Registered No 00053419

EntServ UK Limited

Annual Report and Financial Statements

For the financial year from 1 April 2019 to 31 March 2020

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Contents

Officers and professional advisers

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S Turpie
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Strategic report

The directors present their report for the financial year ended 31 March 2020. In preparing the Strategic report, the directors have complied with s414c of the Companies Act 2006.
EntServ UK Limited is a private company, limited by shares incorporated in the United Kingdom under the Companies Act 2006 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 Company (DXC), a public listed company incorporated in the United States of America and listed on the New York Stock Exchange, as such it is part of the DXC Technology Group of companies The entities controlled directly or indirectly by the Ultimate parent company are referred as the Group companies ("Group").

Review of the business

The financial statements for the year 1 April 2019 to 31 March 2020 are set out on pages 21 to 64. A profit for the financial year of £70,283,000 (FY19: profit of £68,798,000) has been transferred to reserves.

The company is a global, end-to-end information technology services company leading digital transformations for clients by modernizing and integrating their mainstream IT, and by deploying digital solutions at scale to produce better business outcomes. It serves public-sector and private clients from a diverse array of industries: manufacturing, financial services, healthcare, communications, energy, transportation, consumer and retail.

Offerings include workplace and mobility, security, cloud and platform services, enterprise and cloud applications and related services, analytics, industry software and solutions. The company provides outsourcing of entire business processes or functions to improve overall business performance and delivers process and technology consulting and high-value management consulting.

The company enhances its portfolio of digital offerings to strengthen its ability to design and deploy transformative solutions for clients at scale. DXC Bionix is the company's digital-generation services delivery model which uses analytics and artificial intelligence (AI), lean processes and leading automation capabilities to produce greater insight, speed and efficiency. Two offerings powered by DXC Bionix are Agile Process Automation (APA) platform and Application Service Automation. APA combines cloud and robotic process automation with embedded artificial intelligence (AI) and enables digitization of business processes. Application Service Automation provides an integrated suite of automation services to transform applications management.

The company is re-skilling current employees to equip them with new digital capabilities and certifications. This enables the company to respond quickly to changing market dynamics, increase competitiveness and supports clients' digital transformations.

Results and key performance indicators

The profit for the year, after taxation, amounted to £70,283,000 (2019: £68,798,000).
An interim dividend of £400,000,000 was paid on 29 November 2019 (2019: £nil).
The directors do not recommend a final ordinary dividend, making the total of ordinary dividends paid for the year £400,000,000 (2019: £nil).

Details of the financial business results for the year are:

	1 April 2019 to 31 March 2020	*1 April 2018 to 31 March 2019*	*Change*
	£'m	*£'m*	*%*
Revenue	1,300.6	1,520.3	(13.6)
Gross profit	224.8	242.2	(7.2)
Gross profit margin	17.3%	15.9%	1.2ppts
Operating profit before exceptional items	80.6	96.5	(16.4)
Operating profit as % of revenue	6.1%	6.3%	0.2ppts
Profit before tax	84.6	81.3	4

Strategic report (continued)

Revenue on the company's portfolio of contracts decreased by 13.6% comparing to previous year. This decline is due to the continuing challenging economic environment and pressure of a fiercely competitive and evolving market in which the company operates.

Gross profit margin for the year increased in comparison to prior year and is reported at 17.3% (2019: 15.9%). This is a result of company's continued restructuring programs to realign cost structures to achieve operating efficiency and effectiveness.

After overhead costs the operations results showed a similar percentage profitability of the company before exceptional items at 6% as per the previous year.

Including exceptional items (see note 5) the total profit before tax for the year is £84.6 million (2019: profit £81.3 million).

Principal risks, uncertainties and financial risk

There are a range of risks and uncertainties facing the company and the list below is not intended to be exhaustive. The focus is on those specific risks and uncertainties that the directors believe could have a significant impact on the company's position, performance and future developments.

Market conditions

Levels of business activity will vary for each of the markets in which the company operates, but ultimately this is dependent on factors such as economic cycles, consumer confidence and growth of the economy.

The UK officially left the European Union on 31 January 2020. However, given that the EU and UK agreed to a transition period, regulatory alignment remains all but unchanged between the two jurisdictions. From this point forward, until 31 December 2020 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. During this period, the UK and EU will engage in trade negotiations to decide on the trading environment after 31 December 2020. The progress is 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 on a daily basis and the directors shall review whether there has been any impact of changes on the financial statements whenthe future trading environment between the EU and UK becomes clear.

Covid-19

In relation to COVID-19, management constantly monitors the effects of the outbreak globally and the potential impact on the business. The outbreak increases uncertainty about the future prospects of the company with key risk areas identified as liquidity, customer's ability to pay and possible operational disruption. As the company is part of the DXC group this has to be considered as a group level.

The DXC Group has a strong liquidity position that means it will be able to sustain the business throughout this crisis and works to meet all expected and any unexpected cash requirements by taking steps to minimise short term debt and maximise cash.

Customer ability to pay has not had a material impact up to date of signing the accounts and is constantly monitored in case action is required.

Senior leadership in DXC is actively managing response through a COVID-19 Response Team that meets on a regular basis to deal with all operational issues as and when they arise.

There has been minimal operational disruption as IT infrastructure already in place has enabled nearly all office staff to quickly switch to a "working from home" model. Where this has not been possible to meet our customer's requirements steps have been implemented to provide COVID-19 safe workplaces meaning business continues.

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 weather this crisis and to rebuild when the opportunity arises.

Strategic report (continued)

Market conditions (continued)

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

Competitive pressures

The company operates in a number of highly competitive markets with differing characteristics. Market share and the level of customer spending could be affected by the emergence of new competitors, services delivery issues, quality, pricing, and reputation. The company must be able to maintain its ability to continue to provide innovative services – digital solutions and transformations to the local customer base and develop in a profitable way in an increasingly price sensitive market to remain competitive.

Reliance on parent company - exposure to credit, liquidity and cash flow risk

The company is a subsidiary of DXC Technology Company and is dependent on its parent company.

As at 31 March 2020 the company holds a mixture of short and long-term loans with subsidiaries of DXC Technology Company denoted in both Pound Sterling and US Dollar. The financing structure of the company gives rise to interest rate and foreign currency risks. Interest rate risk is the risk of exposure to fluctuations in interest rates that will increase the cost of debt on the financial borrowings of the company. Foreign currency risk is the risk of exposure to fluctuations in the value of specific currencies that are used to value the financial assets and liabilities of the company.

DXC Technology Company, has a centralised treasury function which manages the overall group's Treasury policy, risks and requirements, including EntServ UK Limited. The centralised treasury function manages foreign currency risk to mitigate any potential exposure to the company including use of forward foreign exchange contracts. Interest rate risk is managed primarily through the use of fixed rate loans. Debt is issued as required at the lowest possible cost based upon assessment of the future interest rate environment. The centralised treasury function, in conjunction with the directors, continually assess the performance of the company and the financing structure to ensure that where the requirement for support arises this is identified and that the company has the appropriate financial availability to satisfy this. Any risks impacting the ultimate parent company will cascade to the company. A full description of the risks and uncertainties impacting DXC Technology Company can be found in the DXC Technology Company group financial statements: http://www.dxc.technology/investor_relations#tabs-2.

Future developments and post balance sheet events

The business has been able to diagnose those areas in which efficiencies and improvements can be made and implement plans to reduce costs. The company aims to further execute cost reduction strategies within the organisation to continue to stabilise, if not improve, profitability for the next financial year. It also focuses on reskilling employees with advanced digital capabilities, expanding the DXC Partner Network to support clients in their digital transformations.

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.

Strategic report (continued)

Section 172(1) statement

The success of the company's business is dependent on the support of all of its stakeholders. Building positive relationships with stakeholders that share the company's values is important to the directors and working together towards shared goals drives the company to deliver long term sustainable success. This culture is reinforced by the directors' attention to their obligations under s172 of the Companies Act 2006. Section 172 requires that "a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the company".

Feedback from stakeholders at an operational level is consistently considered by the directors when making decisions. Reports are regularly made to the directors by the business units about the strategy, performance and key decisions taken which provide the directors with reassurance that the appropriate consideration is given to stakeholder interests in decision making. The directors also obtain the views of stakeholders through day-to-day business interactions, regular reporting, and meetings. This information is used to assess the impact of decisions on each stakeholder group as well as any trade-offs that need to be made between different stakeholders over the long term. All decisions are made with the highest standards of conduct in mind, and in line with Group policies.

Details of the key stakeholders and how the company engages with them are set out below:

Shareholder:

- Fortnightly company board meetings ensure that any short-term gains such as the receipt of loans or the Company's involvement in other inter-company transactions or projects are given time to be considered and a conclusion reached as to whether such action is in the best interests of the company.
- Any inter-company transactions or those with inter-company impact must first be reviewed and approved by the Corporate Finance Executive Committee to ensure the Company's compliance with the DXC group policies and procedures on such.
- The company does not follow a specific policy on dividends which are instead declared and paid on an ad hoc basis subject to the financial position of the company and future forecasting.

Employees:

- Over the financial year in question, the company's employees partook in a UK-wide survey consisting of 22 questions covering all elements of engagement which 59% of employees responded to. Results were shared at a global, regional and company level and the directors worked alongside HR to drive improved engagement.
- The company strives to support a culture of performance matched with integrity and follows a set of CLEAR values (Client focused, Leadership, Execution excellence, Aspiration and Results) to guide business decisions and inform board actions.

Customers & Business:

- The Group's code of conduct is reviewed on an annual basis to refresh and reinforce the importance of compliance with company policy and applicable laws. This in turn ensures that the company's business is conducted in a morally appropriate and ethical manner.
- The Company has account and delivery teams for its largest customers to ensure that it can continuously engage and drive the company's services and the customer's business forward. Examples of this include:
  - Developing and maintaining a comprehensive governance regime which includes structured open contact at multiple levels including operational forums, commercial forums, financial interaction between with the company's finance team and also executive level interaction up to and including the Customer and DXC CEOs.
  - As a result of these processes, any issues that do arise can be dealt with at the appropriate level.

