

Company Registration No. 04220043

XCHANGING PROCUREMENT SERVICES LIMITED

**Annual report and financial statements
for the year ended 31 March 2020**

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Xchanging Procurement Services Limited

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Xchanging Procurement Services Limited

Officers and Professional advisers

Directors

Michael Charles Woodfine	
Christopher Neal Halbard	Appointed on 7 April 2020
Steven James Turpie	Appointed on 4 March 2020
Tina Anne Gough	Resigned on 7 April 2020
Maruf Ahmad Majed	Resigned on 26 February 2020

Registered Office

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

Independent Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square,
London, EC4A 3HQ,
United Kingdom.

Principal Banker

Lloyds Bank PLC
PO Box 72,
Bailey Drive,
Gillingham Business Park,
Gillingham,
Kent,
ME8 0LS.

Xchanging Procurement Services Limited

Strategic report for the year ended 31 March 2020

The Directors present their Strategic report on the Company for the year ended 31 March 2020. In preparing the Strategic report, the Directors have complied with s414c of the Companies Act 2006.

Xchanging Procurement Services 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, United Kingdom, GU11 1PZ.

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 entities controlled directly or indirectly by the ultimate Parent Company are referred as the Group companies ("Group").

The financial statements for the year ended 31 March 2020 are set out on pages 9 to 21.

Business review

During the year ended 31 March 2020, the Company's revenue decreased to £2,764,000 from £3,314,000 (2019). Net profit for the year ended 31 March 2020 has increased from £103,000 (2019) to £410,000. The decrease in revenue is due to termination of contract with one of the customer Clydesdale Bank Plc. The increase in profit is mainly attributed to reduction in intercompany service costs and employee costs due to decrease in number of employees from 36 to 30 in current year. The Company has net liabilities of £9,768,000 (2019: £10,169,000) as at 31 March 2020. The performance for the year is in line with management's expectations.

As part of Group restructuring, Xchanging Limited transferred its entire shareholdings in Xchanging Procurement Services Limited to CSC Computer Sciences International Operations Limited via Board meeting dated 9 December 2019. On 3 April 2020, the name of CSC Computer Sciences International Operations Limited changed to DXC UK International Operations Limited.

Principal risks and uncertainties and financial risk management

The Directors have considered the principal risks attached to the Company's financial instruments which principally comprise of balances with Group. The Directors have taken a prudent approach in their consideration of the various risks attached to the financial statements of the Company. 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:**

The Company faces exposure to adverse movements in foreign currency exchange rates due to intercompany balances. Foreign exchange gain or loss is arising due to the valuation of Intercompany payables or receivables as at the year end.

- **Liquidity risk:**

The Company manages liquidity risk with availability of funds from the Parent undertaking and it also has access to wider Group funds within DXC if required. Cash flow forecasting is performed at the DXC UK Group level by the treasury team, which monitors the rolling forecasts of the liquidity requirement to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its cash pool facilities at all times so that the Company does not breach the borrowing limits.

On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union. The United Kingdom formally left the EU in 31 January 2020, entering into a transition period until 31 December 2020. During this period the UK becomes a rule taker within the EU – with new legislation passed in the EU applied to the UK for the duration of the transition period. Whilst the longer term political and economic effects of Brexit after the transition period ends are not easily predicted, the announcement of the referendum result immediately triggered a significant amount of market turbulence, including sterling falling against both the U.S. dollar and Euro. These impacts have since stabilised as other world events have risen in importance for investors. However, as negotiations continue between the EU and the UK, and with the transition period deadline approaches, further economic impacts cannot be ruled out – both as the transition period ends and immediately after.

Xchanging Procurement Services Limited

Strategic report for the year ended 31 March 2020 (continued)

Principal risks and uncertainties and financial risk management (continued)

DXC has been actively planning for various Brexit scenarios since September 2018, with regular reporting to Senior Managers from a dedicated Brexit readiness team. Significant mitigation has already put in place to reduce the organisation's exposure in a number of key areas. The progress of EU / UK negotiations are likely to be a matter of significant speculation and markets are likely to react to any material news emerging from the negotiation process. DXC is monitoring these negotiations closely – both in order to prepare the business for any market reaction and to ensure its preparations for the end of the transition period remain adequate and proportionate. The situation continues to be monitored actively by subject matter experts daily and the Directors shall review whether there has been any impact of changes to the foreign exchange on the financial statements after the future trading environment between the EU and UK becomes clear.

