Registered No 00053419

EntServ UK Limited

Annual Report and Financial Statements

For the 17 month period ended 31 March 2018

Company information

Directors
T Gough
M Majed
M Woodfine

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Strategic report

The directors present their report for the 17 month period ended 31 March 2018. The year end of the company was extended from 31 October 2017 to 31 March 2018, in order to align to DXC Technology's group year end. Therefore a longer period of account has been adopted for this set of audited financial statements. As is customary the comparative data throughout is from the last published annual accounts drawn up for the 12 month period to 31 October 2016, this means data is not entirely comparable.

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.

Review of the business

The company is a global, leading end-to-end information technology services company providing business solutions to its clients. It delivers a broad portfolio of IT and business process outsourcing services to public-sector and private clients from a diverse array of industries: manufacturing, financial services, healthcare, communications, energy, transportation, consumer and retail.

Services 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's portfolio is built around innovative offerings and aligned with customer preferences. DXC Bionix is the company's new digital-generation services delivery model. It provides a comprehensive approach to intelligent automation. Underpinning DXC Bionix is Platform DXC, which serves as the foundation for future service delivery and helps drive clients' digital transformations. One of the first offerings to be powered by DXC Bionix is Agile Process Automation, a new digital platform that combines cloud and robotic process automation with embedded artificial intelligence to enhance a company's business processes.

The company uses Best-Shore strategy to ensure high-quality, cost-competitive services from an optimal mix of onshore, near-shore and offshore locations. This enables the company to respond quickly to changing market dynamics and increase competitiveness.

Significant events

On 14 December 2016 a significant payment for £1,498,600,000 was made into the defined benefit pension schemes. It was paid from a capital contribution to the company by a fellow UK group company Hewlett-Packard Holdings Limited (see note 23).

On 1 April 2017 DXC Technology Company became the ultimate parent company of the company, as the Hewlett Packard Enterprise Company, the ultimate parent company up to this date, spun off its Enterprises Services Business combining with Computer Sciences Corporation (CSC) to form the new DXC Technology Company. Up to 31 March 2017 the company was part of the HPE group and from 1 April 2017 it falls within the DXC Technology Company (DXC), a public listed Company incorporated in the United States of America.

On 7 September 2017 the company collected £848,480,000 of intercompany receivables which it deposited into a company bank account. This can be seen on the balance sheet at 31 March 2018 as the cash balance increased and the intercompany balances decreased. This change of cash policy took place as the DXC group treasury processes of centralised treasury management took effect for the benefit of both this company and the group.

Results

The profit for the period, after taxation, amounted to £103,538,000 (2016: profit £63,667,000).

The directors do not recommend a final ordinary dividend, making the total of ordinary dividends paid for the period £nil (2016: £nil).

Strategic report (continued)

Details of the financial business results for the period are:

	17 months ended 31 March 2018	*12 months ended 31 October 2016*	*Change*
	£'m	*£'m*	*%*
Turnover	2,479.6	1,954.1	26.9
Gross profit	380.8	313.7	21.4
Gross profit margin	15.4%	16.1%	(0.7)ppts
Operating profit before exceptional items	141.6	77.3	83.1
Profit before tax	126.7	134.8	(6)

Turnover on the company's portfolio of contracts increased by 26.9% comparing current 17 month and prior 12 month reporting periods. When restated to 12 months period, turnover decreased by 11.1% (2016: decrease by 9.5%). This decline is due to the continuing challenging economic environment and pressure of a fiercely competitive and evolving market in which the company operates. The company, now belonging to the DXC Technology group is part of new initiatives that aim to increase the company's growth and turnover in future years.

Gross profit margin for the period decreased slightly in comparison to prior period and was at 15.4% level (2016:16.1%). This position was maintained as the company continues with restructuring programs to realign cost structures due to the changing nature of the business and to achieve operating efficiencies.

After overhead costs the operations results showed an increase in profitability of the company before exceptional items. An operating profit of £141.6 million is recorded for the 17 month period as compared to prior period 12 month profit of £77.3 million. The main drivers being tight spending control and restructuring in both staff and property expenditures.

Including exceptional items (see note 5) the total profit before tax for the period is £126.7 million (2016: 12 month profit £134.8 million). The overall results are impacted significantly this period by one time activities which led to pension related credits being recorded in the statement of comprehensive income, including closure of a defined benefit pension scheme and a decrease in future pensionable salaries as terms have switched from RPI to CPI. The prior period benefited from a foreign exchange gains from significant USD intercompany loan which are not repeated.

As the company moves forward cost and revenues synergies, growth opportunities, and other financial and operating benefits are expected as a result of the merger with CSC and formation of the new DXC Technology Company.

Key performance indicators

The Company is managed by the UKIIMEA (UK, Ireland, Israel, Middle East and Africa) region management team. The performance and results for all entities are analysed on a worldwide DXC measurement basis, at a business unit and sector level. For this reason, the directors of the Company believe that analysis using key performance indicators is not appropriate for an understanding of the development, performance or position of the business shown in these financial statements.

Strategic report (continued)

Review of the business (continued)

Principal risks and uncertainties

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 longer term political and economic effects of the United Kingdom leaving the European Union are as yet unclear. Through the merger with CSC and formation of a new DXC Technology Company, implementation of global cost reduction strategies, client focus and internal process improvements, the company aims despite the challenging economic climate to maintain its underlying profitability.

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 to the local customer base and develop in a profitable way in an increasingly price sensitive market to remain competitive. The merger with CSC and becoming a part of DXC Technology group aims to create a greater value for clients, partners and shareholders.

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

The Company was a subsidiary of Hewlett Packard Enterprise Company up to 31 March 2017 and from 1 April 2017 it is a subsidiary of DXC Technology Company and is dependent on its parent company. As at 31 March 2018 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. Hewlett Packard Enterprise Company up to 31 March 2017 and now 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

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.