Strategic report (continued)

Section 172(1) statement (continued)

Suppliers:

- The Company actively manages it suppliers through its Supplier Relationship Management Programme which gives suppliers contact and feedback at all layers of the business by holding regular reviews with its supplier's account or operational, finance and sales teams.
- This process allows both the supplier and the Company to feedback on performance, opportunities and to address any issues.

Environmental:

- During the year, the Company submitted a Responsible Supply Chain survey to some of its suppliers, in order to ensure that they are meeting, and better exceeding, environmental standards.

Communities:

- The Company engages with the communities in which it operates to build trust and understand the local issues. Key areas of focus include how the company can support local causes and issues, create opportunities to recruit and to contribute to the preservation of the environment.

The environment

The company's goals are to provide services that are safe and environmentally sound throughout their lifecycles and conduct operations in an environmentally responsible manner.
To accomplish this, the company:

- pursues pollution prevention, energy conservation (including significant investment in low energy data centres and consolidating services into this more efficient estate) and waste reduction in operations;
- designs solutions that are safe to use and to minimise their environmental impact; and
- require suppliers to conduct their operations in a socially and environmentally responsible manner.

The company achieves this by integrating these objectives into business planning, decision-making, performance tracking and review processes to ensure that goals are reached and continually improved upon. The DXC group publishes an annual corporate responsibility report where detailed companywide environmental commitments, initiatives and key performance indicators can be found. A copy of the report is available under website (http://www.dxc.technology/cr/ds/88734-corporate_responsibility_report_archives).

Approved by the Board and signed on their behalf by

C Halbard
Director
Date: 11 December 2020

Director's report

The directors present the annual report on the affairs of the Company, together with the audited financial statements for the financial year 1 April 2019 to 31 March 2020.

Directors

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

T Gough (resigned 7 April 2020)
C Halbard (appointed 7 April 2020)
M Majed (resigned 26 February 2020)
S Turpie (appointed 4 March 2020)
M Woodfine

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

Corporate governance

As a subsidiary company of the DXC Technology company group which is listed on the New York Stock Exchange, the company has development governance practices and processes that are fit for purpose.

The directors have applied an undocumented system of governance by

(a) Promoting the purpose of the Company to deliver information technology services and solutions
(b) Regularly reviewing board composition to ensure that it has an appropriately diverse balance of skills, background, experience and knowledge and that individual directors have sufficient capacity to make a valuable contribution
(c) To support effective decision-making directors take into account the System of Internal Control and the Code of Conduct when acting in their capacity as a director of the Company
(d) In accordance with the governance practices and processes that it adopts the board is supported by System of Internal Control to identify opportunities to create and preserve value
(e) Having regard to and fostering good stakeholder relationships

Stakeholder engagement

The Company aims to build enduring relationships with governments, regulators, customers, partners, suppliers and communities in the United Kingdom. The Company works with its business partners in an honest respectful and responsible way and seeks to work with others who share the Company's commitments to safety, ethics and compliance

The Company's activity affects a wide variety of individuals and organisations. The company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making.

On behalf of the Company, the DXC group participates in industry associations that offer opportunities to share good practise and collaborate on issues of importance. Additionally, it works with governments on a range of issues that are relevant to its business, from regulatory compliance, to collaborating on community initiatives.

The group seeks to engage with customers through social media, focus groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.

Director's report (continued)

Employee engagement

Employees of the Company are informed of information on matter of concern to them as employees through the employee intranet and local sites, e-mails, social media channels, town halls, site visits and webinars including topics such as quarterly results, strategy, business updates and diversity.

There are a number of employee share plans in place at group level. The group operates share save and share reward plans. The group also operates group-wide discretionary share plans, which allow employee participation at different levels globally and is linked to the group's performance.

Energy and carbon disclosures

Details of energy and carbon usage is included on page 13 as a separate report.

The report included has been drawn up for the UK Enterprise Services (ES) subsidiaries of the DXC Technology Group. The report contains combined energy for this subgroup of companies. It has been impractical to present this data on an entity basis and so a combined report is presented.
Fellow group companies included are ES Field Delivery UK Limited and Enterprise Services Information Security UK Limited.

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements.

The company is part of the DXC group and as such all UK employee matters are managed from the DXC group central human resources.

At DXC 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 from 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.

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 therefore aims to safeguard 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.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Director's report (continued)

Employees (continued)

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in January 2018 and allows DXC's employees located in the United Kingdom to purchase shares of DXC's common stock at the fair market value of such shares on the applicable purchase date. This is a flexible plan, the share incentive plan (SIP) where employees can purchase DXC technology shares through tax efficient payroll deductions paid into a separate trust arrangement set up to administer the scheme for employees.

Political and charitable contributions

No political and charitable donations were made during the financial year (2019: nil).

Engagement with suppliers, customer and others

Details of the company engagement with supplier, customer and others can be found in the company strategy report with the s172 statement section.

Going concern

The Company is profit making, reports net assets, has positive working capital, pension surplus and forecasts profitable trading into the future; thus the directors have a reasonable expectation that the Company has adequate access to resources from its continuing trading results, reserves and access to group support that it can continue in operational existence 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 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 to identifying the Company other than as a going concern.
Also see future developments / post balance sheet events section within the Strategic report (page 5).

Research and development costs

The company incurs development expenditure which is an integral part of customer contracts. Recognition of these costs follows contract accounting within the company results as all these amounts are charged onto customers via billing arrangements. Amounts are not separately identified as intangible assets or under a separate research and development heading. There is an element of these costs included within the overall contract expenditure that is expensed within cost of sales in the statement of comprehensive income and an element included in both fixed and current assets under the contract cost category on the balance sheet together with other contract expenditure incurred.

Director's report (continued)

Strategic report

In accordance with Section 414C(11) of the Companies Act 2006, the following information has been included in the company's strategic report which would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the directors' report:

- The financial and market risk management objectives and policies of the company and exposure of the company to risk in relation to the use of financial instruments;
- Future developments/ post balance sheet events of the company; and
- Dividend recommendations

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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.

Approved by the Board and signed on their behalf by:

C Halbard
Director
Date: 11 December 2020

Director's responsibility statement

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial 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" applicable in the UK and Republic of Ireland. 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.
The directors are responsible for the maintenance and the integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Energy & Carbon report

This is the first Energy and Carbon report produced by Entserv UK Limited (Entserv) to provide an overview of the energy and carbon emissions under Entserv's operational control of and the mechanisms being put in place to manage these impacts.

The UK Government's 2018 Regulations launched the Streamlined Energy and Carbon Report (SECR) which required all large UK companies to report their carbon emissions and energy usage on an annual basis. The regulations take effect from 1 April 2019 and cover financial reporting years starting after this date. Entserv falls within scope of the SECR reporting obligations as a 'large' organisation ('large' due to size) and is required to report the following:

- UK energy use (to include as a minimum purchased electricity, gas and transport)
- Associated greenhouse gas emissions
- At least one intensity ratio
- Previous year's figures for energy use and GHG emissions (this is a voluntary disclosure as not a requirement in this first year of reporting)
- Information about energy efficiency action taken in the organisation's financial year
- Methodologies used in calculation of disclosures.

Reporting boundaries

Operational control
Entserv is a legal entity under the US based parent company DXC Technology. DXC's UK property portfolio comprises a wide variety of both owned and leased sites, including Data Centres, Offices, and other uses. DXC report environmental impacts at a global level and Entserv reflect the same approach in company reporting for the UK. An operational control approach is used to define the scope according to the GHG Protocol.

Reporting Units
The following 27 sites are in scope for Entserv UK Limited:

Table 1: Entserv sites in scope FY20

Site Name	Location
Wynyard Data Center	Wynyard Avenue, Billingham
Mitcheldean Data Center	Vantage Point Business Village, Mitcheldean
Doxford Data Center	Doxford International Technology Park, Sunderland
Norwich Data Center 2	Whiffler Road, Norwich
Norwich Data Center 3	Broadland Business Park North, Norwich
Rugby Data Centre	Pelham Road, Rugby
Swindon Data Center	Brimble Hill, Swindon
Reading Data Center	Suttons Business Park, Reading
Bracknell Amen Corner	Cain Road, Bracknell
Bristol	Longdown Avenue, Bristol
Hook	Bartley Wood Business Park, Hook
Erskine	Erskine Ferry Road, Erskine
Milton Keynes	Wavendon Campus, Milton Keynes
London Waltham Cross	Io Centre, Waltham Cross, London
London 1A Square	Aldermanbury Square, London

Carbon & Energy report (continued)

Nottingham Sherwood Park	Little Oak Drive, Annesley

Belfast Glandore Business Centre	Arthur Street, Belfast
Belfast Newtown Abbey	Metro Park, Newtownabbey
Warrington	Kelvin Close, Warrington
Peterlee St Aidens	Bracken Hill, Peterlee
Shepshed	Leicester Road, Shepshed
Blackley Hexagon Tower	Crumpsall Vale, Blackley, Manchester
London Kingscross	Camley Street, London
Telford Titan House	Euston Park, Telford
Newcastle Upon Tyne Cobalt 1&2	Cobalt Business Park, Newcastle upon Tyne
Warrington Birchwood Boulevard	Birchwood Boulevard, Warrington
Aberdeen	Westburn Road, Aberdeen

Entserv operate a fleet of leased road vehicles which make up the transport energy and emissions included in this report.

Baseline and reporting periods
Entserv's financial year runs from April to March. The first reporting period for SECR is April 2019 to March 2020, hereafter referred to as FY20. The previous year is taken as the comparison reporting (baseline) year, April 2018 – March 2019 (FY19).