In relation to COVID-19, management continues to monitor the effects of the outbreak globally and the potential impact on the business. The outbreak increases uncertainty about the future prospect of the Company. However, senior leadership in DXC is actively managing the Company's response through a COVID-19 Response Team that meets daily to deal with all operational issues as and when they arise. Management is actively taking steps to ensure the protection and retention of staff and the associated corporate memory that are crucial to the Company's ability to remain operationally resilient to weather this crisis and to rebuild when the opportunity arises.

Further details on other business risks and uncertainties can be found in Section 1A of the DXC's consolidated financial statements for the year ended 31 March 2020, which are available to the public and may be obtained from www.dxc.technology.

Future developments

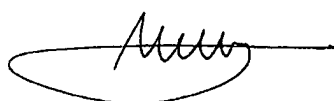
At the date of the annual report, the Directors are not aware of any changes in the Company's activities in the foreseeable future.

In relation to COVID-19, management recognises the degree of uncertainty created by the resulting economic impact and is continuously monitoring the situation, taking all necessary steps to protect its employees, customers and stakeholders.

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 net profit and net assets, is not appropriate for an understanding of the development, performance or position of the business shown in these financial statements.

Approved by the board and signed on its behalf by:



Michael Charles Woodfine

Director

11 December 2020

Xchanging Procurement Services Limited

Directors' report for the year ended 31 March 2020

The Directors present the report on the affairs of the Company, together with the audited financial statements for the year ended 31 March 2020.

Principal activity

The Company continues to provide procurement services under long term outsourcing contracts.

Dividends

No dividend was declared or paid during the year and up to date of approval of this report (2019: £nil).

The net amount due from certain fellow Group undertakings have been written off on account of Group restructuring and this is treated as notional equity reduction.

Future developments

Future developments have been detailed in the Strategic report on page 3 and form part of this report by cross reference.

Political contribution

No political donations were made during the year (2019: £nil).

Going concern

The Company is profit making and reports net current liabilities as a result of amounts due to Group and bank overdraft. Assurance has been obtained from the ultimate Parent Company by way of letter of support that it will continue to provide financial support to enable the Company to meet its financial obligations for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

In relation to COVID-19, management is continuously monitoring the position and taking all necessary steps to protect its employees, customers and stakeholders. A going concern impact assessment has been completed that analysed DXC's current and future cash resources, access to existing and new financing facilities, including revolving facilities, the government support measures that have been announced and the customer base of the Company. As a result, management has a reasonable expectation of the Company's viability over the period of assessment and has concluded that there are currently no impediments of identifying the Company other than as a going concern.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 2.

Financial risk management

Performance and finance risk management is an integral part of the Company's management processes. Details of the Company's risk management objectives and policies are set out in the Strategic report on page 2 and form part of this report by cross reference.

Directors

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

Michael Charles Woodfine

Christopher Neal Halbard Appointed on 7 April 2020

Steven James Turpie Appointed on 4 March 2020

Tina Anne Gough Resigned on 7 April 2020

Maruf Ahmad Majed Resigned on 26 February 2020

Research and development

During the year, there were no cost incurred towards research and development (2019: £nil).

Employees

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

At DXC technology all aspects of diversity are valued among its employees. The Company understands that a variety of employee perspectives enables it to thrive, to innovate and to be creative bringing better solutions and services to their clients. Therefore, the Company ensures the recognition and contribution all employees regardless of gender, race and ethnicity, mental or physical abilities or religious and LGBTQ+ cultures. This is supported by an Equal Opportunities Policy and the UKI Diversity Steering Group.