Strategic report (continued)

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 on behalf of the Board

Tina Gough
Tina Gough (Dec 17, 2018)

T Gough

Director

Date: 17 December 2018

Directors' report

The directors present their report for the 17 month period ended 31 March 2018. The year end of the company was extended from 31 October 2017 to 31 March 2018, in order to align to DXC Technology's group year end. Therefore a longer period of account has been adopted for this set of audited financial statements. As is customary the comparative data throughout is from the last published annual accounts drawn up for the 12 month period to 31 October 2016, this means data is not entirely comparable.

Directors

The directors during the period, and to date, were as follows:

M Coombs	(resigned 24 November 2016)
J Ferguson	(resigned 13 March 2017)
M Waters	(resigned 24 November 2016)
N Wilson	(appointed 13 March, resigned 31 March 2018)
T Gough	(appointed 24 November 2016)
M Woodfine	(appointed 26 June 2017)
M Majed	(appointed 31 March 2018)

During the period, and up to the date of approval of the financial statements, the company had in place third party indemnity provision for the benefit of all the directors of the company.

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 recognized 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.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and review of business risk are described in the Strategic Report on pages 2 to 5.

Directors' report (continued)

Going concern (continued)

The company generated profit in the current financial period. The directors have reviewed the company's performance and forecasts and believe that company will be profitable in the future. The business has received a letter of support from the group and the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements

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 in the income statement and an element included in both fixed and current assets under the deferred costs category on the balance sheet together with other contract expenditure incurred.

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 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 1. 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

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, therefore Deloitte LLP have been deemed to be reappointed.

Approved by the Board and signed on its behalf by:

Tina Gough
Tina Gough (Dec 17, 2018)

T Gough

Director

Date: 17 December 2018

Directors' responsibilities 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 period. 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.

Independent auditor's report

to the members of EntServ UK Limited

Report on the audit of the financial statements for the 17 month period ended 31 March 2018

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 2018 and of its profit for the period 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 statement of changes in equity;
- the balance sheet;
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework". The principal accounting policies adopted by the Company are set out in note 1.

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. Scope of the audit of the financial statements

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.

Independent auditor's report

to the members of EntServ UK Limited

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: 17 December 2018

Statement of comprehensive income

For the 17 month period ended 31 March 2018

	Note	17 months ended 31 March 2018 £'000	12 months ended 31 October 2016 £'000
Turnover	2	2,479,559	1,954,085
Cost of Sales		(2,098,775)	(1,640,333)
Gross Profit		380,784	313,752
Distribution costs		(80,251)	(82,952)
Administrative expenses		(158,949)	(153,476)
Exceptional items	5	(25,297)	100,869
Operating profit	4	116,287	178,193
Analysed between:			
Operating profit before exceptional item		141,584	77,324
Exceptional item – restructuring expenses	5	(123,841)	(111,298)
Exceptional item – exchange gains	5	-	212,167
Exceptional item – pension related	5	98,544	-
Interest receivable and similar income	8	27,825	16,484
Interest payable and similar costs	9	(17,370)	(59,893)
Profit before taxation		126,742	134,784
Tax expense on profit	10	(23,204)	(71,117)
Profit for the financial period		103,538	63,667
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Remeasurement gain/(loss) on defined benefit pension plan	23	333,177	(363,721)
Tax on items in relation to components of other comprehensive income	10	(64,279)	(14,384)
Rate change impact on deferred tax on items relating to components of other comprehensive income	10	7,639	(13,784)
Total comprehensive income for the financial period		380,075	(328,222)

All amounts above are derived from continuing operations.

The notes on pages 16 to 52 form an integral part of these financial statements.

Statement of changes in equity

For the 17 month period ended 31 March 2018

	Note	Share capital	Share premium	Retained earnings	Total equity
		£'000	*£'000*	*£'000*	*£'000*
Balance at 1 November 2015		157,580	950,000	(487,539)	620,041
Profit for the financial period		-	-	63,667	63,667
Other comprehensive income for the financial period		-	-	(391,889)	(391,889)
Total comprehensive income for the financial period		-	-	(328,222)	(328,222)
Share-based payments	7	-	-	8,715	8,715
Recharge for share-based payments		-	-	(3,132)	(3,132)
Balance at 31 October 2016		157,580	950,000	(810,178)	297,402
Capital contribution to retirement plans		-	-	1,498,600	1,498,600
Tax effect of capital contribution to retirement plans	10	-	-	(50,616)	(50,616)
Profit for the financial period		-	-	103,538	103,538
Other comprehensive income for the financial period		-	-	276,537	276,537
Total comprehensive income for the financial period		-	-	380,075	380,075
Shares issued		-	22,519	-	22,519
Share-based payments	7	-	-	7,379	7,379
Recharge for share-based payments		-	-	(17,428)	(17,428)
Balance at 31 March 2018		157,580	972,519	1,007,832	2,137,931

On 28 November 2016 the company issued £1 ordinary share to its parent with a share premium of £22,519,484.

On 14 December 2016 a capital contribution to the company by a fellow UK group company Hewlett-Packard Holdings Limited was made for £1,498,600,000. This cash was used to make a payment into the defined benefit pension schemes (note 23).

The notes on pages 16 to 52 form an integral part of these financial statements.