UK Energy use

Table 2: Energy use

Energy, kWh	FY19	FY20	% change
Natural gas	18,401,356	16,965,930	-9%
Diesel	182,865	584,064	+219%
Electricity	187,048,738	146,740,572	-22%
Transport	3,110,906	285,822	-91%
Total energy use	**208,743,866**	**164,306,388**	**-21%**

Carbon & Energy report (continued)

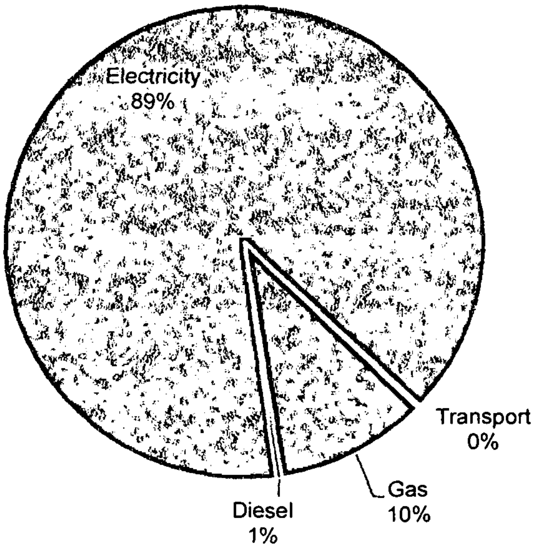

Figure 1: Breakdown of Entserv energy use (kWh) in FY20

89% of Entserv's energy use is electricity and this is the primary focus of energy saving initiatives. Principal uses of electricity include IT load and cooling in data centres as well as lighting and power across all sites. Natural gas is used for heating in offices. Diesel generators act as the emergency power supply for data centers, and the primary use of diesel is for regular maintenance checks of these systems.

Mileage data is collected for Entserv's fleet of leased vehicles. The provision of data has improved from FY19, where contractual maximum mileage was reported, to FY20 where actual mileage travelled was recorded. This manifests as a significant apparent reduction in transport energy use.

Associated greenhouse gas emissions

Table 3: Location based GHG emissions

GHG emissions, $tCO_2(e)$	**FY19**	**FY20**	**% change**
Scope 1 – Gas	*3,385*	*3,070*	*-9%*
Scope 1 – Diesel	*46*	*148*	*+219%*
Scope 1 - Transport	*787*	*70*	*-91%*
Total Scope 1	4,218	3,287	-22%
Total Scope 2 *Electricity*	52,948	37,507	-29%
Total scopes 1 & 2	**57,166**	**40,794**	**-29%**

Table 4: Market based GHG emissions

GHG emissions, $tCO_2(e)$	**FY19**	**FY20**	**% change**
Scope 1	4,218	3,287	-22%
Scope 2	14,099	640	-95%
Total scopes 1 & 2	**18,317**	**3,927**	**-79%**

Entserv procures renewable electricity backed by Guarantees of Origin. This reduces the total location based emissions by 90% to a small market based emissions footprint.

Carbon & Energy report (continued)

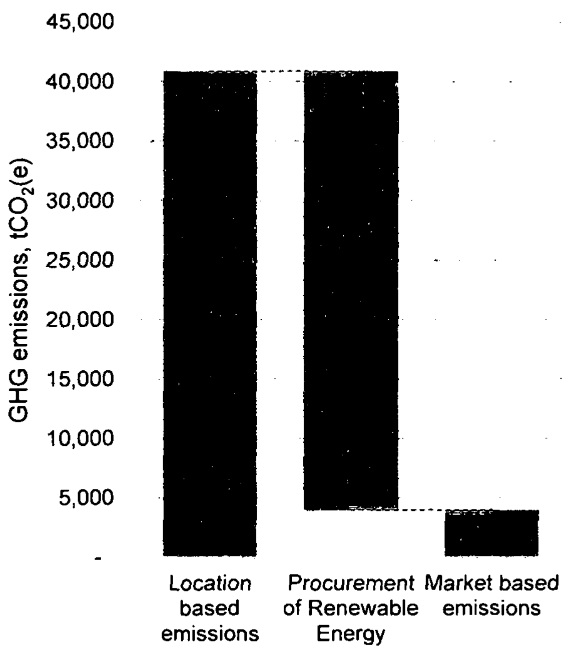

Figure 2: Comparison of location based and market based emissions FY20

Intensity ratio

Table 5: Location based GHG emissions per unit floor area

GHG emissions, $kgCO_2(e)$ per m2 floor area	FY19	FY20	% change
Scope 1	29	17	-41%
Scope 2	361	194	-46%
Total scopes 1 & 2	**390**	**211**	**-46%**

Entserv's energy use is predominantly in buildings and the site portfolio is variable year on year. Floor area is therefore used as the intensity metric to evaluate efficiency of Entserv's space. Note that due to ongoing rationalisation of sites, large areas may sit vacant. These can have a significant impact on the emissions per floor area, as seen in FY20.

Energy efficiency action

The Entserv portfolio includes three Strategic Data Centres which make up 61% of Entserv's electricity use. These sites are certified to ISO 50001 and have an active Energy Management System (EnMS) fully embedded within site operations. Energy efficiency activities are being implemented across these sites with a focus on reducing energy used for cooling (one of the significant energy uses on site). These include correct positioning and management of grilles and vents distributing cold air, management of setpoint temperatures and volumes, use of free cooling where possible, and use of variable speed drives to handle flexible loads.
There has been a significant reduction in transport use between FY19 and FY20. This is due to both a marked reduction in fleet vehicles across the operation, and reduced transport in the early months of 2020 due to COVID-19.

Methodologies used

The information in this report has been compiled in accordance with the **GHG Protocol Corporate Standard.** DXC Technology implements a Global GHG Reporting Procedure which has been updated in 2020 and has been verified to limited assurance. This section summarises key aspects from this methodology which are applicable to Entserv's operations in the UK.

Carbon & Energy report (continued)

An operational control approach is taken where owned and leased assets are considered in scope where operated by DXC. All Entserv UK sites recorded in DXC's Property Management Database are included in scope unless specifically excluded under criteria in accordance with the GHG Protocol. Reporting years align with the company's financial year:

Table 6: Base and reporting years

Target base year FY19	1st April 2018 to 31st March 2019
Reporting year FY20	1st April 2019 to 31st March 2020

Actual data is obtained as far as possible, with priority given to sites with the greatest impact on GHG emissions. This limits the need for estimation to smaller, lower impact sites. For Entserv in FY20, 97% of the energy use reported in Table 2 is based on actual data, and only 3% is estimated. Where actual data is not available for a site, consumption is estimated

Data collection

Energy data is collected at monthly resolution from the following sources:

Table 7: Data sources

Energy broker	Invoice data from energy suppliers Renewable energy certificates
FM provider	Invoice data from energy suppliers Invoice data from landlords Metered consumption data Diesel delivery volumes
DXC Fleet Operations team	Mileage for leased vehicles Vehicle information including fuel type, size, registration.

Data provided undergoes a number of verification checks, including reconciliation between different sources reporting the same data, sampling of data back to supplier invoices, and identification and interrogation of anomalies.

Renewable energy certificates must include:

- An official declaration from the supplier that states the tracking of the units consumed under Guarantees of Origin.
- An understanding of the energy sources, ideally a breakdown of the supplier's generation portfolio.
- The carbon emissions factor that should be used in a market-based approach
- The units purchased and timescale covered by the declaration.

Emissions factors

Location based emissions factors used are the UK Government conversion factors for company reporting. A single set of factors are applied to the reporting year, i.e. the 2019 conversion factors are applied to the full FY20 reporting year.

Market based factors are applied where renewable energy certificates are provided to cover some or all of the electricity consumed.

External verification

Limited assurance of DXC's global GHG inventory for FY20 and FY19 has been provided by Lloyd's Register (LRQA). This verification was conducted in accordance with ISO 14064-3. The Entserv UK data reproduced in this report is a subset of DXC's global GHG inventory and is therefore covered by this verification.

Independent auditor's report

to the members of EntServ UK Limited

Report on the audit of the financial statements for the financial year 1 April 2019 to 31 March 2020

Opinion

In our opinion the financial statements of EntServ UK Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the financial 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 29.

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.

Independent auditor's report

to the members of EntServ UK Limited

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.

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, 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.

David Halstead

David Halstead FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom

Date: 11 December 2020

Statement of comprehensive income

For the financial year 1 April 2019 to 31 March 2020

	Note	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Revenue	2	1,300,657	1,520,335
Cost of Sales		(1,075,844)	(1,278,088)
Gross Profit		224,813	242,247
Distribution costs		(47,497)	(37,862)
Administrative expenses		(96,651)	(107,850)
Exceptional items	5	(24,467)	(43,646)
Operating profit	4	56,198	52,889
Analysed between:			
Operating profit before exceptional item		80,665	96,535
Exceptional item – restructuring expenses	5	(24,467)	(43,646)
Interest receivable and similar income	8	39,216	37,916
Interest payable and similar costs	9	(10,863)	(9,518)
Profit before taxation		84,551	81,287
Tax expense on profit	10	(14,268)	(12,489)
Profit for the financial year		70,283	68,798
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement gain on defined benefit pension plan	24	362,192	84,210
Tax on items in relation to components of other comprehensive income	10	(68,817)	(16,000)
Rate change impact on deferred tax on items relating to components of other comprehensive income	10	-	1,684
Items that can be reclassified to profit or loss			
Cash flow hedges:			
Fair value gain arising in the year on hedge instruments	26	(1,748)	712
Adjustments relating to prior year		(712)	-
Total comprehensive income		361,198	139,404

All amounts above are derived from continuing operations.
The notes on pages 25 to 64 form an integral part of these financial statements.