Xchanging Procurement Services Limited

Directors' report for the year ended 31 March 2020 (continued)

Employees (continued)

The Company's investment in employees is fundamental to a successful workplace and feedback is encouraged. Our DXC colleagues are represented by both employee representatives and social stakeholders such as recognised Trade Unions. This 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.

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. DXC technology will protect the health and safety of its employees and all other stakeholders through: implementing robust risk management processes, maintaining a safe work environment, reducing occupational injury and illness risks and promoting employee health and well-being, developing appropriate emergency preparedness and response plans, and providing appropriate health and safety training, information and supervision. This is supported by the DXC Environment, Health & Safety Policy.

Branches outside the UK

The Company has no branch, located outside the UK, as defined in section 1046(3) of Companies Act 2006.

Events after the end of the reporting year

Details of significant events since the reporting date are contained in note 16 to the financial statements.

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 and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Directors' liabilities:

The Company has granted indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year and is in force as at the date of approving the Director's report.

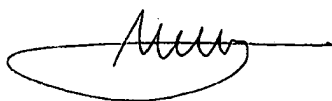
Disclosure of information to Auditor

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:



Michael Charles Woodfine
Director

11 December 2020

Xchanging Procurement Services 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 year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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 Auditor's report to the members of Xchanging Procurement Services Limited for the year ended 31 March 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Xchanging Procurement Services Limited (the 'Company'):

- give a true and fair view of the state of the Company affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the "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 Statement of profit and loss;
- the Statement of financial position;
- the Statement of changes in equity; and
- the related notes 1 to 16.

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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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 Auditor's report to the members of Xchanging Procurement Services Limited for the year ended 31 March 2020 (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. 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, except for the possible effects of the matter described in the basis for qualified opinion section of our report based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for 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

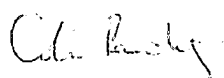
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
11 December 2020

Xchanging Procurement Services Limited

Statement of profit and loss for the year ended 31 March 2020

		2020	2019
	Note	£'000	£'000
Revenue	4	2,764	3,314
Cost of sales		(1,581)	(1,867)
Gross profit		1,183	1,447
Administrative expenses		(673)	(1,262)
Other income	5	-	19
Operating profit	5	510	204
Finance costs	7	(100)	(101)
Profit before taxation		410	103
Taxation	8	-	-
Profit for the year		410	103

The above results are wholly attributable to continuing activities.

There is no profit or loss for the current or previous year, other than shown above, accordingly, no Statement of comprehensive income has been presented.

The notes on pages 12 to 21 form part of these financial statements.

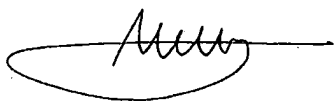
Xchanging Procurement Services Limited

Statement of financial position as at 31 March 2020

		31 March 2020	31 March 2019
	Note	£'000	£'000
Assets			
Current assets			
Trade and other receivables	10	1,866	2,111
Cash at bank and in hand		1,168	1,137
Total current assets		3,034	3,248
Total assets		3,034	3,248
Liabilities			
Current liabilities			
Trade and other payables	11	(8,110)	(7,446)
Bank overdrafts		(4,692)	(5,971)
Total current liabilities		(12,802)	(13,417)
Net current liabilities		(9,768)	(10,169)
Total liabilities		(12,802)	(13,417)
Net liabilities		(9,768)	(10,169)
Equity			
Share capital	13	-	-
Retained loss		(9,768)	(10,169)
Total equity		(9,768)	(10,169)

The notes on pages 12 to 21 form part of these financial statements.

These financial statements of Xchanging Procurement Services Limited (registered number 04220043) were authorised and approved for issue by the board of Directors on 11 December 2020 and signed on its behalf by:



Michael Charles Woodfine
Director

Xchanging Procurement Services Limited

Statement of changes in equity for the year ended 31 March 2020

	Share capital £'000	Retained loss £'000	Total £'000
Balance as at 1 April 2018	-	(10,272)	(10,272)
Profit for the year and other comprehensive income	-	103	103
Total comprehensive income for the year	-	103	103
Balance as at 31 March 2019	-	(10,169)	(10,169)
Profit for the year and other comprehensive income	-	410	410
Notional equity on intercompany receivable written off*	-	(9)	(9)
Total comprehensive income for the year	-	401	401
Balance as at 31 March 2020	-	(9,768)	(9,768)

The notes on pages 12 to 21 form part of these financial statements.