Balance Sheet
at 31 March 2018

	Note	31 March 2018 £'000	31 October 2016 £'000
Fixed assets			
Tangible assets	11	280,190	276,800
Intangible assets	12	30,162	31,193
Deferred costs	13	171,071	209,423
Pension assets	23	715,775	-
Total non-current assets		1,197,198	517,416
Current assets			
Stocks	15	12,648	13,110
Deferred costs	13	120,743	92,326
Debtors (amounts due within one year)	16	532,298	1,456,674
Debtors (amounts due after one year)	17	390,664	443,869
Deferred tax	10	-	114,004
Cash at bank and in hand		851,317	4,734
		1,907,670	2,124,717
Creditors: Amounts falling due within one year			
Trade and other payables	18	(356,904)	(446,316)
Current tax liabilities		-	(23,827)
Obligations under finance leases	20	(71,017)	(84,720)
Provisions	21	(14,317)	-
Deferred contract revenue		(164,541)	(150,436)
		(606,779)	(705,299)
Net current assets		1,300,891	1,419,418
Total assets less current liabilities		2,498,089	1,936,834

Balance Sheet (continued)
at 31 March 2018

	Note	31 March 2018 £'000	31 October 2016 £'000
Total assets less current liabilities		2,498,089	1,936,834
Creditors: Amounts falling due after more than one year			
Trade and other payables	19	(29,878)	(24,164)
Obligations under finance leases	20	(53,154)	(129,708)
Provisions	21	(16,431)	(7,101)
Deferred contract revenue		(144,191)	(186,087)
Deferred tax	10	(29,616)	-
		(273,270)	(347,060)
Pensions liability	23	(86,888)	(1,292,372)
Net assets		2,137,931	297,402
Capital and reserves			
Called up share capital	22	157,580	157,580
Share premium		972,519	950,000
Retained earnings		1,007,832	(810,178)
Total equity		2,137,931	297,402

The notes on pages 16 to 52 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 on 17 December 2018. They were signed on its behalf by:

Tina Gough
Tina Gough (Dec 17, 2018)

T Gough

Director

Notes to the financial statements

For the 17 month period ended 31 March 2018

1. Accounting policies

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

The financial statements of EntServ UK Limited (the "Company") for the 17 month period ended 31 March 2018 were authorised for issue by the board of directors on 17 December 2018 and the balance sheet was signed on the board's behalf by T.Gough.

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 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 all values are rounded to the nearest thousand (£000) except where otherwise stated.

The company is a wholly owned subsidiary of DXC Technology Company, the consolidated financial statements of which are publicly available. As such the company has taken advantage of the exemption under s401 of the Companies Act 2006 not to present group accounts.

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 the 17 month period ended 31 March 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(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 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;

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

10(d) and 111 – a statement of cash flows for the period;

10(f) – a statement of financial position as at the beginning of the preceding period 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;

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;

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.2 Basis of preparation (continued)

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

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

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

(i) 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.

1.3 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 period. However, the nature of estimation means that actual outcomes could differ from those estimates.

There have been no areas of estimation uncertainty for the company.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 10.

Pension benefits

The cost of defined benefit pension plans are determined using 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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.4 Going concern

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

1.5 Turnover

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

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

Intercompany

Turnover is received on work done for fellow group companies where services provided are billed, this includes at an arm's length mark-up.

Hardware (sold as part of contract package)

Turnover from hardware sales is recognised when the product is shipped to the client and when significant risk and rewards of ownership have been transferred to the buyer.

Any cost of warranties and remaining obligations that are inconsequential or perfunctory are accrued when the corresponding turnover is recognised.

Software (sold as part of contract package)

Turnover from perpetual (one-time charge) licensed software is recognised at the inception of the license term. Turnover from term (monthly license charge) arrangements is recognised on a subscription basis over the period that the client is using the license. Turnover from maintenance, unspecified upgrades and technical support is recognised over the period such items are delivered.

Services

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

Turnover 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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.5 Turnover (continued)

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

Turnover from fixed-price design and build contracts is recognised where the outcome of a contract can be reliably estimated, and turnover and costs are recognised under the percentage of completion (POC) method. Under the POC method, turnover 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 turnover or costs, and such revisions are reflected in the Income statement in the year in which the circumstances that give rise to the revision become known by management.

The Company performs ongoing profitability analysis of its services contracts in order to determine whether the latest estimates, such as turnover, 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 deferred income in deferred contract revenue in the balance sheet until the service is performed. In other service 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 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 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 arrangements

- The delivered items have value to the client on a standalone basis.
- There is objective and reliable evidence of the fair value of the undelivered items.

1.6 Dividend income

Dividend income from investments is recognised when the Company's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

1.7 Deferred costs - Long term contracts

Costs on outsourcing contracts are generally expensed as incurred. However, certain costs incurred upon the initiation of an outsourcing contract are deferred and expensed on a straight-line basis over the life of the contract. These costs 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 deferred costs on the balance sheet, split between current assets and fixed assets.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.7 Deferred Costs - Long term contracts (continued)

Costs incurred for bid and proposal activity are expensed as incurred.
Costs on major fixed price contract projects are deferred and released to the profit and loss account according to the appropriate stage of completion. Where contract provisions for risks and contingencies exist these are included in provisions for liabilities and charges.

1.8 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.

1.9 Intangible assets

Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation 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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.9 Intangible assets (continued)

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.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Impairment
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.

1.10 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:

Land and property	– 40 years (straight line), no depreciation on land
Leasehold improvements	– 5 to 40 years or length of lease if shorter (straight line)
Plant and machinery	– 3 to 10 years (straight line)

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.10 Tangible fixed assets (continued)

Costs incurred in establishing a new or changed operation in relation to a contract and that meets the criteria for recognition of 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.

The company typically has an obligation to return buildings that it occupies under lease to their original condition when the relevant lease is terminated. In such cases the company records the obligation (discounted to its net present value) when the condition of the building is altered, and creates a tangible fixed asset equal in value to that obligation. Such fixed assets are categorised as leasehold improvements and depreciated on a straight line basis over the period of the lease to which they relate.

Leasehold premises improvements take place from time to time. Costs incurred are included in assets under construction until the work is complete. On completion as these assets are brought into operation they are transferred to other categories and deprecation begins.