Balance Sheet

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Tangible assets	11	247,037	251,890
Right of use assets	12	76,314	-
Intangible assets	13	45,152	42,676
Contract costs	2	160,549	157,178
Debtors (amounts due after one year)	17	318,677	316,262
Pension assets	24	1,168,278	797,977
Total non-current assets		2,016,007	1,565,983
Current assets			
Stocks	15	8,920	13,179
Contract costs	2	15,385	88,934
Debtors (amounts due within one year)	16	493,478	864,918
Contract assets	2	34,162	53,036
Cash at bank and in hand		543,452	575,013
		1,095,397	1,595,080
Creditors: Amounts falling due within one year			
Trade and other payables	18	(289,077)	(415,549)
Lease liabilities	20	(72,963)	(43,383)
Provisions	22	(3,376)	(24,153)
Contract liabilities	2	(81,519)	(106,600)
		(446,935)	(589,685)
Net current assets		648,462	1,005,395
Total assets less current liabilities		2,664,469	2,571,378

Balance Sheet

As at 31 March 2020

	Note	2020 *£'000*	2019 *£'000*
Total assets less current liabilities		2,664,469	2,571,378
Creditors: Amounts falling due after more than one year			
Trade and other payables	19	(211)	(3,413)
Lease liabilities	20	(134,337)	(45,375)
Provisions	22	(6,549)	(25,759)
Contract liabilities	2	(61,956)	(74,951)
Pensions liability	24	(73,350)	(78,938)
Deferred tax	10	(134,083)	(51,658)
		(410,486)	(280,094)
Net assets		2,253,983	2,291,284
Capital and reserves			
Called up share capital	23	157,580	157,580
Share premium		972,519	972,519
Retained earnings		1,123,884	1,161,185
Total equity		2,253,983	2,291,284

The notes on pages 25 to 64 form an integral part of these financial statements.

The financial statements of EntServ UK Limited (registered number 00053419) were approved by the board of directors and authorised for issue. They were signed on its behalf by:

C Halbard
Director
11 December 2020

Statement of changes in equity

For the financial year 1 April 2019 to 31 March 2020

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018		157,580	972,519	1,021,856	2,151,955
Profit for the financial year		-	-	68,798	68,798
Other comprehensive income for the financial year		-	-	70,606	70,606
Total comprehensive income for the financial year		-	-	139,404	139,404
Share-based payments	7	-	-	3,407	3,407
Recharge for share-based payments		-	-	(3,482)	(3,482)
		-	-	(75)	(75)
Balance at 31 March 2019		157,580	972,519	1,161,185	2,291,284
Profit for the financial year		-	-	70,283	70,283
Other comprehensive income for the financial year		-	-	290,915	290,915
Total comprehensive income for the financial year		-	-	361,198	361,198
Dividends		-	-	(400,000)	(400,000)
Share-based payments	7	-	-	2,310	2,310
Recharge for share-based payments		-	-	(809)	(809)
		-	-	1,501	1,501
Balance at 31 March 2020		157,580	972,519	1,123,884	2,253,983

On 29 November 2019 an interim dividend of £400,000,000 was paid.

The notes on pages 25 to 64 form an integral part of these financial statements.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies

EntServ UK Limited is a private company, limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The Company's registered and principal address is Royal Pavilion, Wellesley Road, Aldershot, Hampshire, United Kingdom, GU11 1PZ.

1.1 Authorisation of financial statements and statement of compliance with FRS 101

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill.

The financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value and in accordance with the Companies Act 2006.

The Company's financial statements are presented in Pound Sterling (GBP), which is also the company's functional currency and the currency of the primary economic environment in which the Company operate. All values are rounded to the nearest thousand (£000) except where otherwise stated.

The Company has taken advantage of the exemption under s401 to the Companies Act 2006 from the requirement to produce consolidated financial statements since the Company itself is a wholly owned subsidiary undertaking of DXC Technology Company, a company registered in the United States of America, which itself prepares consolidated financial statements. The financial statements therefore present information as an individual undertaking and not as a group. Copies of the Group financial statements of DXC Technology Company are available from 1775 Tysons Blvd, Tysons, VA 22102, USA.

The principal accounting policies adopted by the Company are set out below.

1.2 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for year ended 31 March 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101, where relevant, equivalent disclosures have been given in the consolidated financial statements of the ultimate parent company, DXC Technology Company ("DXC"), in relation to:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share-based payment arrangement concerns the instruments of another group entity;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations

(c) the requirements of IFRS 7 Financial Instruments: Disclosures,

(d) the second sentence of 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,

(e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (iii) paragraph 118(e) of IAS 38 Intangible Assets;

(f) the requirements of the following paragraphs of IAS 1 Presentation of Financial Statements:

- 10(d) and 111 – a statement of cash flows for the year;
- 10(f) – a statement of financial position as at the beginning of the preceding year when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements;
- 16 – a statement of compliance with IFRS, which is not applicable since we are adopting FRS101 rather than following IFRS in full;

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.2 Basis of preparation (continued)

38A-D and 40A-D – a third statement of financial position, profit and loss and other comprehensive income, statement of changes in equity and other additional comparative information;

134-136 – disclosure of management of capital;

(g) the requirements of IAS 7 Statement of Cash Flows;

(h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(k) the requirements of IAS 36 "Impairment of Assets".

(l) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58

1.3 Going concern

The Company is profit making, reports net assets, has positive working capital, pension surplus and forecasts profitable trading into the future; thus the directors have a reasonable expectation that the Company has adequate access to resources from its continuing trading results, reserves and access to group support that it can continue in operational existence 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 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.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.4 New standards, amendments and IFRIC interpretations

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.
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:

IFRS 16 Leases

The company has adopted IFRS 16 from 1 April 2019 using the modified retrospective method of adoption. 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 years of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17.

Full details of the impact of the adoption of these standards can be found in note 28, 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 that have had a material impact on the Company.

1.5 Revenue

Revenue, including intercompany revenue, is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

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.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.5 Revenue (continued)

Services rendered
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.

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 input method wherein revenue is recognised over time based on progress measured to satisfaction of performance obligation. This is consistent with provisions of IFRS 15 where performance obligation is satisfied over time. Under this 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.

In some of the Company's services contracts the Company bills the client prior to performing the services. These balances are held as contract liabilities in the balance sheet until the service is performed. In other services contracts the Company performs the services prior to billing the client. These balances are held as amounts recoverable on contracts in the balance sheet until the client is billed. Billings usually occur in the month after the Company performs the services or in accordance with specific contractual provisions.

Multiple-element arrangements
The Company enters into multiple-element software and non-software related revenue arrangements, which may include any combination of services, software and hardware. A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

Software related revenue arrangements

- The functionality of the delivered elements is not dependent on the undelivered elements.
- There is a fair value to the undelivered elements.
- Delivery of the delivered elements represents the culmination of the earnings process for those elements.

Non-software related Revenue arrangements

- The delivered items have value to the client on a standalone basis.
- There is a fair value to the undelivered items.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.5 Revenue (continued)

Contract costs to obtain and fulfil contracts

Costs to obtain a contract comprise sales commissions paid out. Costs to fulfil a contact consist of contract acquisition and transition costs, including the costs of due diligence after competitive selection and costs associated with installation of systems and processes. These costs are recorded as contract costs on the balance sheet, split between current and non-current assets. Amortisation of these to the income statement takes place on a straight-line basis over the life of the contract.

Intercompany revenues

Revenue for work performed for fellow Group companies, where services provided, are recognised at cost plus an arm's length mark-up. Revenue is measured based on the consideration to which the Company expects to be entitled to and recognised when it transfers control of a product or service.

1.6 Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

1.7 Intangible assets

Goodwill

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value less fair value of the net assets acquired.

The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.7 Intangible assets (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Internally developed 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

Purchased 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.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.8 Tangible fixed assets

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	– 40 years (straight line)
Leasehold improvements	– 5 to 40 years or length of lease if shorter (straight line)
Plant and machinery	– 3 to 10 years (straight line)

Costs incurred in establishing a new or changed operation in relation to a contract and that meet the criteria for recognition as tangible fixed assets under IAS16 ('Property, plant and equipment') are capitalised as tangible fixed assets. Such costs are depreciated over the shorter of the life of the asset or contract term as appropriate.

Leasehold premises improvements take place from time to time. Costs incurred are included in assets under construction until the work is complete. As assets become available for use they are transferred to other categories and deprecation begins.

1.9 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.

Average periods that have been applied following the length of lease periods have been

Buildings	– 3 years (straight line)
Plant and machinery	– 2 years (straight line)

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.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making allowance for obsolete or slow moving stocks. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.11 Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

1.12 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet bank overdrafts are shown within trade and other payables in creditors falling due within one year.

1.13 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pound Sterling at the rate of exchange ruling at the balance sheet date. Transactions are translated at the rate of exchange ruling at the date of the relevant transaction. Exchange gains and losses are dealt with through the income statement.

1.14 Leases

Lessee accounting

i) 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.

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)
1.14 Leases (continued)

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.

Lessor accounting

ii) Amounts receivable under finance leases are included under finance debtors and represent the total amount outstanding under lease agreements less unearned income. Finance lease income, having been allocated to accounting periods to give a constant periodic rate of return on the net cash investment, is included in interest receivable and similar income.

iii) Customer arrangements may contain embedded leases for equipment used to fulfil services. Where a contract with a customer includes an embedded lease when the company grants the customer a right to control the use of an identified asset for a period of time in exchange for consideration. Embedded leases with customers are typically recognized as a finance lease debtor in which revenue and cost of sales are recognised upon lease commencement. Outstanding amounts are included within finance debtors on the balance sheet.

The interest elements of the rental obligations on both the asset and liability are charged in the profit and loss account over the periods of the leases and represent a constant periodic rate of return on the net cash investment asset and a constant proportion of the balance of capital liability repayments outstanding.

1.15 Pensions

The Company operates both defined benefit and defined contribution pension schemes. The assets of the schemes are held separately from those of the Company.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current year (to determine current service cost) and to the current and prior years (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line bases over the vesting period or immediately if benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statements as finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprised the total present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the cast of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expected to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.16 Share-based payments – ultimate parent equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

When the DXC Technology group makes charges to the company for the difference between the market value of exercised options and the exercise price of those options when the liability is due these are recorded against equity.

1.17 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and if it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, the expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

The company makes provision for the cost of restoring the existing leased office to their original condition based on publicly available estimated costs per square foot.

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.

1.18 Exceptional items

The company presents as exceptional items those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them merits separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior years and to assess better trends in financial performance.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.19 Research and development costs

Research cost are expensed as incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Expenditure capitalised as an intangible asset is amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment

1.20 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.

i) 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 loss allowance using lifetime expected credit losses 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 company 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.

Amounts recoverable on contracts represent the receivables, which are recognized when the company's right to consideration is unconditional except for the passage of time.

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 credit loss provision for trade receivables and contract 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 collaterised borrowing for the proceeds received.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.20 Financial Instruments(continued)

ii) Financial liabilities

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

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income statement. Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the Income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk.