* The net amount due from certain fellow Group undertakings have been written off on account of Group restructuring and this is treated as notional equity reduction.

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020

1) Basis of financial statements

Xchanging Procurement Services Limited ("the Company") provides procurement services for indirect spend categories under long term contracts. The Company provides its services mainly in the United Kingdom.

The Company is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is Royal Pavilion, Wellesley Road, Aldershot, Hampshire, United Kingdom, GU 11 1PZ.

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 years presented, unless otherwise stated. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

Basis of preparation

The financial statements of Xchanging Procurement Services 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.

Certain amounts in the prior year comparatives have been reclassified from administrative expenses to cost of sales and bank overdraft shown separately under current liabilities to conform to the presentation of the current year financial statements. These reclassifications had no effect on the previously reported net profit.

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 Company 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 paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the disclosure exemptions from paragraphs 134 to 136 of IAS 1 "Presentation of Financial Statements";
- the requirements of IAS 7 "Statement of Cash Flows";
- the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors";
- 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".

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Financial Reporting Council ("FRC") that are mandatory for the current reporting year.

- IFRS 16 – Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015–2017 Cycle IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IFRS 9 Prepayment Features with Negative Compensation

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

2) Summary of significant accounting policies (continued)

IFRS 16 Leases

The Company has adopted IFRS 16 from 1 April 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the balance sheet. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

Full details of the impact of the adoption of these standards can be found in note 15, changes in accounting policies.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 and the same do not have any material impact on the Company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, principal risks and uncertainties, performance and position are set out within the Strategic report and Directors report. The Company meets its day-to-day working capital requirements through a combination of balances with Group and bank overdraft. Assurance has been given by the ultimate Parent Company by way of letter of support that it will continue to support the operations of the Company for a minimum of twelve months from the date of signing these financial statements.

In relation to COVID-19, Management is continuously monitoring the position and taking all necessary steps to protect its employees, customers and stakeholders. A Going Concern impact assessment has been completed that analysed DXC's current and future cash resources, access to existing and new financing facilities, including revolving facilities, the government support measures that have been announced and the customer base of the Group. As a result, Management has a reasonable expectation of the Company's viability over the period of assessment and has concluded that there are currently no impediments of identifying the Company other than as a going concern.

The Directors have a reasonable expectation that the Company, and DXC, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Operating profit

Operating profit is arrived at after crediting revenue and other income and expensing cost of sales, administration expenses.

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 Statement of profit and loss account within 'Administrative expenses'.

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.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate contract liability.

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

2) Summary of significant accounting policies (continued)

Revenue recognition (continued)

Intercompany

Revenue for work performed for fellow Group companies, where services provided, are recognised at cost plus an arm's length mark-up.

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 statement of profit and loss in the year in which the circumstances that give rise to the revision become known by management.

The Company performs ongoing profitability analysis of its services contracts in order to determine whether the latest estimates, such as revenue, costs of sales or profits, require updating. If, at any time, these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Finance costs

Finance costs of debt, including interest, premiums payable on settlement and direct issue costs are charged to the Statement of profit and loss in the year in which they fall due.

Current and deferred taxation

Tax is recognised in the Statement of profit and loss account, 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.

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

2) Summary of significant accounting policies (continued)

Current and deferred taxation (continued)

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 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 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.

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 year, 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.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less any appropriate provision for impairment. The Company applies the IFRS 9 simplified approach to measure the expected credit loss which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

Impairment of financial assets

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset is impaired. The Company applies the IFRS 9 simplified approach to measure the expected credit loss which uses a lifetime expected loss allowance for all financial assets.

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 bank and bank overdrafts. In the Statement of financial position, bank overdrafts are shown separately under current liabilities.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year.