1.11 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.

1.12 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, with the following exceptions:

> 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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.13 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.

1.14 Trade and other debtors

Trade debtors, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

1.15 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.

1.16 Leases

(i) Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. Where the asset is used by the company the capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. Where the assets are leased to the customer, the asset is reflected in the Net Investment in finance leases.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

(ii) Amounts receivable under finance leases are included under 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 turnover.

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.

(iii) Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Rentals receivable under operating leases are included in turnover on an accrual basis.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.17 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 period (to determine current service cost) and to the current and prior periods (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.

1.18 Share-based payments – 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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.18 Share-based payments – equity settled transactions (continued)

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.

Up to 31 March 2017 the Company was within the HPE group and recorded charges payable to the Hewlett-Packard Enterprise Company for the difference between the market value of exercised options and the exercise price of those options when the liability is due to equity. From 1 April 2017 the Company records such charges payable within the DXC Technology group.

1.19 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.

1.20 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 period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

1.21 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.

Costs incurred on customer contracts are all recognised following contract accounting and do not fall under the scope of IAS38 Intangible assets. As all these amounts are charged onto customers via billing arrangements they are not capitalised as intangible assets. See deferred costs – Long term contract note above.

Notes to the financial statements

For the 17 month period ended 31 March 2018

Accounting policies (continued)

1.22 Financial Instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss or loans and receivables.

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short-term deposits and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit of loss: Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

2. Turnover

Turnover from continuing operations recognised in the income statement is analysed as follows:

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Rendering of services on contracts	2,479,559	1,954,085

No revenue was derived from exchanges of goods or services (2016: nil)
All turnover is generated from activities within the UK market.

3. Auditors' remuneration

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Auditors' remuneration: audit of the financial statements *	816	441
other services	-	4
	816	445

**Includes audit fees paid on behalf of fellow group companies £78,853 (2016: £33,923).*

Notes to the financial statements

For the 17 month period ended 31 March 2018

4. Operating profit

This is stated after charging/ (crediting):

		17 months ended 31 March 2018	12 months ended 31 October 2016
		£'000	*£'000*
Research and Development expensed		18,077	19,615
Amortisation		2,360	2,257
Depreciation of owned fixed assets		37,821	19,783
Depreciation of assets held under hire purchase agreements		76,193	51,715
(Gain) / loss on disposal of tangible fixed assets*		(6,623)	648
Loss on disposal of intangible fixed assets		-	41
Foreign exchange losses/(gains)		15,172	(212,167)
Cost of stocks recognised as an expense (included in cost of sales)		31,100	37,731
Including:	write-down of stocks to net realisable value	1,351	3,001
	Reversals of impairment of stocks**	(1,006)	(4,601)
Government grants received		-	(62)
Operating lease costs:	plant and machinery ***	42,047	7,476
	land and buildings***	15,498	12,539
	Other	601	926

* *The net gain on disposal of tangible fixed assets includes £ (9,697,000) gain on land sale and £3,074,000 loss on other tangible fixed assets.*

***The reversal of impairment in stocks arose as a result of recovery in sales prices.*

**** Operating lease costs that relates to leasehold premises no longer used are offset by onerous lease provision utilisation (see note 21).*

Notes to the financial statements

For the 17 month period ended 31 March 2018

5. Exceptional items

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Restructuring expenses – Employee redundancy costs	87,891	111,298
Restructuring expenses – Onerous lease costs	35,950	-
Pension related credits	(98,544)	-
Currency exchange gains	-	(212,167)
	25,297	(100,869)

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 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.

Pension related credits result from curtailments, settlements and past service one-off activities during the 17 month period ended 31 March 2018 (see note 23).

The currency exchange gains in 2016 results from significant Pound Sterling fluctuations against the US Dollar on the company's US Dollar denominated asset balances. The value of Pound Sterling against the US Dollar dropped by 21% over the 12 months ended 31 October 2016. This was triggered mainly from the UK political and economic situation created by the decision during 2016 for the UK to leave the European Union. Since 2016 the levels of US denominated assets in the company have decreased and no such material item has taken place in the subsequent period of account.

6. Directors' emoluments

Directors of the Company are also directors of other companies within the group. Details of directors' emoluments paid by the Company are set out below.

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Directors' emoluments were as follows:		
Emoluments	1,293	545
Company contributions to money purchase pension schemes	29	-
Compensation for loss of office	382	-
	1,704	545

Notes to the financial statements

For the 17 month period ended 31 March 2018

6. Directors' emoluments (continued)

	17 months ended 31 March 2018	12 months ended 31 October 2016
	No.	No.
The number of directors who:		
Are members of a company defined benefit pension scheme*	2	1
Are members of a money purchase pension scheme	2	-
Exercised options over shares in the parent Company	3	-

** The defined benefit scheme referred to above closed to all active members on 1 December 2017 from which time all active membership ceased.*

Remuneration of the highest paid director:	*£'000*	*£'000*
Emoluments	550	545
Company contributions to money purchase pension schemes	26	-
	576	545

The highest paid director exercised share options during the period (2016: none exercised)

The highest paid director is not a member of the Company's defined benefit pension scheme and therefore had accrued entitlements of £nil (2016: £43,409) under such schemes at period end. There is no accrued lump sum (2016: £nil).

7. Particulars of employees

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

	17 months ended 31 March 2018	12 months ended 31 October 2016
	No.	*No.*
Administration	587	717
Technical Staff	3,750	6,055
Sales and Operations	443	537
	4,780	7,309

Notes to the financial statements

For the 17 month period ended 31 March 2018

7. Particulars of employees (continued)

The aggregate payroll costs of the above were:

	17 months ended 31 March 2018	12 months ended 31 October 2016 *restated*
	£'000	*£'000*
Wages and salaries	369,364	374,831
Social security costs	50,588	48,613
Pension costs	60,562	58,423
Equity-settled share-based payments	7,379	8,715
	487,893	490,582

The above aggregate payroll costs excludes expenditure in relation to employee redundancy costs which are shown separately in note 5 as exceptional items. This represents a change in disclosure from the previous financial statements with the comparative restated above.

