

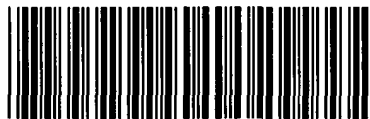
**Company Registration No. 00932001**

**XCHANGING SOFTWARE EUROPE LIMITED**

**Annual report and financial statements**

**For the year ended 31 March 2018**

TUESDAY



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# **Xchanging Software Europe Limited**

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# **Xchanging Software Europe Limited**

## **Officers and Professional Advisers**

### **Directors**

T A Gough	appointed 9 June 2017
M A Majed	appointed 31 March 2018
M C Woodfine	appointed 23 May 2016
D W Gray	appointed 23 January 2017 resigned 7 April 2017
N A Wilson	appointed 9 June 2017 resigned 31 March 2018

### **Registered Office**

Royal Pavilion  
Wellesley Road  
Aldershot, Hampshire  
GU11 1PZ  
United Kingdom

### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
2 New Street Square, London  
EC4A 3BZ  
United Kingdom

### **Principal Banker**

HSBC Bank  
62-76 Park Street  
London  
SE1 9DZ

# **Xchanging Software Europe Limited**

## **Strategic report**

The directors present their Strategic report on the Company for the year ended 31 March 2018. In preparing the Strategic report, the directors have complied with s414c of the Companies Act 2006.

Xchanging Software Europe Limited ("the Company") is a private company, limited by shares and registered in England and Wales. The Company's registered and principal address is Royal Pavilion, Wellesley Road, Aldershot, Hampshire, GU11 1PZ, United Kingdom.

The Company is an indirect subsidiary of DXC technology (DXC), a public listed Company incorporated in the United States of America and listed on the New York Stock Exchange.

The financial statements for the year ended 31 March 2018 are set out on pages 9 to 24.

### **Business review**

On 5 May 2016, Xchanging group was acquired by DXC Technology Company (DXC) and the ultimate parent company of Xchanging International Limited is DXC, a company incorporated in the United States of America and as a consequence the company has changed its year end to 31 March.

The results of the Company show a net profit for the financial year of £6,758,000 for the year (2017: profit of £7,558,000) and revenue of £16,430,000 (2017: £22,006,000). Net assets at the end of the financial year 31 March 2018 were £20,526,000 (2017: £13,768,000).

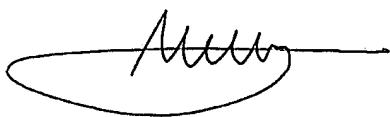
The previous reported period was for 15 months i.e. 1 January 2016 to 31 March 2017 and therefore results are not comparable with the current year, which is for 12 months i.e. 1 April 2017 to 31 March 2018. The performance for the year is in line with management's expectations.

### **Key performance indicators**

The Company is managed by the UK management team along with other UK DXC entities. The performance and results for all UK entities are analysed on a worldwide DXC measurement basis, at a business unit and sector level. For this reason, the directors of the Company believe that analysis using key performance indicators, other than those set above, are not appropriate for an understanding of the development, performance or position of the business shown in these financial statements.

Further details on other business risks and uncertainties can be found in section 1A of the DXC's consolidated financial statements for the financial year ended 31 March 2018 which are available to the public and may be obtained from the Company's website <http://www.dxctechnology.com>.

Approved by the board and signed on its behalf by:



MC Woodfine  
Director  
03 January 2019

# Xchanging Software Europe Limited

## Directors report

The directors present the annual report on the affairs of the Company, together with the audited financial statements and auditor's report for the year ended 31 March 2018.

### Principal activity

The principal activity of the company in the year under review was that of providers of software, IT services, system design and integration with internet web technologies, predominantly to the insurance and private medical insurance markets

### Dividends

No dividend was declared or paid during the year (2017: £ Nil).

### Political contribution

No political donations were made during the year (2017 : £ Nil).

### Going concern

Following a group restructuring, the directors do not consider the company will remain as a going concern and intend to liquidate the company. The accounts have, therefore, been prepared on a basis other than that of going concern, and therefore all assets have been shown at realisable value. No adjustments to the accounts arose as a result of preparing the accounts on basis other than going concern.

