and marketing	1,169,348	941,067	2,401,344	2,008,513
Research and development	696,610	732,868	1,428,418	1,592,431
Administration and general	624,127	542,666	1,253,813	1,254,943
Amortization	339,664	282,713	592,906	552,971
Interest expense	9,684	11,698	19,787	19,892
	<u>2,839,433</u>	<u>2,511,012</u>	<u>5,696,268</u>	<u>5,428,750</u>
Income (loss) from operations	247,734	(244,294)	901,059	(618,981)
Other income				
Dividends, interest and other	71,868	91,664	125,083	239,647
Foreign exchange loss	<u>(396,230)</u>	<u>(22,183)</u>	<u>(363,493)</u>	<u>(6,290)</u>
Income (loss) before income taxes	(76,628)	(174,813)	662,649	(385,624)
Provision for income taxes	<u>(123,041)</u>	<u>31,266</u>	<u>22,915</u>	<u>103,623</u>
Net income (loss)	<u>\$ 46,413</u>	<u>\$(206,079)</u>	<u>\$ 639,734</u>	<u>\$ (489,247)</u>
Net income (loss) per common share				
- Basic	\$ -	\$ (0.03)	\$ 0.07	\$ (0.06)
- Fully-diluted	\$ -	\$ (0.03)	\$ 0.07	\$ (0.06)
Weighted average number of shares				
- Basic			8,621,244	8,408,250
- Fully-diluted			8,802,689	8,481,359

Xenos Group Inc.
Consolidated Balance Sheets
(Unaudited)

	As at March 31	
	2003	2002
ASSETS		
CURRENT		
Cash & S.T. investments	\$12,803,149	\$12,761,580
Trade receivables	2,352,859	1,853,187
Other receivables	12,983	16,906
Prepays	413,057	328,056
Income taxes recoverable	-	46,620
Future income taxes	131,758	121,775
	<u>15,713,806</u>	<u>15,128,124</u>
LONG TERM		
Future income taxes	1,653,031	1,746,122
Capital assets	1,501,374	1,857,412
Other assets	2,396,847	2,094,247
Goodwill	2,054,821	-
	<u>7,606,073</u>	<u>5,697,781</u>
TOTAL ASSETS	<u>\$23,319,879</u>	<u>\$20,825,905</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$500,000	\$500,000
Payables & accruals	1,971,228	1,797,287
Income taxes payable	93,892	246,231
Deferred revenue	2,805,452	2,223,160
Current portion - capital lease	21,874	-
	<u>5,392,446</u>	<u>4,766,678</u>
LONG TERM		
Capital lease obligations	19,366	-
Deferred revenue	16,850	64,797
	<u>36,216</u>	<u>64,797</u>
TOTAL LIABILITIES	<u>5,428,662</u>	<u>4,831,475</u>
SHAREHOLDERS' EQUITY		
Capital stock	41,464,881	41,062,473
Retained earnings/(deficit)	(23,573,664)	(25,068,043)
TOTAL SHAREHOLDERS' EQUITY	<u>17,891,217</u>	<u>15,994,430</u>
TOTAL LIABILITIES & EQUITY	<u>\$23,319,879</u>	<u>\$20,825,905</u>

Xenos Group Inc.**Consolidated Statements of Cash Flows**

(Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	2003	2002	2003	2002
Operating activities				
Net income (loss)	\$ 46,413	\$ (206,079)	\$639,734	\$ (489,247)
Amortization	339,664	282,713	592,906	552,971
(Gain) loss on sale of capital assets	3,117	(11,121)	3,706	(9,863)
Future income taxes	(40,803)	(4,860)	(33,720)	(27,975)
Other	681	-	908	-
Change in non-cash working capital	(340,458)	504,889	(63,386)	(671,468)
	<u>8,614</u>	<u>565,542</u>	<u>1,140,148</u>	<u>(645,582)</u>
Financing activities				
Repayment of bank financing	-	-	-	(20,000)
Proceeds on issue of shares	138,250	-	138,250	-
	<u>138,250</u>	<u>-</u>	<u>138,250</u>	<u>(20,000)</u>
Investing activities				
Additional consideration paid on acquisitions	(28,241)	-	(41,505)	-
Purchase of capital assets	(69,419)	(71,842)	(170,656)	(110,134)
Proceeds on disposal of fixed assets	3,254	11,802	3,254	23,198
Development costs incurred	(157,360)	(397,751)	(311,485)	(689,843)
	<u>(251,766)</u>	<u>(457,791)</u>	<u>(520,392)</u>	<u>(776,779)</u>
Net increase (decrease) in cash and short term investments	(104,902)	107,751	758,006	(1,442,361)
Cash and short term investments				
Beginning of period	<u>12,908,051</u>	<u>12,653,829</u>	<u>12,045,143</u>	<u>14,203,941</u>
End of period	<u>\$12,803,149</u>	<u>\$12,761,580</u>	<u>\$12,803,149</u>	<u>\$12,761,580</u>

Xenos Group Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2003 and 2002

1. Nature of operations and Basis of presentation

Xenos provides software and solutions that enable organizations to transform, re-purpose and distribute electronic content to support their e-business and print strategies.