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

2) Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

Finance costs

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 year and reduced by repayments made in the year.

Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Retirement benefits

Retirement benefits to employees of the Company are funded by contributions from the Company and employees. The Company operate defined contribution scheme

Defined contribution schemes

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 financial years.

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.

3) Critical accounting judgments and key sources of estimation uncertainty

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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Below is a summary of area in which estimation is applied primarily in the context of applying critical accounting policies and judgements.

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

3) Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical accounting policies and judgements

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 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.

Key sources of estimation uncertainty

Areas for which there are major sources of estimation uncertainty at the reporting year end that have a significant risk of causing a material adjustment to be made to the carrying value amounts of assets and liabilities are discussed below:

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4) Revenue

An analysis of revenue by geographical market is given below:

	2020 £'000	2019 £'000
United Kingdom	2,764	3,314
	<u>2,764</u>	<u>3,314</u>

Remaining performance obligations

Remaining performance obligations represent the aggregate amount of the transaction prices in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the year. Remaining performance obligation estimates are subject to change are affected by several factors, including terminations, changes in scope of contracts, periodic revalidations, adjustments for revenue that has not materialised and adjustments for currency.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities:

	2020 £'000	2019 £'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	136	89
	<u>136</u>	<u>89</u>

Analysis of revenue by category:

	2020 £'000	2019 £'000
Services	2,764	3,314
	<u>2,764</u>	<u>3,314</u>

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

5) Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after expensing/(crediting):		
Foreign exchange gains	(46)	(5)
Audit fees*	-	1
Depreciation on Right to use assets	23	-
Other income	-	(19)
	<u> </u>	<u> </u>

*The auditor's remuneration is borne by a fellow Group undertaking within the DXC Technology. The allocated fee payable to the Company's auditor for the audit of the Company's financial statements is £30,000 (2019: £1,000).

6) Employees and Directors

Employees

Employee costs during the year:

	2020 £'000	2019 £'000
Staff costs during the year		
Wages and salaries	817	977
Social security costs	77	105
Other pension costs	77	73
	<u> </u>	<u> </u>
Total staff costs	<u>971</u>	<u>1,155</u>

The average monthly number of persons employed by the Company during the year were:

	No.	No.
Average number of persons employed		
Managerial and professional	17	21
Sales and operations staff	13	15
	<u> </u>	<u> </u>
	<u>30</u>	<u>36</u>

Directors

The total amounts paid to the Directors amounts to £1,356,879 which is borne by DXC UK International Limited, DXC Technology Singapore PTE. Limited and EntServ UK Limited.

7) Finance costs

	2020 £'000	2019 £'000
Interest payable on bank overdrafts	99	101
Interest expense on lease liabilities	1	-
	<u> </u>	<u> </u>
	<u>100</u>	<u>101</u>

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

8) Taxation

Current taxation

	2020 £'000	2019 £'000
<i>Current tax</i>		
UK corporation tax on profits for the year 19% (2019: 19 %)	-	-
Adjustment in respect of prior years	-	-
Overseas tax	-	-
	<hr/>	<hr/>
Total current tax credit/(charge)	-	-
	<hr/>	<hr/>
<i>Deferred tax</i>		
Adjustment in respect of prior years	-	-
	<hr/>	<hr/>
Total deferred tax charge	-	-
	<hr/>	<hr/>
Total	<hr/> <hr/>	<hr/> <hr/>

The tax expense for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2020 of % (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	410	103
	<hr/>	<hr/>
Profit multiplied by the standard rate of tax in UK of 19% (2019:19%)	78	20
Effects of:		
- Income not subject to tax	-	(3)
- Expenses not deductible for tax purposes	2	-
- Transfer pricing adjustment	(5)	(16)
- Group relief claim	(7)	(1)
- Deferred tax not recognised	(68)	-
	<hr/>	<hr/>
Total	<hr/> <hr/>	<hr/> <hr/>

Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020.