Pension costs above do not include amounts credited to finance income (note 8), amounts related to one-off pension credits (note 5) and amount recognised in other comprehensive income in respect of defined benefit pension schemes.

8. Interest receivable and similar income

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Discounted provisions – effect of change in assumptions (see note 23)	3,519	-
Interest receivable on finance leases	2,091	7,702
Interest from group undertakings	6,998	6,699
Bank interest	1,592	-
Other interest receivable	4,504	2,083
Other finance income (see note 23)	9,121	-
	27,825	16,484

Notes to the financial statements

For the 17 month period ended 31 March 2018

9. Interest payable and similar charges

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Discounted provisions – unwinding of discount	3,501	3,144
Discounted provisions – effect of change in assumptions (see note 23)	-	10,007
Interest payable in respect of finance leases and hire purchases contracts	11,850	14,770
Interest payable to group companies	354	145
Other interest payable	1,665	2,008
Other finance expense (see note 23)	-	29,819
	17,370	59,893

10. Taxation

(a) Tax charged or credited to the income statement

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Current tax:		
United Kingdom corporate tax on the profit for the period at 19.3% (2016: 20%)	-	24,271
(Over)/Under provision in prior period	(13,357)	30,384
Foreign tax	197	94
Total current income tax	(13,160)	54,749
Deferred tax:		
Origination and reversal of timing differences	30,945	9,802
Adjustments in respect of prior periods	8,000	13,283
Effect of change in deferred tax rate	(2,581)	8,765
Reversal of write down of deferred tax asset	-	(15,482)
Total deferred tax	36,364	16,368
Tax charges in the income statement	23,204	71,117

Notes to the financial statements

For the 17 month period ended 31 March 2018

10. Taxation (continued)

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

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Deferred tax:		
Actuarial gains/(loss) on defined benefit pension plans	64,279	(72,743)
Effect of change in deferred tax rate	(7,639)	13,784
Write-down of deferred tax asset	-	87,127
Total deferred tax	56,640	28,168
Tax charges in the statement of other comprehensive income	56,640	28,168

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

	17 months ended 31 March 2018	12 months ended 31 October 2016
	£'000	*£'000*
Deferred tax:		
Contribution to retirement plans from a fellow group undertaking	290,934	-
Effect of change in deferred tax rate	(36,172)	-
	254,762	-
Reversal of previously unrecognised deferred tax asset on retirement plans	(204,146)	-
Total deferred tax	50,616	-
Tax charges in the statement of changes in equity	50,616	-

The reversal of the reduction in the deferred tax recoverable amounts on pension deferred tax asset is a total amount of £204,145,520 from the prior financial period (£93,476,901 charged to the profit and loss account and £110,668,619 charged to other comprehensive income). This has been offset in the current financial period against the deferred tax liability arising on a pension contribution made by a fellow group company (note 23) in amount of £254,762,000 and charged directly to equity. The net amount reflected in statement of changes in equity is £50,616,480.

Notes to the financial statements

For the 17 month period ended 31 March 2018

10. Taxation (continued)

(d) Reconciliation of the total tax charge

	17 months ended 31 March 2018 £'000	12 months ended 31 October 2016 £'000
Profit before tax	126,742	134,784
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.3% (2016: 20%)	24,452	26,957
Effects of:		
Disallowable expenses	6,492	7,115
Adjustments to tax charge in respect of prior periods	(5,356)	43,668
Foreign tax	197	94
Effect of change in tax rate	(2,581)	8,765
Deferred tax not recognised	-	(15,482)
Total deferred tax and current charge for the period	23,204	71,117

(e) Deferred tax

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

	31 March 2018 £'000	31 October 2016 £'000
Deferred tax (liability)/asset	(29,616)	114,004

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

	17 months ended 31 March 2018 £'000	12 months ended 31 October 2016 £'000
Opening balance	114,004	158,540
Deferred tax debit/(credit) to the income statement	(36,364)	(16,368)
Deferred tax debit/(credit) to other comprehensive income	(56,640)	(28,168)
Deferred tax debit to statement of changes in equity	(50,616)	-
Closing balance	(29,616)	114,004

Notes to the financial statements

For the 17 month period ended 31 March 2018

10. Taxation (continued)

(e) Deferred tax (continued)

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

	31 March 2018	31 October 2016
	£'000	*£'000*
Excess of depreciation over taxation allowances	27,575	37,719
Pension (surplus)/deficit	(106,911)	11,331
Losses carried forward	41,472	41,479
Other timing differences	8,248	23,475
Total deferred tax (liability)/asset	(29,616)	114,004

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 announced a reduction in the United Kingdom corporation tax rate from 20% to 19%, effective from 1 April 2017. There has been also further reduction in the rate to 17% enacted in the Finance Act 2016 on 15 September 2016 and effective from 1 April 2020. As a result, the deferred tax balances as at 31 March 2018 have been recognised at the rate at which they are expected to unwind.

The Finance (No. 2) Act 2017 was enacted on 16 November 2017 and includes provisions relating to the restriction on the utilisation of brought forward trading losses to offset against trading income from 1 April 2017 onwards. This legislation has been taken into account in calculating the current and deferred tax amounts included in these financial statements. Under the provisions of this act it is expected that the utilisation of brought forward trading losses will now take place over a longer period than previously forecasted.

The rates of capital allowances remains at a level of 18% and 8% respectively for the general pool and special rate pool.