### Financial instruments

Performance and finance risk management is an integral part of the Company's management processes. Policies designed to identify, manage and limit both existing and possible risks are applied at various management levels. The principal risks and uncertainties of the Company are:

- **Performance risk**

This is the risk identified that the Company will fail to meet its contractual obligations in connection with revenue generating activity, for example, by reference to the quality of work performed, the level of costs compared to forecast or delivery within an agreed timeframe. The Company is engaged on a wide range of contracts, with the successful delivery of all contracts being controlled and managed through the Company's operating structure. In delivering these contracts, rigorous processes have been established to monitor and manage potential risk exposure. These procedures include frequent reviews with a focus on issues affecting delivery and the impact of costs to completion and forecast revenue.

- **Foreign currency risk**

As a global business, the Company faces exposure to adverse movements in foreign currency exchange rates. In the normal course of business, the Company enters into certain contracts denominated in foreign currency. Potential foreign currency exposures arising from these contracts are analysed during the bidding process. The Company generally manages these contracts by incurring costs in the same currency in which the revenue is received, and any related short-term contract financing requirements are met by borrowing in the same currency.

The Company has policies and procedures to manage the exposure to fluctuations in foreign currency by using short-term foreign currency forward and option contracts to economically hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and loans.

- **Credit risk**

The Company generally has no significant concentrations of client credit risk, although the scale of some of the Company's projects mean that credit exposure to individual clients can at times be significant. It has a wide spread of clients across countries and across the public and private sectors, although a majority of the group's operations are undertaken in the UK on behalf of UK based organisations. Policies are in place to ensure that contracts are only undertaken with clients having an appropriate financial standing and on a basis that gives rise to a commercially appropriate cash flow profile.

# **Xchanging Software Europe Limited**

## **Directors report (continued)**

### **Financial instruments (continued)**

- **Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash resources through a combination of cash flow structuring of contracts and the use of finance leases. Funds are also made available to the Company from the parent undertaking and it also has access to wider group funds if required.

Further details on other business risks and uncertainties can be found in Section 1A of the DXC's consolidated financial statements for the period ended 31 March 2018, which are available to the public and may be obtained from [www.dxctechnology.com](http://www.dxctechnology.com)

### **Directors**

The following were directors of the Company during the period and up to the date of this report, except as noted:

T A Gough	appointed 9 June 2017
M A Majed	appointed 31 March 2018
M C Woodfine	appointed 23 May 2016
D W Gray	appointed 23 January 2017 resigned 7 April 2017
N A Wilson	appointed 9 June 2017 resigned 31 March 2018

No qualifying third-party indemnity provisions were made by the Company during the period for the benefit of its directors.

### **Research and development**

The Company continues to invest in research and development in order to extend its product offerings and improve the efficiency of its existing products. During the financial period the Company incurred costs totaling £3,101,000 (2017: £2,688,000) of which £1,572,000 (2017: £1,194,000) is capitalized and £1,529,000 (2017: £1,494,000) is expensed. This relates to product enhancements and research in relation to the open suits of products.

### **Employees**

Details of the number of employees and related costs can be found in note 6 to the financial statements.

The Company's Equal Opportunities Policy ensures that decisions concerning all aspects of employment, recruitment, reward mechanisms, career progression and training are made exclusively on the basis of merit and the requirements of the role, and that no person is treated less favourably because of age, sex, sexual orientation, marital status, race, nationality, ethnic origin, disability, religious beliefs, or membership or non-membership of a trade union. DXC has an Equal Opportunities Policy and a Diversity Policy.

The Company recognises the importance of providing a safe working environment for all employees and others who may be affected by the Company's activities. A pro-active Safety Management Programme is in place, supported by all levels of management, safety officers, safety champions and the Group H&S Team. All of the activities have been assessed to identify significant hazards, which are then controlled and managed. The Safety Programme has been externally verified and approved by Lloyd's Register Quality Assurance to the OHSAS 18001 specification.

The Company's investment in employees is fundamental to a successful workplace and feedback is encouraged. The UK Employee Forum (UKEF) is the Company's chosen forum for informing and consulting with the UK workforce as a whole. This Forum enables the Company to properly inform and involve employees in decision making and problem solving increasing collaboration, creativity and innovation through dialogue and exchange of views.

### **Branches outside the UK**

The company has no branches outside UK as defined in section 1046(3) of Companies Act 2006.