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 year and reduced by repayments made in the financial year.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle liabilities simultaneously.

1.21 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of these mean that actual outcomes can sometimes differ from those adopted.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

As discussed in note 1.5, the majority of revenue is recognised based on objective criteria. However, some arrangements are subject to specific accounting guidance that may require significant judgements, including contracts that include multiple-element deliverables. These judgements are made on a contract by contract basis and a different assessment would result in a change to the amount of revenue recognised.

In making their judgement, the directors considered the detailed criteria as set out in IFRS 15.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)

1.21 Judgements and key sources of estimation uncertainty (continued)

Revenue recognition (continued)

Multiple-element arrangements
Certain contracts provide a range of services or elements to our customers, which may include a combination of services, products or both. As a result, significant judgement may be required to determine the appropriate accounting, including whether the elements specified in a multiple-element arrangement should be treated as separate performance obligation for revenue recognition purposes, and, when considered appropriate, how the total revenue should be allocated among the elements and the timing of revenue recognition for each element. Allocation of total contract consideration to each element requires obtaining the fair value or selling price of each element on a reasonable basis. Once allocated to the various contract elements, revenue for each element is recognised based on the relevant revenue recognition method for the services performed or elements delivered if the revenue recognition criteria have been met.

Variable consideration
Variable consideration is determined on a case-to-case basis, dependant on judgement made on contract terms.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Revenue recognition

Performance obligation satisfied over time (input method)
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 input method wherein revenue is recognised over time based on progress measured to satisfaction of performance obligation. This is consistent with provisions of IFRS 15 where performance obligation is satisfied over time. Under this 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.

Estimates of total revenue at contract inception may differ materially from actual revenue due to volume differences, changes in technology or other factors which may not be foreseen at inception. 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.

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

1. Accounting policies (continued)
1.21 Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(b) 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.

(c) Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the balance sheet by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

(d) Pension benefits

The cost of defined benefit pension plans are determined using external actuarial valuations. The actuarial valuations involved making assumptions about discount rates, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligations. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increase and pension increase are based on expected future inflation rates.

2. Revenue

All revenue is generated from activities within the UK market.
Revenue from continuing operations recognised in the income statement is analysed as follows:

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Rendering of services on contracts	1,132,877	1,399,314
Intercompany	167,780	121,021
	1,300,657	1,520,335

No revenue was derived from returns, refunds, warranties or similar or related obligations.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

2. Revenue (continued)

Assets and liabilities related to contracts with customers:

The company has recognised the following assets and liabilities related to contracts with customers

	31 March 2020 *£'000*	31 March 2019 *£'000*
Trade receivables	102,248	150,079
Amounts recoverable on contracts	65,740	71,572
Contract assets	34,162	53,036
Non-current asset – Contract costs		
Costs to obtain a contract	10,948	11,404
Costs to fulfil a contract	149,601	145,774
	160,549	157,178
Current asset – Contract costs		
Costs to obtain a contract	5,965	6,915
Costs to fulfil a contract	9,420	82,019
	15,385	88,934
Total contract costs	175,934	246,112
Contract liabilities		
Amounts falling due within one year	(81,519)	(106,600)
Amounts falling due after more than one year	(61,956)	(74,951)
	(143,475)	(181,551)
Contract loss provision	(2,678)	(5,680)

(i) Significant changes in contract assets and liabilities

Contract assets of deferred costs have decreased £70m across the portfolio of multiple customer contracts in the year. Some major contracts switched from increasing expenditure incurred which are deferred on transition and transformation projects to a delivery phase where previous incurred costs are amortised. Trade and unbilled receivables reduced £72m from reduction in trade levels, different billing phases on some contracts and tighter contractual payment terms applied.

Contract liabilities of deferred contract revenues decreased by £41m over the year from reduced levels of business on certain contracts.

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

2. Revenue (continued)

Assets and liabilities related to contracts with customers (continued)

(ii) *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting year relates to carried forward contract liabilities.	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	106,600	154,049

(iii) *Revenue recognised in relation to prior years*

The following table shows how much of the revenue recognised in the current reporting year relates to prior years:

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Revenue recognised in current year relating to prior years	-	39,322

(iv) *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 reporting year. Remaining performance obligation estimates are subject to change and 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.

(v) *Asset recognised from costs to obtain and to fulfil a contract*	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Asset recognised from incremental costs to obtain a contract	6,916	8,995
Asset recognised from costs incurred to fulfil a contract	66,957	119,072
Amortisation and impairment loss recognised as cost of providing services during the year	(144,051)	(190,665)

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

3. Auditors' remuneration

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Auditors' remuneration: audit of the financial statements *	934	984
other services	-	-
	934	984

**Includes audit fees paid on behalf of fellow group companies £10,855 (2019: £10,855).*
No non-audit services provided in current and prior years.

4. Operating profit

This is stated after charging/ (crediting):

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Research and Development expensed	44,470	23,800
Amortisation of software assets	4,934	3,680
Depreciation of owned tangible fixed assets	18,989	27,789
Depreciation of right of use assets	87,188	53,324
Loss on disposal of tangible fixed assets	6,390	551
Loss on disposal of right of use assets	223	-
Amortisation and impairment loss recognised as cost of providing services during the year	144,051	190,665
Foreign exchange (gains)/losses	(1,549)	2,808
Cost of stocks recognised as an expense (included in cost of sales)	17,734	51,696
Including: write-down of stocks to net realisable value	3,315	48
Reversal of impairments	(72)	-
Lease payments:		
Minimum lease payments	49,479	36,518
Short term lease payments	17,470	17,194
Low-value assets lease payments	213	426
Income from subletting right of use assets	(5,409)	(2,517)

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

5. Exceptional items

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Restructuring expenses – Employee redundancy costs	22,908	19,249
Restructuring expenses – Onerous lease / real estate costs	1,559	24,397
	24,467	43,646

Restructuring expenses from employee redundancy costs are from company restructuring programmes including payment to individuals and associated employer pension charges.
Restructuring expenses from onerous lease / real estate costs are from company restructuring programmes with respect to its property portfolio downsizing to accommodate a reduced workforce. This is a net figure encompassing lease obligations, legal fees associated with restructured properties and rental income from subletting unoccupied space.

6. Directors' emoluments

Directors of the Company are also directors of other companies within the group. These directors' emoluments are borne by CSC Computer Sciences International Limited and DXC Technology Singapore Pte. Limited.

Details of directors' emoluments paid by the Company are set out below.

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Directors' emoluments were as follows:		
Emoluments	323	298
Company contributions to money purchase pension schemes	-	5
	323	303
	No.	No.
The number of directors who:		
Are members of a company defined benefit pension scheme	1	1
Are members of a money purchase pension scheme	1	1
Exercised options over shares in the parent Company	1	1

Highest paid director
The highest paid director was paid through DXC Technology Singapore Pte. Limited. It is not possible to apportion their payment between the Company and other entities for which they provide services.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

7. Particulars of employees

The monthly average number of staff employed by the company during the year were:

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	No.	*No.*
Administration	202	288
Technical Staff	3,097	3,100
Sales and Operations	390	385
	3,689	3,773

The aggregate payroll costs of the above were:

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Wages and salaries	201,924	210,338
Social security costs	23,113	25,453
Pension costs	23,021	43,081
Equity-settled share-based payments	2,310	3,407
	250,368	282,279

The above aggregate payroll costs exclude expenditure in relation to employee redundancy costs which are shown separately in note 5 as exceptional items.

8. Interest receivable and similar income

	Financial year 1 April 2019 to 31 March 2020	Financial year 1 April 2018 to 31 March 2019
	£'000	*£'000*
Discounted provisions – effect of change in assumptions (see note 24)	4,308	5,410
Interest receivable on finance leases	1,423	1,256
Interest from group undertakings	11,455	9,561
Bank interest	3,641	3,808
Other interest receivable	7	15
Net interest on defined benefit pension (see note 24)	18,382	17,866
	39,216	37,916

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

9. Interest payable and similar charges

	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Discounted provisions – unwinding of discount (note 24)	1,930	2,165
Interest payable in respect of leases liabilities	8,411	6,021
Interest payable to group companies	172	90
Other interest payable	350	1,242
	10,863	9,518

10. Taxation

(a) Tax charged or credited to the income statement

	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Current tax:		
United Kingdom corporate tax on the profit for the year at 19% (2019: 19%)	5,871	6,873
(Over)/under provision in prior year	(5,732)	369
Foreign tax	521	393
Total current income tax	660	7,635
Deferred tax:		
Origination and reversal of timing differences	12,955	10,694
Adjustments in respect of prior years	(10,545)	(5,457)
Effect of change in deferred tax rate	11,198	(383)
Total deferred tax	13,608	4,854
Tax charges in the income statement	14,268	12,489

The prior year adjustment relates to reduction of tax payable by the company from group relief being claimed with no charge to the company. In the current year corporate taxation may be group relieved on a similar no cost basis but due to uncertainty no provision is made for this within the financial statements

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

10. Taxation (continued)

(b) Tax relating to items charged or credited to other comprehensive income

	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Deferred tax:		
Actuarial gains on defined benefit pension plans	68,817	16,000
Effect of change in deferred tax rate	-	(1,684)
Total deferred tax	68,817	14,316
Tax charges in the statement of other comprehensive income	68,817	14,316

(c) Tax relating to items charged or credited to statement of changes in equity

	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Deferred tax:		
IFRS 15 Transitional Adjustment	-	3,210
Effect of change in deferred tax rate	-	(338)
Total deferred tax	-	2,872
Tax charges in the statement of changes in equity	-	2,872

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

10. Taxation (continued)

(d) Reconciliation of the total tax charge

	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Profit before tax	84,551	81,287
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	16,065	15,445
Effects of:		
Disallowable expenses	2,262	2,122
Adjustments to tax charge in respect of prior years	(16,277)	(5,088)
Foreign tax	521	393
Income tax for research & development programs	499	-
Effect of change in tax rate	11,198	(383)
Total deferred tax and current charge for the year	14,268	12,489

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	31 March 2020 *£'000*	31 March 2019 *£'000*
Deferred tax liability	(134,083)	(51,658)

The movement in the deferred taxation account during the year was:

	Financial year 1 April 2019 to 31 March 2020 *£'000*	Financial year 1 April 2018 to 31 March 2019 *£'000*
Opening balance	(51,658)	(29,616)
Deferred tax debit to the income statement	(13,608)	(4,854)
Deferred tax debit to other comprehensive income	(68,817)	(14,316)
Deferred tax debit to statement of changes in equity	-	(2,872)
Closing balance	(134,083)	(51,658)

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

10. Taxation (continued)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	31 March 2020 £'000	31 March 2019 £'000
Excess of depreciation over taxation allowances	28,973	30,493
Pension surplus	(208,036)	(121,401)
Losses carried forward	36,107	35,328
Other timing differences	8,873	3,922
Total deferred tax liability	(134,083)	(51,658)

Deferred tax asset elements in relation to excess of depreciation over taxation allowances and losses have been recognised in line with the directors' expectations that, based on forecast results, it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

(f) Factors that may affect future tax charges

The Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 March 2019 had been calculated including the change to this rate. 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 and accordingly the deferred tax balances have been re-calculated to 19% at the year ended 31 March 2020.