9) Right of use assets

	Land and buildings £'000
Cost	
At 1 April 2019	105
Additions	-
Transfers	(105)
	<hr/>
At 31 March 2020	-
	<hr/>
Accumulated depreciation	
At 1 April 2019	-
Charge for the year	23
Transfers	(23)
	<hr/>
At 31 March 2020	-
	<hr/>

On 4 September 2019, as part of Group restructuring, the lease property 'Block C, Fulwood Park, Caxton Road, Fulwood Preston' was transferred to Xchanging Global Insurance Solutions Limited.

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

10) Trade and other receivables: disclosed as current assets

	At 31 March 2020 £'000	At 31 March 2019 £'000
Trade receivables	457	618
Amount owed by fellow Group undertaking	1,202	1,143
Prepayments	116	266
Accrued income	91	84
	<u>1,866</u>	<u>2,111</u>

The amounts owed by fellow Group undertakings are unsecured, interest free and are repayable on demand.

11) Trade and other payables: disclosed as current liabilities

	At 31 March 2020 £'000	At 31 March 2019 £'000
Trade payables	26	103
Amounts owed to fellow Group undertakings	1,451	6,913
Taxation and social security	36	90
Other creditors	7	4
Accruals	51	183
Contract liability	123	136
Provisions [#]	13	17
Group relief payable*	6,403	-
	<u>8,110</u>	<u>7,446</u>

The amounts owed to fellow Group undertakings are unsecured, interest free and repayable on demand.

*The prior year comparatives relating to Group relief payable was grouped under amount owed to fellow Group undertakings.

The prior year comparatives relating to bank overdrafts are shown separately under current liabilities to conform to the presentation of the current year financial statements.

[#] Provision pertains to employee compensated absence.

12) Retirement benefit obligations

The Company provides retirement benefits to certain employees through a defined contribution pension schemes providing benefits based on final pensionable pay.

The pension charge in the Statement of profit and loss in respect of the defined contribution section of the scheme includes net expense of £76,958 (2019: £73,065). There is a pension liability of £6,665 (2019: £5,375) relating to pension contributions not paid over by the year end.

13) Share capital

	At 31 March 2020 £	At 31 March 2019 £
Authorised, allotted, issued, and fully paid:		
1 share (2019: 1) of £1 each	<u>1</u>	<u>1</u>

Xchanging Procurement Services Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

14) Controlling parties

The ultimate Parent Company is DXC Technology, a Company incorporated in the United States of America. This is the Parent undertaking of both the smallest and the largest Group which includes the Company and for which Group financial statements are prepared. Copies of the Group financial statements of DXC Technology are available from 1775 Tysons Blvd, Tysons, VA 22102, USA which is the registered office address.

As part of Group restructuring, Xchanging Limited transferred its entire shareholdings in Xchanging Procurement Services Limited to CSC Computer Sciences International Operations Limited via Board meeting dated 9th December 2019. On 3 April 2020 the name of CSC Computer Sciences International Operations Limited has changed to DXC UK International Operations Limited.

15) Adoption of IFRS 16 - Leases

IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 April 2019 was as follows:

	As at 1 April 2019 £'000
Operating lease commitments as at 1 April 2019 (IAS 17)	112
Finance lease commitments as at 1 April 2019 (IAS 17)	-
Operating lease commitments discount based on the weighted average incremental borrowing rate of 2.79% (IFRS 16)	105
Short-term leases not recognised as a right-of-use asset (IFRS 16)	-
Low-value assets leases not recognised as a right-of-use asset (IFRS 16)	-
Accumulated depreciation as at 1 April 2019 (IFRS 16)	-
Right-of-use assets (IFRS 16)	105
Lease liabilities - current (IFRS 16)	56
Lease liabilities - non-current (IFRS 16)	49
Reduction in opening retained profits as at 1 April 2019	-

The total cash outflow for leases during 2020 is £25,000.

The Company has leased the facility located at Block C, Fulwood park, Caxton Road, Fulwood preston was used for operational purpose.

16) Events after the end of the reporting year

There were no other material or significant events that occurred in the period from 31 March 2020 to the date of reporting that would require adjustment to or disclosure in the financial statements.