Xenos d2e Platform™ and d2e Vision™ software transforms legacy print streams into standard electronic formats for electronic statement presentment, enterprise content management, archiving, print automation and customer relationship management.

infoWEB™ software distributes business documents within departments and throughout the enterprise. Once processed by infoWEB™, clients can access these documents using any standard Web Browser regardless of the platform, application or format in which the documents were generated.

Xenos Professional Services teams in North America and the United Kingdom implement document transformation, composition, and management solutions.

Xenos partners with industry-leading software companies, such as IBM, to provide end-to-end solutions to customers worldwide, in key industry segments, including banking, insurance, brokerage, telecommunications, utilities, health care, manufacturing, retail, postal and service bureau organizations. The Company is headquartered in Toronto, Canada with offices in Dallas, Texas and the United Kingdom.

The unaudited interim financial statements of Xenos Group Inc. and related notes have been condensed and do not contain certain information that will be included in the Company's annual consolidated financial statements and related notes thereto. For further information, refer to the Company's annual consolidated financial statements and related notes for the year ended September 30, 2002.

2. Summary of significant accounting policies

Goodwill

The Company accounts for goodwill in accordance with the new rules on accounting for goodwill issued by the Canadian Institute of Chartered Accountants. Under the new rules, goodwill is no longer amortized but is compared to its fair value on at least an annual basis, to determine if an impairment exists.

Stock-based compensation

On October 1, 2002, the Company changed its accounting policy with respect to the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made

in exchange for goods and services provided by employees and non-employees, to be consistent with new rules issued by the Canadian Institute of Chartered Accountants, in December 2001. The new standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. The new rules permit the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees (the settlement method). However, the standard requires the Company to provide pro forma disclosure of net earnings and per share information as if the Company had accounted for employee stock options under the fair value method, for awards granted on or after the date of implementation. Consideration paid by employees on the exercise of stock options is recorded as share capital.

3. Acquisition of Rush Creek Software Corporation

In the prior year, the Company purchased all of the outstanding shares of Rush Creek Software Corporation, a private software development company located in Dallas, Texas for a total purchase price of \$1,776,074.

The net assets acquired are as follows:

Total identifiable assets	\$ 500,500
Total liabilities	<u>742,792</u>
Net assets	\$ <u>(242,292)</u>
Acquisition price	\$ <u>1,776,074</u>
Allocation:	
Net assets	\$ (242,292)
Goodwill	<u>2,018,366</u>
	\$ <u>1,776,074</u>
Consideration:	
Cash paid	\$ 1,512,074
Shares issued	<u>264,000</u>
	\$ <u>1,776,074</u>
Net cash paid	
Cash, per above	\$1,512,074
Less: cash acquired	<u>(420,291)</u>
	\$ <u>1,091,783</u>

The acquisition was accounted for by the purchase method and the results of operations are included in the consolidated accounts of the Company from the effective date of acquisition.

In addition, as part of the purchase price, the Company has agreed to pay the former principals additional consideration. These amounts, equal to 5% of the net receipts on sales of the infoWEB™ product completed prior to May 14, 2007 will be added to goodwill when paid.

4. Retained Earnings / Deficit

	As at March 31	
	<u>2003</u>	<u>2002</u>
Deficit, beginning of period	\$ (24,213,398)	\$ (18,504,933)
Net income (loss)	639,734	(489,247)
Write-down of opening goodwill	-	(6,073,863)
Deficit, end of period	<u>\$ (23,573,664)</u>	<u>\$ (25,068,043)</u>

5. Stock-based compensation plan

The Company has a stock option plan which allows the granting of stock options to employees and service providers to acquire up to an aggregate of 1.6 million common shares. Under current Company practice the options, which have a five year term, vest immediately for directors and over three years for all others, at a rate of 1/3 for each year commencing on the grant date. The exercise price of each option equals the closing market price of the Company's common shares on the last trading day preceding the date of grant.

A summary of the status of the Company's stock option plan as of March 31, 2003 and 2002 and any changes during each year-to-date period is presented below:

	Shares		Weighted Average Exercise Price	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Outstanding, beginning of year	1,177,333	1,052,083	\$3.39	\$6.36
Granted	55,000	846,583	1.75	1.65
Exercised	(148,000)	-	0.93	-
Forfeited	<u>(20,000)</u>	<u>(560,333)</u>	<u>1.63</u>	<u>6.32</u>
Outstanding, end of quarter	<u>1,064,333</u>	<u>1,338,333</u>	<u>\$3.68</u>	<u>\$3.40</u>
Options exercisable at quarter end	<u>534,611</u>	<u>394,583</u>		

The following information applies to options outstanding at March 31, 2003:

<u>Option Price</u>	<u>Number</u>	<u>Expiry</u>
\$1.15	120,250	July, 2003
1.36	2,000	February, 2007
1.40	5,000	November, 2006
1.50	2,000	January, 2007
1.65	693,083	December, 2006
1.65	20,000	August, 2007
1.65	25,000	May, 2007
2.20	10,000	March, 2008
3.20	20,000	January, 2006
3.25	11,000	December, 2005
4.05	5,000	January, 2006
6.00	65,000	July, 2005
10.70	50,000	October, 2004
40.00	16,000	February, 2005
42.00	20,000	January, 2005

During the prior fiscal year, the Company executed a stock option exchange program for non-insiders to deal with certain out-of-the money options. At completion early in the second quarter of fiscal 2002, 257,250 options (with exercise prices ranging from \$3.00 to \$40.50) were cancelled and 160,458 new options with three year vesting terms and an exercise price of \$1.65 were issued. In addition, an aggregate of 667,125 new options were granted under the plan at an exercise price of \$1.65.

Pro forma disclosure of net income and earnings per share as if the Corporation had elected to adopt the fair value based accounting method for all awards granted on or after October 1, 2002:

	Three Months Ended March 31		Six Months Ended March 31	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income (loss) for the period				
As reported	\$ 46,413	\$ (206,079)	\$ 639,734	\$ (489,247)
Pro forma	\$ 45,465	\$ (206,079)	\$ 638,504	\$ (489,247)
Net income (loss) per share - basic				
As reported	\$ -	\$ (0.03)	\$ 0.07	\$ (0.06)
Pro forma	\$ -	\$ (0.03)	\$ 0.07	\$ (0.06)
Net income (loss) per share - fully-diluted				
As reported	\$ -	\$ (0.03)	\$ 0.07	\$ (0.06)
Pro forma	\$ -	\$ (0.03)	\$ 0.07	\$ (0.06)

The fair value of each stock option grant on the date of grant was estimated using the Black-Scholes option-pricing model.

6. Foreign exchange contracts

From time to time, the Company uses foreign exchange forward contracts to hedge portions of its forecasted revenues denominated in foreign currencies. These forward contracts are designated and documented as revenue cash hedges. As a matter of policy, the Company does not enter into speculative futures contracts or use other derivative financial instruments. These activities serve to minimize, but not eliminate, the risk from fluctuations in the exchange rate between the foreign currencies and the Canadian dollar.

As at March 31, 2003, the Company has entered into foreign exchange forward contracts to fix the rate at which estimated US dollar revenues are to be recorded during fiscal 2003. The company has committed to sell approximately \$3.0 million US dollars during the balance of fiscal 2003 at an average rate of exchange of CAD 1.5554. The fair market value of those contracts at March 31, 2003 was approximately \$3.179 million in US dollars.

7. Segmented information

Business segments

As a result of the Fiscal 2002 acquisition of Rush Creek Software Corporation, the Company operates in two business segments, Report distribution and Document management. As at March 31, 2003 the Company has only one reportable segment based on the quantitative thresholds for disclosure, as required by Segment Reporting, Section 1701 of the Canadian Institute of Chartered Accountants.

Geographic information

The following table provides information about geographic segment sales, capital assets and goodwill.

	<u>Sales</u>		<u>Capital Assets and Goodwill</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Canada	\$ 350,026	\$ 246,387	\$ 814,959	\$ 902,206
European Union	348,581	252,131	-	-
United Kingdom	2,670,742	1,831,153	382,898	548,838
United States	4,709,484	3,129,181	2,358,338	406,368
Other	525,676	607,237	-	-
	<u>\$8,604,509</u>	<u>\$6,066,089</u>	<u>\$3,556,195</u>	<u>\$1,857,412</u>

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted at the end of the prior year.

Corporate Addresses

Corporate Headquarters

95 Mural Street, Suite 201
Richmond Hill, Ontario
Canada L4B 3G2
Phone: (905) 709-1020
Toll Free: 1-888-242-0692
Fax: (905) 709-1023

U.S. Headquarters

1909 Woodall Rogers Freeway, Suite 575
Dallas, TX
75201 USA
Phone: (972) 857-0776
Toll Free: 1-888-436-8398
Fax: (972) 857-0979

European Headquarters

130-132 Terrace Road
Walton-on-Thames
Surrey KT12 2EA
United Kingdom
Phone: +44 1932-252-299
Fax: +44 1932-252-288

www.xenos.com

This report contains forward-looking statements based on current expectations. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Risks and uncertainties about the Company's business are more fully discussed in the Management Discussion and Analysis published in the Company's annual report.

Shareholder Information

Legal Counsel

Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Transfer Agent/Registrar

CIBC Mellon Trust Company
PO Box 7010
Adelaide Postal Station
Toronto, Ontario
M5C 2W9
Tel: 416-643-5500
Toll Free: 1-800-387-0825
e-mail: inquiries@cibcmellon.ca

Auditors

Grant Thornton LLP
Chartered Accountants
15 Allstate Parkway
Suite 200
Markham, Ontario
L3R 5B4

Trading

Xenos Group Inc. trades on the Toronto Stock Exchange and is listed under the symbol XNS.

Investor Relations

Cory Pala
Investor Relations
(416) 657-2400
cpala@xenos.com