The provisions of the Finance (No. 2) Act 2017 relating to restriction on trading loss relief has been considered in calculating the current and deferred tax amounts included in these financial statements. Under this legislation it is expected that the utilisation of brought forward trading losses will take place over a longer period. The directors are satisfied that the extended loss utilisation period will not impact the deferred tax asset recognition and that the company, based on the forecast results, will have sufficient taxable profits in order to recognise the total deferred tax asset balance in relation to carried forward losses.

The rates of capital allowances remain at a level of 18% and 8% respectively for the general pool and special rate pool. Finance Bill 2018-19 introduces reduction in the special rate pool from 8% to 6%. The new rate is effective 1 April 2019. The directors' expectation is the change has no material impact on the level of deferred tax asset balance recognition and utilisation in relation to fixed assets.

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

11. Tangible fixed assets

	Freehold land and buildings £'000	*Leasehold improvements £'000*	*Assets under construction £'000*	*Plant and machinery £'000*	*Total £'000*
Cost:					
At 1 April 2019	15,202	380,314	1,005	423,424	819,945
Additions	-	704	8,881	70,577	80,162
Disposals	-	(34,410)	(396)	(129,220)	(164,026)
At 31 March 2020	15,202	346,608	9,490	364,781	736,081
Depreciation:					
At 1 April 2019	2,774	250,997	-	314,284	568,055
Charge for the year	123	16,439	-	54,938	71,500
On disposals	-	(33,145)	-	(117,366)	(150,511)
At 31 March 2020	2,897	234,291	-	251,856	489,044
Net book value:					
At 31 March 2020	12,305	112,317	9,490	112,925	247,037
At 31 March 2019	12,428	129,317	1,005	109,140	251,890

Freehold land and buildings – Included within the net book value of freehold land and buildings is £2,766,627 (2019: £2,889,588) of buildings, and £9,538,057 (2019: £9,538,057) of land which is not depreciated. Transfers of assets from asset under construction are those available for use transferred to depreciable assets within the categories, leasehold improvements, plant and machinery and to intangible assets in the year.

Leased fixed assets
Included within the net book value of £ £247,036,620 is £86,045,584 (2019: £88,209,377) relating to leased assets The depreciation charged to the financial statement in the period in respect of such assets amounted to £52,510,836 (2019: £53,324,148).

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

12. Right of use assets

	Buildings	*Plant and machinery*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
Taken on at 1 April 2019	126,556	25,113	151,669
Impairment transfers from provisions	(25,388)	-	(25,388)
Additions	-	85	85
Disposals	(858)	(19,065)	(19,923)
At 31 March 2020	100,310	6,133	106,443
Depreciation:			
Charge for the year	24,845	9,832	34,677
On disposals	(34)	(4,514)	(4,548)
At 31 March 2020	24,811	5,318	30,129
Net book value:			
At 31 March 2020	75,499	815	76,314

See note 28 regarding change of accounting policies. The above assets are recorded following the adoption of IFRS 16 from 1 April 2019.

The right of use asset represents leased buildings occupied and equipment utilised by the company to carry out its contractual services to customers in the course of normal trading activities.

Impairments are made for right of use assets on onerous leases associated with leasehold premises no longer used in operations following group property rationalisation programs. In the previous year prior to the adoption of IFRS16 such impairments were held as provisions (see note 22). These provisions have been transferred to be recorded as impairments against their related right of use assets set up on 1 April 2019.

There are multiple leases with a variety of extension and termination options, however in general leases run the full term. In the case of buildings if already impaired and onerous as the premises are no longer used the next break clauses opportunities are taken so exit from leases can occur as soon as is possible.

Also see note 20 for lease obligation details.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

13. Intangible assets

	Software	*Goodwill*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 April 2019	71,003	296,954	367,957
Additions	12,833	-	12,833
Disposals	(36,559)	-	(36,559)
At 31 March 2020	47,277	296,954	344,231
Amortisation:			
At 1 April 2019	56,296	268,985	325,281
Charge for the year	4,934	-	4,934
On disposals	(31,136)	-	(31,136)
At 31 March 2020	30,094	268,985	299,079
Net book value:			
At 31 March 2020	17,183	27,969	45,152
At 31 March 2019	14,707	27,969	42,676

Goodwill relates to acquisition of outsourcing business from fellow group companies in prior years. The carrying values is subject to annual impairment testing.

14. Investments

Companies in which the company has an interest are as follows:

Company name	*Country of incorporation*	*Principal activity*	*Class and percentage of shares held*
DXC UK Trustee Limited	England and Wales	Dormant company	£1 ordinary shares 90%
Spiritguide Ltd	England and Wales	Dormant company	£1 ordinary shares 100%
Spiritmodel Ltd	England and Wales	Dormant company	£1 ordinary shares 100%

Investments are stated at cost

Registered office address of all the subsidiaries is Royal Pavilion, Wellesley Road, Aldershot, Hampshire, United Kingdom, GU11 1PZ.

15. Stocks

	2020	2019
	£'000	*£'000*
Finished goods and goods for resale	8,920	13,179

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

16. Debtors: amounts falling due within one year

	2020	2019
	£'000	*£'000*
Trade debtors	102,248	150,079
Amounts owed by parent	-	306,263
Amounts owed by group undertakings	294,350	307,033
Finance debtors	6,386	9,863
Amounts receivable on contracts	51,046	53,040
Other debtors	3,779	2,820
Prepayments	35,669	35,820
	493,478	864,918

Amounts owed by parent earn daily interest at a rate 1.4710%. The loan arrangement is unsecured and matured on 15 October 2019 when it was repaid.

Amounts owed by group undertakings of £237,493,712 (2019: £253,138,950) earn daily interest at a rate of LIBOR less 15 basis points and are payable on demand and unsecured.

The rest of the amounts owed by group undertakings are non-interest bearing and are payable on demand and unsecured.

Finance debtors are amounts owed on embedded lease arrangements within customer contracts. (see note 21)

17. Debtors: amounts falling due after more than one year

	2020	2019
	£'000	*£'000*
Amounts owed by group undertakings	287,334	287,334
Finance debtors	7,958	5,417
Amounts receivable on contracts	14,694	18,532
Prepayments	8,691	4,979
	318,677	316,262

Amounts owed by group undertakings in amount of £287,333,616 (2019: £287,333,616) earn daily interest at a rate 2.8220%. The loan arrangement is unsecured and matures on 31December 2023.

Finance debtors are amounts owed on embedded lease arrangements within customer contracts. (see note 21)

18. Trade and other payables falling due within one year

	2020	*2019*
	£'000	*£'000*
Trade creditors	98,160	153,466
Amounts owed to group undertakings	67,727	91,132
Corporation tax	5,871	6,106
Other taxation and social security	15,382	33,937
Other creditors	2,860	28,371
Accruals	99,077	102,537
	289,077	415,549

Amounts owed to group undertakings are non-interest bearing and are payable on demand and unsecured.

Included within other creditors is £nil (2019: £26,967,704) related to the purchase of data centres contained within tangible assets which is secured on these assets.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

19. *Trade and other payables falling due after more than one year*

	31 March 2020 *£'000*	31 March 2019 *£'000*
Other creditors	211	3,413

20. Lease liabilities

The company uses finance and operating leases contracts.
Future minimum lease payments under leases contracts are as follows:

	2020 *£'000*	2019 *£'000*
Future minimum lease payments due:		
No later than one year	77,218	45,557
Later than one year but no more than five years	128,509	48,077
Later than five years	13,586	-
	219,313	93,634
Interest charges allocated to future years	(12,013)	(4,876)
Present value of minimum lease payments	207,300	88,758
Present value of minimum lease payments due:		
No later than one year	72,963	43,383
Later than one year but no more than five years	122,297	45,375
Later than five years	12,040	-
	207,300	88,758
Analysed as:		
Amounts falling due within one year	72,963	43,383
Amounts falling due after more than one year	134,337	45,375
	207,300	88,758

Commitments under finance leases are secured on the assets concerned.
Interest is on fixed rate terms and included no variable elements

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

21. Amounts receivable under finance leases

The company enters into finance leases arrangements as a lessor for plant and machinery to its customers.