Notes to the financial statements

For the 17 month period ended 31 March 2018

11. Tangible fixed assets

	Freehold land and buildings	*Leasehold improvements*	*Assets under construction*	*Plant and machinery*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost:					
At 1 November 2016	14,503	355,303	20,175	378,266	768,247
Additions	1,350	15,175	9,669	157,648	183,842
Disposals	(651)	(20,126)	-	(161,385)	(182,162)
Transfers	-	27,494	(29,165)	1,588	(83)
At 31 March 2018	15,202	377,846	679	376,117	769,844
Depreciation:					
At 1 November 2016	2,477	227,425	-	261,545	491,447
Charge for the period	174	24,856	-	88,984	114,014
On disposals	-	(17,299)	-	(98,445)	(115,744)
On transfers	-	-	-	(63)	(63)
At 31 March 2018	2,651	234,982	-	252,021	489,654
Net book value:					
At 31 March 2018	12,551	142,864	679	124,095	280,190
At 1 November 2016	12,026	127,878	20,175	116,721	276,800

Freehold land and buildings – Included within the net book value of freehold land and buildings is £3,012,549 (2016:£3,186,744) of depreciable long leasehold property, and £9,538,057 (2016: £8,839,144) of land which is not depreciated.

Transfers of assets in asset under construction are those brought into operation and transferred to depreciable assets within the categories, leasehold improvements, plant and machinery and to intangible assets in the period.

Hire and lease purchase agreements

Included within the net book value of £280,190,364 is £106,220,683 (2016: £73,979,107) relating to assets held under hire and lease purchase agreements. The depreciation charged to the financial statement in the period in respect of such assets amounted to £76,192,486 (2016: £51,714,912).

Notes to the financial statements

For the 17 month period ended 31 March 2018

12. Intangible assets

	Software	*Goodwill*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 November 2016	55,600	296,954	352,554
Additions	1,309	-	1,309
Disposals	(2,152)	-	(2,152)
Transfers	83	-	83
At 31 March 2018	54,840	296,954	351,794
Amortisation:			
At 1 November 2016	52,376	268,985	321,361
Charge for the period	2,360	-	2,360
On disposals	(2,152)	-	(2,152)
On transfers	63	-	63
At 31 March 2018	52,647	268,985	321,632
Net book value:			
At 31 March 2018	2,193	27,969	30,162
At 1 November 2016	3,224	27,969	31,193

Goodwill net book value of £24,149,000 (2016: £24,149,000) relates to the acquisition on 1 August 2009 of the UK outsourcing business from Hewlett Packard Limited and Hewlett Packard Enterprise Marigalante Limited, which is being subject to annual impairment testing.

Goodwill net book value of £3,820,000 (2016: £3,820,000) relates to the acquisition on 31 October 2011 of the UK outsourcing business from Eisis Limited which is being subject to annual impairment testing.

13. Deferred costs

	31 March 2018	31 October 2016
	£'000	*£'000*
Deferred contract costs: fixed assets	171,071	209,423
Deferred contact costs: current assets	120,743	92,326
	291,814	301,749

Deferred costs are costs on outsourcing contracts incurred upon the initiation of an outsourcing contract which are deferred and expensed on a straight-line basis over the life of the contract. These costs 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 deferred costs on the balance sheet, split between fixed assets (long term) and current assets (short term).

Notes to the financial statements

For the 17 month period ended 31 March 2018

14. Investments

Companies in which the company's interest is more than 20% are as follows:

Company name	*Country of incorporation*	*Principal activity*	*Class and percentage of shares held*
EDS 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, less any impairment in recoverable value.

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

15. Stocks

	31 March 2018	31 October 2016
	£'000	*£'000*
Finished goods and goods for resale	12,648	13,110

16. Debtors: amounts falling due within one year

	31 March 2018	31 October 2016
	£'000	*£'000*
Trade debtors	201,529	190,728
Amounts owed by group undertakings	168,159	1,117,150
Corporation tax	753	-
Finance debtors	21,678	36,533
Financial asset *	3,817	-
Amounts recoverable on contracts	87,007	67,466
Other debtors	16,490	5,289
Prepayments and accrued income	32,865	39,508
	532,298	1,456,674

Amounts owed by group undertakings of £138,688,206 (2016: £1,063,666,016) 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

Notes to the financial statements

For the 17 month period ended 31 March 2018

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

	31 March 2018	31 October 2016
	£'000	*£'000*
Amounts owed by parent	301,850	300,145
Finance debtors	1,365	58,440
Financial asset *	82,945	74,869
Prepayments and accrued income	4,504	10,415
	390,664	443,869

Amounts owed by parent earn daily interest at a rate 1.4710%. The loan arrangement is unsecured and matures on 15 October 2019.

**The company has entered into a long term financial loan with a customer which runs to April 2025 with an interest rate of 3.87%.*

18. Trade and other payables falling due within one year

	31 March 2018	31 October 2016
	£'000	*£'000*
Bank overdraft	630	842
Trade creditors	128,785	86,099
Amounts owed to group undertakings	69,963	197,768
Other taxation and social security	38,807	41,156
Other creditors	19	924
Accruals	118,700	119,527
	356,904	446,316

Amounts owed to group undertakings of £4,712 (2016: £ nil) attract daily interest at a rate of LIBOR plus 9.2 basis points and are payable on demand and unsecured.

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

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

	31 March 2018	31 October 2016
	£'000	*£'000*
Other creditors	29,878	24,164

Included within other creditors is £25,730,087 (2016: £24,163,398) related to the purchase of data centres contain within tangible assets which is secured on these assets.

Notes to the financial statements

For the 17 month period ended 31 March 2018

20. Obligation under hire and lease purchase agreements

The company uses finance leases and hire purchase contracts to acquire plant and machinery.

Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	31 March 2018	31 October 2016
Future minimum lease payments due:	*£'000*	*£'000*
No later than one year	75,850	94,410
Later than one year but no more than five years	56,819	141,544
Later than five years	-	38
	132,669	235,992
Interest charges allocated to future periods	(8,498)	(21,564)
Present value of minimum lease payments	124,171	214,428
Present value of minimum lease payments due:		
No later than one year	71,017	84,720
Later than one year but no more than five years	53,154	129,676
Later than five years	-	32
	124,171	214,428
Analysed as:		
Amounts falling due within one year	71,017	84,720
Amounts falling due after more than one year	53,154	129,708
	124,171	214,428

Commitments under hire purchase and finance leases are secured on the assets concerned.

Notes to the financial statements

For the 17 month period ended 31 March 2018

21. Provisions for liabilities and charges

	Asset Retirement Obligation provision	*Onerous lease provision*	*Labour restructuring provision*	*Contract provision*	*National insurance on share based payments*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
At 1 November 2016						
Current	-	-	-	-	-	-
Non-current	2,465	4,334	-	-	302	7,101
	2,465	4,334	-	-	302	7,101
Charge arising during the financial period:						
Change in foreign exchange	(318)	-	-	-	-	(318)
Additional amount provided	267	42,489	49,144	356	529	92,785
Unwinding of discounted amount	-	373	-	-	-	373
Provision release during the period	(29)	(4,821)	(15,090)	-	-	(19,940)
Amounts utilised during the period	-	(17,966)	(30,921)	(64)	(302)	(49,253)
At 31 March 2018	2,385	24,409	3,133	292	529	30,748
Analysed as:						
Current	-	10,892	3,133	292	-	14,317
Non-current	2,385	13,517	-	-	529	16,431
	2,385	24,409	3,133	292	529	30,748

Asset retirement obligation provisions represent the net present value of leasehold premises exit obligations. These are expected to be utilised on exit of individual leases, which will be no later than April 2027. Leasehold obligation assets within leasehold improvement tangible fixed assets are set up at the net present value of the contractual obligation assumed on entry to leasehold premises and depreciated accordingly. At the same time dilapidation provision are reflected for an equal and opposite amount.

Onerous lease provisions represent costs associated with certain contractual obligations for leasehold premises which are no longer used in operations following a group property rationalisation program. It is expected that portion of these costs will have been incurred by April 2027 in accordance with the respective contractual obligations.

Labour restructuring provision represents expenses for employee redundancies during the period 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. The provision have been calculated based on the closing share price of $100.53 as at 31 March 2018. It is expected that these costs will be incurred within 5 years after 31 March 2018, as shares are exercised up to the latest expiry date in December 2023.

Notes to the financial statements

For the 17 month period ended 31 March 2018

22. Share capital

	31 March 2018	31 October 2016
	£'000	*£'000*
Allotted, called up and fully paid:		
157,580,003 (2016: 157,580,002) ordinary shares of £1 each	157,580	157,580

On 28 November 2016 the company issued £1 ordinary share to its parent with a share premium of £22,519,484.

23. 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 period amounted to £32,856,331 (2016: £27,023,613). There were no outstanding or prepaid contributions at the end of the financial period.

Pension balances included on the company balance sheet:

	31 March 2018	*31 October 2016*
	£'000	*£'000*
Unfunded benefit scheme liabilities	(86,888)	(91,516)
Funded defined benefit scheme assets	715,775	-
Funded defined benefit scheme deficits	-	(1,200,856)
Net balance	628,887	(1,292,372)

Notes to the financial statements

For the 17 month period ended 31 March 2018

23. Pensions (continued)

Unfunded benefit schemes

	31 March 2018	*31 October 2016*
	£'000	*£'000*
Opening liability balance	91,516	76,361
Charge to the income statement:		
Additional amounts provided	2,265	7,411
Unwinding of discounted amount	3,501	2,864
Effect of change in assumptions	(3,519)	10,007
Amounts utilised during the period	(6,875)	(5,127)
Closing liability balance	86,888	91,516

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 2.6% (2016 2.7%) 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. The average length it is expected that these costs will be incurred is 26.4 years (2016: 26.5years) from the balance sheet date.

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 is closed to new individual 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 9 trustee directors made up of five employer-appointed directors, one independent director and three 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 most recent actuarial valuation at 31 December 2014 (Retirement Plan), and 31 December 2014 (1994 scheme) and updated by the schemes' independent qualified actuaries Xafinity Consulting Limited to take account of the requirements of FRS101 in order to assess the liabilities of the schemes as at 31 March 2018 and 31 October 2016.

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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

23. Pensions (continued)

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

The assets and liabilities of the schemes are:

	Retirement Plan	1994 Scheme	Total
At 31 March 2018	*£000*	*£000*	*£000*
Scheme assets at fair value			
Equities	674,020	233,118	907,138
Bonds	2,709,744	986,657	3,696,401
Property	160,732	60,765	221,497
Others	139,720	57,735	197,455
Fair value of scheme assets	3,684,216	1,338,275	5,022,491
Present value of scheme liabilities	(3,179,064)	(1,127,652)	(4,306,716)
Defined benefit pension scheme assets	505,152	210,623	715,775

	Retirement Plan	1994 Scheme	Total
At 31 October 2018	*£000*	*£000*	*£000*
Equities	981,166	352,556	1,333,722
Bonds	988,829	433,334	1,422,163
Property	141,956	53,670	195,626
Others	399,383	153,605	552,988
Fair value of scheme assets	2,511,334	993,165	3,504,499
Present value of scheme liabilities	(3,433,164)	(1,272,191)	(4,705,355)
Defined benefit pension scheme deficit	(921,830)	(279,026)	(1,200,856)

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.