# **Xchanging Software Europe Limited**

## **Directors report (continued)**

### **Auditor**

Deloitte LLP have indicated their willingness to be reappointed for another term. The Company has elected to dispense with the obligation to appoint an auditor annually under the provisions of section 485 to 488 of the Companies Act 2006.

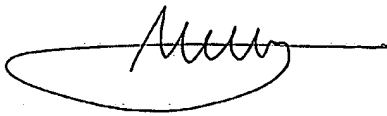
### **Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the directors are aware, there is no relevant audit information of which the Company's auditor are unaware; and
2. the directors have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, enclosed within a large, hand-drawn oval.

M C Woodfine  
Director  
03 January 2019

## **Xchanging Software Europe Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Generally Accepted Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# **Independent Auditors report to the members of Xchanging Software Europe Limited**

## **For the financial year 1 April 2017 to 31 March 2018**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Xchanging Software Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

# **Independent Auditors report to the members of Xchanging Software Europe Limited**

## **For the financial year 1 April 2017 to 31 March 2018 (continued)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

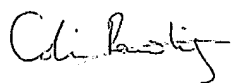
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Colin Rawlings FCA (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Statutory Auditor  
London, United Kingdom  
03 January 2019

# Xchanging Software Europe Limited

## Income statement

For the year ended 31 March 2018

	Notes	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
Revenue	4	16,430	22,006
Cost of sales		(1,042)	(2,032)
<b>Gross profit</b>		<b>15,388</b>	<b>19,974</b>
Administrative expenses		(8,417)	(13,863)
Exceptional income	5	17	248
<b>Operating profit</b>	5	<b>6,988</b>	<b>6,359</b>
Finance income	7	147	191
Finance expense	7	(3)	(3)
<b>Profit before taxation</b>		<b>7,132</b>	<b>6,547</b>
Tax (expense) / credit on profit	8	(374)	1,011
<b>Profit for the financial year</b>		<b>6,758</b>	<b>7,558</b>

There is no income or loss for the current or previous financial period, other than shown above. Accordingly, no Statement of Comprehensive Income has been presented.

The notes on pages 12 to 24 form part of these financial statements.

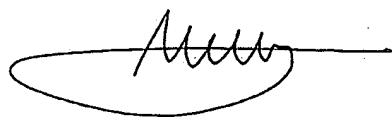
# Xchanging Software Europe Limited

## Statement of financial position As at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	4,572	3,706
Property, plant and equipment	10	555	701
Trade and other receivables	12	9	-
<b>Total non-current assets</b>		<b>5,136</b>	<b>4,407</b>
<b>Current assets</b>			
Trade and other receivables	11	15,927	14,929
Cash and cash equivalents		8,925	2,950
<b>Total current assets</b>		<b>24,852</b>	<b>17,879</b>
<b>Total assets</b>		<b>29,988</b>	<b>22,286</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(9,069)	(8,110)
Provisions	14	(393)	(408)
<b>Total current liabilities</b>		<b>(9,462)</b>	<b>(8,518)</b>
<b>Net current assets</b>		<b>15,390</b>	<b>9,361</b>
<b>Total liabilities</b>		<b>(9,462)</b>	<b>(8,518)</b>
<b>Net assets</b>		<b>20,526</b>	<b>13,768</b>
<b>Equity</b>			
Share capital	15	1,074	1,074
Share premium		570	570
Capital redemption reserve		15	15
Revaluation reserve		105	105
Retained earnings		18,762	12,004
<b>Total equity</b>		<b>20,526</b>	<b>13,768</b>

The notes on pages 12 to 24 form part of these financial statements.

These financial statements of Xchanging Software Europe Limited (registered number 00932001) were authorised and approved by the board of directors on 03 January 2019 and signed on its behalf by:



MC Woodfine  
Director

# Xchanging Software Europe Limited

## Statement of changes in equity For the year ended 31 March 2018

	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 January 2016</b>	1,074	570	15	-	4,446	6,105
Profit for the financial period	-	-	-	-	7,558	7,558
Revaluation of Land & Building	-	-	-	105	-	105
Other comprehensive income for the period	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	7,558	7,558
<b>Balance as at 31 March 2017</b>	1,074	570	15	105	12,004	13,768
Profit for the financial year	-	-	-	-	6,758	6,758
Revaluation of Land & Building	-	-	-	-	-	-
Other comprehensive for the financial year	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	6,758	6,758
<b>Balance as at 31 March 2018</b>	1,074	570	15	105	18,762	20,526

The notes on pages 12 to 24 form part of these financial statements.