Present value of minimum lease payments receivable are as follows:

	2020	2019
Gross investment in the lease:	*£'000*	*£'000*
No later than one year	7,137	10,866
Later than one year but no more than five years	9,654	5,767
	16,791	16,663
Less: unearned finance income	(2,447)	(1,353)
Present value of minimum lease payments	14,344	15,280
Present value of minimum lease payments receivable:		
No later than one year	6,386	9,863
Later than one year but no more than five years	7,958	5,417
	14,344	15,280
Analysed as:		
Amounts falling due within one year	6,386	9,863
Amounts falling due after more than one year	7,958	5,417
	14,344	15,280

The finance lease receivables at the end of the reporting year are neither past due nor impaired.
Interest is on fixed rate terms and included no variable elements

22. Provisions for liabilities and charges

	Asset Retirement Obligation provision	*Onerous lease / Real Estate restructuring*	*Labour restructuring provision*	*Contract provision*	*National insurance on share based payments*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
At 1 April 2019						
Current	-	12,210	7,975	3,968	-	24,153
Non-current	5,031	18,949	-	1,712	67	25,759
	5,031	31,159	7,975	5,680	67	49,912
Charge arising during the financial year:						
Additional amount provided	-	1,038	23,921	2,724	-	27,683
Provision release	-	(2,632)	(3,864)	-	-	(6,496)
Amounts utilised *	-	(27,879)	(27,502)	(5,726)	(67)	(61,174)
At 31 March 2020	5,031	1,686	530	2,678	-	9,925
Analysed as:						
Current	-	168	530	2,678	-	3,376
Non-current	5,031	1,518	-	-	-	6,549
	5,031	1,686	530	2,678	-	9,925

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

22. Provisions for liabilities and charges (continued)

*Amount utilised under the onerous lease/ real estate restructuring category include amounts transferred against IFRS16 right of use assets (see note 12)

Asset retirement obligation provisions represent leasehold premises exit obligations. These are expected to be utilised on exit of individual leases, which will be no later than April 2027. Contractual obligation is assumed on entry to leasehold premises.
Onerous lease and real estate restructuring provisions represent costs associated with certain contractual obligations and related costs for leasehold premises which are no longer used in operations following a group property rationalisation program. It is expected that these costs will have been incurred by 31 March 2024.
Labour restructuring provision represents expenses for employee redundancies during the year and it is expected these costs will have been incurred within the next financial year.
Contract provisions comprise provision for costs to complete construct and build elements of contracts where the total estimated costs are in excess of the revenue for those contract components, and the provision for claims and actions against the company in respect of contract disputes. Utilisation will be when disputes are settled and expected costs are incurred. It is expected that these costs will have been incurred within the next financial year.
National Insurance provisions represent the Company's liability on certain granted stock options to pay National Insurance on the difference between the stock option exercise price and the market value of the related shares when the stock options are exercised.

23. Share capital

	2020	2019
	£'000	*£'000*
Allotted, called up and fully paid:		
157,580,003 ordinary shares of £1 each	157,580	157,580

24. Pensions

Defined contribution schemes
Defined contribution pension schemes are provided for the benefit of employees who are not members of a defined benefit scheme.
The assets of these schemes are held separately from those of the company in an independently administered fund. The cost for the year amounted to £22,040,630 (Financial year ended 31 March 2019: 22,610,807). The outstanding liability relating to the scheme at 31 March 2019 was £155,276 (2019: £2,112,126).

Defined benefit pension balances included on the company balance sheet:

	2020	*2019*
	£'000	*£'000*
Unfunded benefit scheme liabilities	(73,350)	(78,938)
Funded defined benefit scheme assets	1,168,278	797,977
Net balance	1,094,928	719,039

Notes to the financial statements
For the financial year 1 April 2019 to 31 March 2020

24. Pensions (continued)

Unfunded benefit schemes

	2020	2019
	£'000	£'000
Opening liability balance	78,938	86,888
Charge to the income statement:		
Additional amounts provided	1,319	-
Unwinding of discounted amount	1,930	2,165
Effect of change in assumptions	(4,308)	(5,410)
Amounts utilised during the year	(4,529)	(4,705)
Closing liability balance	73,350	78,938

The above balances represent unfunded termination benefits for contractual enhancement payments made to ex-employees who have had their employment terminated early and who are members of the 1994 pension scheme. These amounts are linked to pensions and are administered as such but funded by the company directly. The resulting liability is measured at the discounted value of the future expected payments, using a discount rate of 2.4% (2019 2.5%) and is calculated using the same assumptions as those applied to the 1994 pension plan (see below). The liability is payable from the date of employee leaving to the retirement age or death of the employee.

Defined benefit funded schemes

The company operates two defined benefit pension schemes for the benefit of certain employees:

- the Electronic Data Systems Retirement Plan (Retirement plan); and
- the Electronic Data Systems 1994 Pension Scheme (1994 scheme);

These schemes provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company in separate trustee administered funds. From 1 December 2017 the Retirement plan closed for all future accruals of benefits. The 1994 scheme was partially closed to future accruals in the previous financial year and has a small number of remaining active members.

These schemes operate under trust law and are managed and administered by the Trustee on behalf of members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Trustee board consists of 10 trustee directors made up of five employer-appointed directors, one independent director and four member-nominated directors. The Trustee Board delegates day-to-day administration of the scheme to a dedicated team from Equiniti.

The valuation used has been based on the preliminary triennial actuarial valuation at 31 December 2017 (Retirement Plan), and 31 December 2017 (1994 scheme) and updated by the schemes' independent qualified actuaries Aon Hewitt Limited to take account of the requirements of FRS101 in order to assess the liabilities of the schemes as at 31 March 2020 and 31 March 2019.

The Trust Deed provides EntServ UK limited with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of plan wind-up. Furthermore, in the ordinary course of business the Trustees have no rights to unilaterally wind up the scheme. Based on these rights, any net surplus arising from FRS101 accounting is recognised in full.

Scheme assets are stated at their market values at the respective balance sheet dates.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

24. Pensions (continued)

The assets and liabilities of the schemes are:

	Retirement Plan	1994 Scheme	Total
At 31 March 2020	*£000*	*£000*	*£000*
Scheme assets at fair value			
Equities	676,872	231,642	908,514
Bonds and LDI	1,890,667	600,332	2,490,999
Property & alternatives	1,345,675	469,426	1,815,101
Others	162,233	60,976	223,209
Fair value of scheme assets	4,075,447	1,362,376	5,437,823
Present value of scheme liabilities	(3,268,810)	(1,000,735)	(4,269,545)
Net defined benefit pension scheme assets	806,637	361,641	1,168,278

	Retirement Plan	1994 Scheme	Total
At 31 March 2019	*£000*	*£000*	*£000*
Scheme assets at fair value			
Equities	763,147	263,252	1,026,399
Bonds and LDI	2,828,463	1,018,364	3,846,827
Property	159,854	60,456	220,310
Others	99,213	40,875	140,088
Fair value of scheme assets	3,850,677	1,382,947	5,233,624
Present value of scheme liabilities	(3,283,145)	(1,152,502)	(4,435,647)
Net defined benefit pension scheme assets	567,532	230,445	797,977

The pension plans have not invested in any of the company's own financial instruments nor in properties or other assets used by the company.
The pension plan exposes the Company to actuarial risks, such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk.
To mitigate risk the trustees spread investments made over a diverse mix of assets, equity and bonds with long- and short-term growth and return expectations which are managed through a number of investment managers.
The amounts recognised in the Income statement and in the Statement of comprehensive income for the year are as follows:

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

24. Pensions (continued)

Year ended 31 March 2020	Retirement Plan *£000*	1994 Scheme *£000*	Total *£000*
Recognised in the income statement			
Current service costs	-	400	400
Administrative expenses	5,030	3,047	8,077
Separated employee pension enhancements	907	1,386	2,293
Expenses recognised in arriving at operating profit	5,937	4,833	10,770

Of the total charge, £400,000 was included in cost of sales £8,077,000 was included in administrative expenses and £2,293,000 in exceptional restructuring expenses.

Net interest on defined benefit liability	12,933	5,449	18,382
Taken to other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	(236,621)	6,960	(229,661)
Experience gains arising on scheme liabilities	(66,201)	(96,189)	(162,390)
Effect of changes in demographic assumptions	6,535	1,999	8,534
Effect of changes in financial assumptions	64,675	(43,350)	21,325
Recognised in the statement of comprehensive income	(231,612)	(130,580)	(362,192)

Year ended 31 March 2019	Retirement Plan *£000*	1994 Scheme *£000*	Total *£000*
Recognised in the income statement			
Current service costs	-	2,621	2,621
Past service costs	15,304	2,286	17,590
Administrative expenses	4,700	2,500	7,200
Separated employee pension enhancements	495	-	495
Expenses recognised in arriving at operating profit	20,499	7,407	27,906

Past service costs include the full costs of GMP (Guaranteed Minimum Pension) equalisation costs. This has been included following the conclusions on a High Court case on 26 October 2018 in the UK that confirmed GMPs needed to be equalised.

Of the total charge, £2,090,000 was included in cost of sales, £25,193,000 in administrative expenses, £376,000 in distribution costs, and £247,000 in exceptional restructuring expenses.

Net interest on defined benefit liability	12,632	5,234	17,866

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

24. Pensions (continued)

Year ended 31 March 2019	Retirement Plan £000	1994 Scheme £000	Total £000
Taken to other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	(162,279)	(59,087)	(221,366)
Experience losses arising on scheme liabilities	11,905	6,149	18,054
Effect of changes in demographic assumptions	(54,402)	(19,974)	(74,376)
Effect of changes in financial assumptions	136,249	57,229	193,478
Recognised in the statement of comprehensive income	(68,527)	(15,683)	(84,210)

The main assumptions adopted are:	Retirement Plan		1994 Scheme	
	2020	2019	2020	2019
	%	*%*	*%*	*%*
Rate of general long-term increase in salaries	*N/A*	*N/A*	1.8	2.1
Discount rate	2.4	2.5	2.4	2.5
Inflation assumption – RPI	2.4	3.2	2.4	3.2
Inflation assumption – CPI	1.8	2.1	1.8	2.1
Post-retirement mortality	*Years*	*Years*	*Years*	*Years*
Current pensioners				
at 65 – male	22.9	22.8	22.5	22.4
at 65 – female	25.4	25.3	25.4	25.3
Current 45-year-old member				
from 65 – male	24.2	24.1	25.4	23.7
from 65 – female	26.9	26.8	26.9	26.8

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below. These represent reasonable approximations of possible changes.