# **Xchanging Software Europe Limited**

## **Notes to the financial statements For the year ended 31 March 2018**

### **1 Basis of accounting and general information**

Xchanging Software Europe Limited ("the Company") provides software, IT services, system design and integration with internet web technologies, predominantly to the insurance and private medical insurance markets. The Company provides its services mainly in the United Kingdom with a smaller proportion of its revenue generated by other European markets and the United States of America.

The Company is a private company and is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Royal Pavilion, Wellesley Road, Aldershot, Hampshire, GU11 1PZ, United Kingdom.

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial periods presented, unless otherwise stated.

#### **Basis of preparation**

The financial statements of Xchanging Software Europe Limited have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101. Where relevant, equivalent disclosures have been given in the consolidated financial statements of DXC technology in relation to:

- the disclosure exemptions from IFRS 7 "Financial Instruments: Disclosures";
- the disclosure exemptions from IFRS 13 "Fair Value Measurement" to the extent that they apply to financial instruments;
- the disclosure exemptions from paragraphs 134 to 136 of IAS 1 "Presentation of Financial Statements";
- the disclosure exemptions from paragraphs 10 and 31 of IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors";
- the disclosure exemptions of IFRS 3 "Business combinations";
- the requirements of IAS 7 "Statement of Cash Flows";
- the requirements of IAS 24 "Related Parties" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transactions is wholly owned by such a member; and
- the requirements of IAS 36 "Impairment of Assets".

#### **Going concern**

Following a group restructuring, the directors do not consider the company will remain as a going concern and intend to liquidate the company. The accounts have, therefore, been prepared on a basis other than that of going concern, and therefore all assets have been shown at realisable value. No adjustments to the accounts arose as a result of preparing the accounts on basis other than going concern.

#### **Operating profit**

Operating profit is stated after expensing administrative expenses and crediting exceptional income.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2018**

**2 Summary of significant accounting policies (continued)**

**Foreign currency**

Foreign currency transactions are translated into the functional currency of GBP using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the Income statement within 'Other operating income'.

**Revenue recognition**

Revenue, including intercompany revenue, is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

The Company recognises revenue only if it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The Company recognises revenue when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and the collectability is reasonably assured. Delivery does not occur until products have been shipped or services have been provided to the client, risk of loss has transferred to the client and the client acceptance has been obtained, client acceptance provisions have lapsed or the Company has objective evidence that the criteria specified in the client acceptance provisions have been satisfied. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, associated costs or the Company's continuing involvement with goods.

**Services**

The Company's primary services offerings include information technology (IT) data centre and business process transformation outsourcing, application management services, technology infrastructure and system maintenance, web hosting, and the design and development of complex IT systems to a client's specifications (design and build). These services are provided on a time and material basis, as a fixed price contract or as a fixed price per measure of output contract, and the contract terms generally range from less than one year to ten years. Revenue from IT data centre and business process transformation outsourcing contracts is recognised in the year the services are provided using either an objective measure of output or a straight-line basis over the term of the contract. Under the output method, the amount of revenue recognised is based on the services delivered in the year as stated in the contract.

Revenue from application management services, technology infrastructure and system maintenance, and web hosting contracts is recognised on a straight-line basis over the term of the contract.

Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred. Revenue related to extended warranty and product maintenance contracts is deferred and recognised on a straight-line basis over the delivery period.

Revenue from fixed-price design and build contracts is recognised where the outcome of a contract can be reliably estimated, and revenue and costs are recognised under the percentage of completion (POC) method. Under the POC method, revenue is either recognised based on the costs incurred to date as a percentage of the total estimated costs to fulfil the contract or on an output method upon customers' acceptance of the project's stage of delivery. If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in the Income statement in the year in which the circumstances that give rise to the revision become known by management.

**Interest income**

Interest income is recognised in the Income statement using the effective interest method.

**Finance costs**

Finance costs of debt, including interest, premiums payable on settlement and direct issue costs are charged to the Income statement in the financial period in which they fall due.

# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 2 Summary of significant accounting policies (continued)

#### Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholder's funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of financial position in the countries where the Company operates and generates taxable income. Provisions are made where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Intangible assets

##### *Internally development software*

Direct labour and overhead costs incurred in the development of software may be capitalised. Costs incurred to develop commercial software products are capitalised after technological feasibility has been established. Costs incurred to establish technological feasibility are expensed as incurred. Enhancements to software products are capitalised where such enhancements extend the life or significantly expand the marketability of such products.

These costs are amortised on a straight-line basis over their expected useful lives from the date the product enters commercial exploitation (currently three to seven years).

##### *Purchased software*

Significant purchase software costs are deferred and amortised on a straight-line basis over the period if their expected benefit, either the life of an associated licence or three to five years.

##### *Impairment of intangible assets*

The carrying value of the intangible asset is reviewed for impairment at the end of the first full year following acquisition and in other periods if event or changes in circumstances indicate that the carrying value may not be recoverable. For internally developed software also, the NRV assessment is in place which is being reviewed and approved by GTA team and Controllershship team every quarter.

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income statement during the financial period in which they are incurred.



# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 2 Summary of significant accounting policies (continued)

#### Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost amount to their residual values over their estimated useful lives, as follows:

Furniture and fittings	25%
Leasehold improvements	Life of lease
Computer and related equipment	33%
Free hold buildings	Forty years.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

#### Financial assets:

##### *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is made for irrecoverable amounts where there is objective evidence that amounts due will not be collected.

They are included in current assets, except for payment terms greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Amounts recoverable on contracts, which are included in current assets are stated at anticipated net sales value of work performed, less amounts received as progress payments on account and after provision for anticipated future contract losses.

Excess progress payments are included under current liabilities. Contract provisions in excess of amounts recoverable are included in provisions for liabilities.

##### *Impairment of financial assets*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

##### *Derecognition of a financial asset*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers, nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. In the Statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity, after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### *Trade and other payables*

These amounts represent liabilities for goods and services provided to the Company for goods and services prior to the end of the financial year and are yet to be paid.

# **Xchanging Software Europe Limited**

## **Notes to the financial statements (continued) For the year ended 31 March 2018**

### **2 Summary of significant accounting policies (continued)**

#### **Financial liabilities and equity (continued).**

##### *Finance costs and debt*

Finance costs of debt are recognised in the Income statement over the term of such investments at a constant rate on the carrying amount. Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by repayments made in the period.

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2018**

**2 Summary of significant accounting policies (continued)**

**Retirement benefits**

Retirement benefits to employees of the Company are funded by contributions from the Company and employees. The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans:

*Defined contribution section*

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Adoption of new and revised standards**

New and amended accounting standards that are mandatorily effective for periods beginning on or after 1 April 2017 did not have a material effect on the financial statements.

**3 Critical accounting estimates and judgements**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these judgements, estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Revenue recognition**

As discussed in note 2, the majority of our revenue is recognised based on objective criteria and does not require significant estimates that may change over time. However, some arrangements are subject to specific accounting guidance that may require significant estimates, including contracts subject to percentage-of-completion accounting, contracts that include multiple-element deliverables, and contracts subject to software accounting guidance. These estimates are made on a contract by contract basis and a different assessment would result in a change to the amount of revenue recognised.

*Percentage-of-completion method*

Certain software development projects and all long-term construction-type contracts require the use of estimates at completion in the application of the percentage-of-completion accounting method, whereby the determination of revenues and costs on a contract through its completion can require significant judgment and estimation. Under this method, and subject to the effects of changes in estimates, revenue is recognised using an estimated margin at completion as contract milestones or other input or output-based measures are achieved.

The percentage-of-completion method requires estimates of revenues, costs and profits over the entire term of the contract, including estimates of resources and costs necessary to complete performance. Any change to these estimates would result in a change to the revenues, costs and profits recognised in the Income statement.

**Valuation of intangible assets**

The company reviews the carrying value of intangible assets annually for indicators of impairment. The application of impairment accounting requires the use of significant estimates and assumptions. Where applicable and when there are indicators of impairment, the company will estimate future cash flows which are discounted to their present value. The company's estimates are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management assumptions, which would not reflect unanticipated events and circumstances that may occur.

# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 4 Revenue

An analysis of revenue by geographical market is given below:

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
United Kingdom	11,496	15,973
USA	1,912	2,382
Other Europe	1,856	2,976
Other Rest of World	1,166	675
	<u>16,430</u>	<u>22,006</u>

An analysis of revenue by category is given below:

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
License fee	5,521	7,630
Services	10,909	14,376
	<u>16,430</u>	<u>22,006</u>

### 5 Operating profit

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
<b>Operating loss is stated after (crediting)/ expensing:</b>		
Other Administration expenses	2,796	3,659
Depreciation of tangible fixed assets		
- owned assets	165	296
Amortisation of intangible assets	706	405
Foreign exchange losses	69	21
Audit fee	50	52
Exceptional (income)/expenses	(17)	(248)

Exceptional income includes (£200k) pertains to release of Contractor tax provision and £(2)k relates to potential furniture removal cost and exceptional cost of £185k towards restructuring provision. (2017: (£400k) release of Welsh grant provision which is partially negated by £152k which relates to Property Provision Cwmbran)

The allocated fees payable to the Company's auditor for the audit of the Company's annual financial statements is £50,000 accrued during the year 2018.

# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 6 Employees and directors

#### Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2018	2017
	Number	Number
<b>By activity</b>		
Selling and distribution	115	152
Administration	15	10
	<hr/>	<hr/>
	130	162
	<hr/>	<hr/>

Employee cost during the period:

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
<b>Operating profit is stated after (crediting)/ expensing:</b>		
Wages and salaries	5,632	10,936
Capitalised staff costs	(1,572)	(2,427)
Social security costs	777	1,172
Other pension costs	784	522
	<hr/>	<hr/>
	5,621	10,203
	<hr/>	<hr/>

#### Directors

During the current year director's remuneration was borne by other entities within the DXC group. The directors do not believe that it is practical to apportion these amounts between the Company and the other entities concerned.

### 7 Finance income and expense

#### Finance income

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
Interest receivable on loans to fellow group undertakings	138	186
Bank interest income	9	5
	<hr/>	<hr/>
	147	191
	<hr/>	<hr/>

#### Finance expense

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
Bank interest and charges	3	1

# Xchanging Software Europe Limited

## Notes to the financial statements (continued)

### For the year ended 31 March 2018

Other finance expense

-	2
<u>3</u>	<u>3</u>

## 8 Taxation

### Current taxation

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
<i>Current tax</i>		
UK corporation tax on profits for the year 19 % (2017: 20%)	39	-
Adjustment in respect of prior periods	237	(1,638)
Total current tax expense/ (credit)	<u>276</u>	<u>(1,638)</u>
<i>Deferred tax</i>		
Adjustment in respect of prior periods	12	-
Origination and reversal of timing differences	86	621
Impact of change in tax rate	-	6
Total deferred tax expense	<u>98</u>	<u>627</u>
Tax expense / (credit) on profit	<u>374</u>	<u>(1,011)</u>

The tax expense for the period is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19 % (2017: 20%). The differences are explained below:

	Financial year 1 April 2017 to 31 March 2018 £'000	Financial period 1 January 2016 to 31 March 2017 £'000
Results before tax	7,132	6,548
Results multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	1,355	1,310
Effects of:		
- Re-measurement of deferred tax - change in UK tax rate	-	(104)
- Adjustments to tax expense in respect of prior periods	248	(1,638)
- Expenses not deductible for tax purposes	-	351
- Group relief claim	(1,078)	(930)
- Fixed asset timing difference	(190)	-
- R&D expenditure credit	39	-
	<u>374</u>	<u>(1,011)</u>

**Xchanging Software Europe Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 March 2018**

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# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 8 Taxation (continued)

#### Factors affecting future tax expenses

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

A reduction to the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

The rate of 17% (2017: 17%) has been used to calculate the deferred tax asset/(liability).

#### Deferred tax liability/(asset)

	2018	2017
	£'000	£'000
Deferred tax liability	616	518
	<hr/>	<hr/>
	616	518
	<hr/>	<hr/>

	Accelerated capital allowance	Other	Total
	£'000	£'000	£'000
At 31 March 2017	526	(8)	518
Expensed to the income statement	98	-	98
	<hr/>	<hr/>	<hr/>
At 31 March 2018	624	(8)	616
	<hr/>	<hr/>	<hr/>



# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 9 Intangible assets

	Capitalised Software £'000	Development cost £'000	Software WIP £'000	Total £'000
Cost				
At 31 March 2017	270	2,005	1,960	4,235
Additions	2,522	-	-	2,522
Transfer	2,005	(2,005)	-	-
Disposals	-	-	(950)	(950)
At 31 March 2018	4,797	-	1,010	5,807
Accumulated amortisation				
At 31 March 2017	9	520	-	529
Charge for the period	673	33	-	706
Transfer	553	(553)	-	-
Disposals	-	-	-	-
At 31 March 2018	1,235	-	-	1,235
Net book value				
At 31 March 2018	3,562	-	1,010	4,572
At 31 March 2017	261	1,485	1,960	3,706

### 10 Property, Plant and Equipment

	Furniture and fittings £'000	Land and Building £'000	Computer and related equipment £'000	Total £'000
Cost				
At 31 March 2017	193	717	675	1,585
Additions	-	-	21	21
Transfer	-	-	-	-
At 31 March 2018	193	717	696	1,606
Accumulated depreciation				
At 31 March 2017	141	364	379	884
Charge for the period	13	18	136	167
Disposals	-	-	-	-
At 31 March 2018	154	382	515	1,051
Net book value				
At 31 March 2018	39	335	181	555
At 31 March 2017	52	353	296	701

# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 11 Trade and other receivables:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Trade receivables	4,103	3,181
Amounts owed by fellow group undertakings	1,923	1,653
Loan to fellow group undertakings	8,022	8,234
Corporation tax recoverable	-	108
Other receivables	574	12
Prepayments	291	282
Accrued income	364	1,074
Taxation	650	385
	<u>15,927</u>	<u>14,929</u>

Amounts owed by fellow group undertakings are subject to normal DXC intercompany trading terms of payment due after 30 days and are interest free.

The loan receivable balances are unsecured with wholly owned fellow group companies. These balances bear interest at margin rate plus LIBOR rate and are repayable on demand.

### 12 Trade and other receivables: disclosed as non-current assets

	At 31 March 2018 £'000	At 31 March 2017 £'000
Prepayments > 1 year	<u>9</u>	<u>-</u>
	<u>9</u>	<u>-</u>

### 13 Trade and other payables:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Trade payables	159	51
Amounts payable to fellow group undertakings	1,744	1,194
Deferred tax liability	616	518
Taxation and social security	933	982
Other creditors	18	215
Deferred income	5,182	4,755
Accruals	324	395
Corporation tax payable	93	-
	<u>9,069</u>	<u>8,110</u>

Amounts owed to fellow group undertakings are subject to normal DXC intercompany trading terms of payment due after 30 days and are interest free.

# Xchanging Software Europe Limited

## Notes to the financial statements (continued) For the year ended 31 March 2018

### 14 Provisions

	Contractor tax provision £'000	Welsh Grant provision £'000	Restructuring provision £'000	Long term incentive plan £'000	Total £'000
1 January 2016	200	400	-	1,570	2,170
Additions	-	-	-	206	206
Amount utilised	-	(400)	-	(1,568)	(1,968)
31 March 2017	200	-	-	208	408
Additions	-	-	185	-	185
Amount utilised	(200)	-	-	-	(200)
31 March 2018	-	-	185	208	393

Contractor tax provision relates to provision created on contractor tax which has been released during the year on the basis of remote probability of its occurrence. Restructuring provision relates to provision created for staff redundancies in future. Long-term incentive plan relates to the provision created for long term incentive plan for managers.

### 15 Share capital

	At 31 March 2018 £'000	At 31 March 2017 £'000
Authorised ,Allotted, issued and fully paid: 1,073,528 (2017: £1,073,528) ordinary shares of £1 each	1,074	1,074

### 16 Controlling parties

Further to the merger on 1 April 2017 the ultimate parent Company and controlling entity is DXC Technology, a Company incorporated in the United States of America. At the reporting date Computer Sciences Corporation was the ultimate parent Company and controlling entity. This is the parent undertaking for both the smallest and the largest group which includes the Partnership and for which group financial statements are prepared for the financial period ended 31 March 2018. Copies of the group financial statements of DXC Technology are available from 1775 Tysons Blvd, Tysons, VA 22102, USA.

The immediate parent Company of Xchanging Software Europe Limited is Xchanging Holdings Limited, a Company incorporated in England and Wales and registered in United Kingdom.

### 17 Events after the end of the reporting period

The directors are not aware, at the date of the annual report, of any likely changes in the company's activities in the next period.