Assumption	Change in assumption	Impact on scheme liabilities
Retirement Plan		
Discounts rate	Increase/ decrease by 0.5%	Decrease 9%/ increase by 10%
Inflation assumption	Increase/ decrease by 0.5%	Increase 6%/ decrease by 6%
Post retirement mortality	Increase/ by 1 year	Increase by 3%
1994 Scheme		
Discounts rate	Increase/ decrease by 0.5%	Decrease 8%/ increase by 9%
Inflation assumption	Increase/ decrease by 0.5%	Increase 8%/ decrease by 8%
Post retirement mortality	Increase by 1 year	Increase by 3%

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

24. Pensions (continued)

Changes in the present value of the defined benefit obligation scheme are as follows:	Retirement Plan *£000*	1994 Scheme *£000*	Total *£000*
As at 1 April 2018	3,179,064	1,127,652	4,306,716
Current service cost	-	2,621	2,621
Past service cost	15,304	2,286	17,590
Administrative expense incurred in the year	4,700	2,500	7,200
Administrative expenses paid in the year	(5,030)	(3,047)	(8,077)
Separated employee pension enhancements	495	-	495
Interest on scheme liabilities	81,147	28,738	109,885
Actuarial loss	93,752	43,404	137,156
Contributions by scheme participants	-	74	74
Benefits paid	(86,287)	(51,726)	(138,013)
As at 31 March 2019	3,283,145	1,152,502	4,435,647
Current service cost	-	400	400
Administrative expense incurred in the year	5,030	3,047	8,077
Administrative expenses paid in the year	(4,502)	(3,503)	(8,005)
Separated employee pension enhancements	907	1,386	2,293
Interest on scheme liabilities	75,115	26,147	101,262
Actuarial loss	5,009	(137,540)	(132,531)
Contributions by scheme participants	-	25	25
Benefits paid	(95,894)	(41,729)	(137,623)
As at 31 March 2020	3,268,810	1,000,735	4,269,545

The separated employee's pension enhancements relate to additional pension benefits offered to employees leaving through redundancy. These are paid through the pension schemes.

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

24. Pensions (continued)

Changes in the fair value of scheme assets are as follows:	Retirement Plan	1994 Scheme	Total
	£000	*£000*	*£000*
As at 1 April 2018	3,684,216	1,338,275	5,022,491
Interest income plan assets	93,779	33,972	127,751
Contributions by employer	1,720	6,312	8,032
Contributions by scheme participants	-	74	74
Benefits paid	(86,287)	(51,726)	(138,013)
Administrative expenses paid	(5,030)	(3,047)	(8,077)
Actuarial gain	162,279	59,087	221,366
As at 31 March 2019	3,850,677	1,382,947	5,233,624
Interest income plan assets	88,048	31,596	119,644
Contributions by employer	497	-	497
Contributions by scheme participants	-	25	25
Benefits paid	(95,894)	(41,729)	(137,623)
Administrative expenses paid	(4,502)	(3,503)	(8,005)
Actuarial gain	236,621	(6,960)	229,661
As at 31 March 2020	4,075,447	1,362,376	5,437,823

Contributions paid by the company in the accounting year amounted to £497,000 (2019: £8,032,000).

Although the schemes has been in a payment holiday position following a large contributions paid over in December 2016 during the year £497,000 was paid through lump sum contributions towards enhanced pensions granted on staff separations

Future contribution over the year to 31 March 2021 are expected to be £2,821,000 towards enhanced pensions granted on staff separations. and £143,000 through monthly payroll deductions in respect of the period 1 April 2020 to 31 March 2021.

25. Share-based payments

The Company has the following stock purchase and incentive compensation plans:

Employee stock purchase plan

The DXC Share Purchase Plan started from 1 January 2018 and allows DXC's employees located in the United Kingdom to purchase shares of DXC's common stock at the fair market value of such shares on the applicable purchase date. This is a flexible plan, the share incentive plan (SIP) where employees can purchase DXC technology shares through tax efficient payroll deductions paid into a separate trust arrangement set up to administer the scheme for employees.

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For the financial year 1 April 2019 to 31 March 2020

25. Share-based payments (continued)

Incentive compensation plans

The Company recognises stock-based compensation expense for all share-based payment awards, net of forfeitures. The recognised costs are for only those shares expected to meet the service and performance vesting conditions over the requisite service period of the awards.

In March 2017, before ES-Spin date of 1 April 2017 (the date from which this company together with other ES business was spun off from the HPE group to join the CSC group to form the DXC Technology group) the board of directors and shareholders of HPE approved DXC's 2017 Omnibus Incentive Plan, DXC's 2017 Non-Employee Director Incentive Plan and DXC's 2017 Share Purchase Plan. These plans came into operation from 1 April 2017 for the Company employees and allow DXC to grant stock options and restricted stock options typically subject to vesting over the 3-year period following the grant date. Vested stock options are generally exercisable for a term of 10 years from the grant date.

Prior to ES-Spin the HPE group parent's stock-based incentive compensation plans included stock option and restricted stock award schemes for certain employees in HPE shares. As a result of the ES-Spin conversions and accelerated vesting took place, details on each are below.

After the ES-Spin the DXC Technology parent operates stock-based incentive compensation plans for restricted stock awards, from the plans approved in March 2017. Employees who met certain employment qualification are eligible to receive stock-based awards.

On 1 June 2018 the DXC Spin off of the U.S. Public Sector (USPS) business took place. As a result of this outstanding DXC equity awards were adjusted and converted to ensure that the value of the outstanding awards immediately prior to the USPS-Spin was equal to the value of the awards immediately after the USPS-Spin, without changing the vesting schedule or other terms and conditions of the awards.

Stock options

Because of ES-Spin, all the stock options granted before 24 May 2016 were subject to accelerated vesting and converted into an adjusted award relating to DXC common shares with the same terms and conditions as the ones applicable to such awards prior to ES-Spin. The stock options granted after 24 May 2016 were also converted into an adjusted award relating to DXC shares although they were not subject to accelerated vesting.

During the year 1,801 (Financial year ended 31 March 2019: 84,589) share options were exercised. The weighted average share price at the date of exercise for share options exercised during the year was $33.20 (2019: $38.86).

At the reporting date there were 12,033 (2019: 26,111) outstanding share options. The range of exercise prices for stock options outstanding at the end of the year and associated weighted average remaining contractual life is set out below

	2020		*2019*	
Range of Exercise Prices	*Shares outstanding*	*Weighted-average remaining life in years*	*Shares outstanding*	*Weighted-average remaining life in years*
$30 - $39.99	7,277	3.69	19,992	3.07
$50 - $59.99	4,756	2.69	6,119	3.92
	12,033	3.30	26,111	3.27

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

25. Share-based payments (continued)

Restricted stock awards

Because of ES-Spin, all the restricted stock units granted before 24 May 2016 were subject to accelerated vesting and settled as HPE shares. The restricted stock units granted after 24 May 2016 were converted into an adjusted award relating to DXC shares with the same terms and conditions as the ones applicable to such awards prior to ES-Spin.

Restricted stock units represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the awards, plus any dividend equivalents accrued during the award period. Such awards generally vest one to three years from the date of grant.

The Company expenses the fair value of restricted stock awards, as determined on the date of grant, rateably over the period during which the restrictions lapse.

During the year 25,259 (financial year ended 31 March 2019: 7,709) non-vested restricted stock units were exercised.

At the reporting date there were 124,096 (2019: 100,803) outstanding non-vested restricted stock units.

26. Financial instruments

The company has the following financial liabilities measured at fair value through the income statements.

	Forward contract outstanding		Fair Value	
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Forward foreign exchange contracts	4,293	19,618	66	(226)

The company enters into fair value forward foreign currency exchange contracts to mitigate exposure to exchange rate volatility. The company enters into contracts to cover foreign currency exposure on certain payables and receivables in order to alleviate as much risk as is consistent with a reasonable cost of hedge exposure.

At 31 March 2020, the outstanding contract matures within 1 month (2019: 1 month) of the financial year end. The fair value above is calculated using the contracted GBP to INR rate of 93.180 compared to the market rate of GBP to INR at 31 March 2020 of 94.634.

The company has the following financial liabilities from cash flow hedges measured at fair value through the other comprehensive income statement.

	Forward contract outstanding		Fair Value	
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Cash flow forward foreign exchange contracts	121,525	37,611	(2,698)	(1,114)
Element relating to this company			(1,748)	(712)
Element relating to fellow group undertakings			(950)	(402)

Notes to the financial statements

For the financial year 1 April 2019 to 31 March 2020

26. Financial instruments (continued)

The company entered into cashflow forward foreign currency exchange contracts to mitigate exposure to exchange rate volatility. These cover the DXC group activities in the UK. The company enters into contracts to cover foreign currency exposure on certain payables and receivables in order to alleviate as much risk as is consistent with a reasonable cost of hedge exposure.

At 31 March 2020, the outstanding contracts mature each month for the next 13 months following the financial year end (2019: 12 months).

The fair value above is calculated using the contracted GBP to INR rate of 94.898 (average) compared to the market rate of GBP to INR at 31 March 2020 of 96.833 (average).

27. Ultimate parent undertaking and controlling party

At 31 March 2020, the company's immediate parent undertaking is DXC Hague B.V., a company incorporated in the Netherlands.

The ultimate parent company and controlling party and the smallest and largest undertaking, which consolidates these financial statements, is DXC Technology Company, which is incorporated in the United States of America. Copies of the group financial statements of DXC Technology Company can be obtained from the registered office 1775 Tysons Boulevard, Tysons, VA 22102, USA.

28. Changes in accounting policy

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 was nil to opening retained profits as at 1 April 2019 as explained below:

	1 April 2019 £'000
Lease commitments as at 1 April 2019 (IAS 17)	126,175
Discount based on the weighted average incremental borrowing rate of 2.4%	(12,338)
Additional lease obligations	9,943
Property service charges commitments recognised within right-of-use building assets as an integral cost on the assets.	24,962
Future rental incomes reducing lease commitments at 1 April 2019 added back	2,927
Right-of-use asset taken on 1 April 2019 (IFRS 16)	151,669
Lease liabilities - current (IFRS 16)	(37,183)
Lease liabilities - non-current (IFRS 16)	(114,486)
Impact on retained profits as at 1 April 2019	-

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For the financial year 1 April 2019 to 31 March 2020

29. Events after the reporting date

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.