Notes to the financial statements

For the 17 month period ended 31 March 2018

23. Pensions (continued)

The amounts recognised in the Income statement and in the Statement of comprehensive income for the period are as follows:

	Retirement Plan	1994 Scheme	Total
Period ended 31 March 2018	*£000*	*£000*	*£000*
Recognised in the income statement			
Current service costs	23,215	4,595	27,810
Past service gain from transfer from fellow group scheme	(4,106)	-	(4,106)
Other past service gains	(6,315)	-	(6,315)
Settlements	(10,024)	-	(10,024)
Curtailment gain	(40,032)	(38,067)	(78,099)
Administrative expenses	8,598	4,430	13,028
Separated employee pension enhancements	810	2,206	3,016
Expenses recognised in arriving at operating profit	(27,854)	(26,836)	(54,690)

Settlement gains arose from a flexible return option exercise where deferred members transferred out.

Curtailment gains are recorded in the Retirement Plan from the change from active to deferred memberships following redundancy programs and from the closure of this defined benefit pension scheme for all future accruals of benefits from 1 December 2017. In the 1994 Scheme curtailment gains come from a decrease in future pensionable salaries as annual increases have switched from RPI to CPI terms.

Of the total charge, £22,561,000 was included in cost of sales, £15,115,000 in administrative expenses, and £3,209,000 in distribution costs, £2,969,000 in exceptional restructuring expenses and £(98,544,000) in exceptional pension related.

Net interest on defined benefit liability	(6,557)	(2,564)	(9,121)

Taken to other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	(45,961)	14,006	(31,955)
Experience gains arising on scheme liabilities	(15,293)	(22,017)	(37,310)
Effect of changes in assumptions underlying the present value of scheme liabilities	(183,422)	(80,490)	(263,912)
Recognised in the statement of comprehensive income	(244,676)	(88,501)	(333,177)

Notes to the financial statements

For the 17 month period ended 31 March 2018

23. Pensions (continued)

Year ended 31 October 2016	Retirement Plan	1994 Scheme	Total
	£000	*£000*	*£000*
Recognised in the income statement			
Current service costs	27,307	3,339	30,646
Curtailment gain	(8,355)	-	(8,355)
Administrative expenses	4,673	2,759	7,432
Separated employee pension enhancements	370	6,957	7,327
Expenses recognised in arriving at operating profit	23,995	13,055	37,050

Curtailment gains are recorded in the Retirement Plan from the change from active to deferred memberships following redundancy programs.

Of the total charge, £19,174,000 was included in cost of sales, £6,382,000 in administrative expenses, £3,987,000 in distribution costs and £7,507,000 in exception restructuring expenses.

Net interest on defined benefit liability	22,856	6,963	29,819
Taken to the statement of comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	(357,051)	(156,125)	(513,176)
Experience gains arising on scheme liabilities	(21,499)	(10,008)	(31,507)
Effect of changes in assumptions underlying the present value of scheme liabilities	661,066	247,338	908,404
Recognised in the statement of comprehensive income	282,516	81,205	363,721

Notes to the financial statements

For the 17 month period ended 31 March 2018

23. Pensions (continued)

The main assumptions adopted are:	Retirement Plan		1994 Scheme	
	31 March 2018	31 October 2016	31 March 2018	31 October 2016
	%	%	%	%
Rate of increase in salaries				
–retirement plan - post April 2010	N/A	2.0	-	-
–retirement plan - pre April 2010	N/A	3.0	-	-
– 1994 plan	-	-	1.9	2.5
Rate of increase in pensions in payment				
– retirement plan – post 2006	2.2	2.2	-	-
– retirement plan – pre 2006	3.0	3.2	-	-
– 1994 plan	-	-	3.3	3.3
Discount rate	2.6	2.7	2.6	2.7
Inflation assumption – RPI	3.0	3.3	3.0	3.3
Inflation assumption – CPI	1.9	2.2	1.9	2.2

Post-retirement mortality	*Years*	*Years*	*Years*	*Years*
Current pensioners				
at 65 – male	23.3	23.6	-	-
at 65 – female	25.8	26.2	-	-
at 60 – male	-	-	27.5	27.9
at 60 – female	-	-	30.6	31.2
Current 45 year old member				
from 65 – male	24.7	25.3	-	-
from 65 – female	27.3	28.1	-	-
from 60 – male	-	-	28.6	29.2
from 60 – female	-	-	31.8	32.7

Notes to the financial statements

For the 17 month period ended 31 March 2018

23. Pensions (continued)

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 10.2%/ increase by 10.7%
Inflation assumption	Increase/ decrease by 0.5%	Increase 6.4%/ decrease by 6.5%
Post retirement mortality	Increase/ decrease by 1 year	Increase 3.7%/ decrease by 3.2%
1994 Scheme		
Discounts rate	Increase/ decrease by 0.5%	Decrease 9.5%/ increase by 10.0%
Inflation assumption	Increase/ decrease by 0.5%	Increase 8.4%/ decrease by 8.1%
Rate of salary increases	Increase/ decrease by 0.5%	Increase 0.3%/ decrease by 0.2%
Post retirement mortality	Increase/decrease by 1 year	Increase 3.0%/ decrease by 2.7%

Changes in the present value of the defined benefit obligation scheme are as follows:	Retirement Plan	1994 Scheme	Total
	£000	*£000*	*£000*
As at 1 November 2015	2,732,221	1,014,097	3,746,318
Current service cost	27,307	3,339	30,646
Past service credit	(8,355)	-	(8,355)
Separated employee pension enhancements	370	6,957	7,327
Interest on scheme liabilities	101,603	37,516	139,119
Actuarial loss	639,567	237,330	876,897
Contributions by scheme participants	459	301	760
Benefits paid	(60,008)	(27,349)	(87,357)
As at 31 October 2016	3,433,164	1,272,191	4,705,355
Current service cost	23,215	4,595	27,810
Past service credit	(6,315)	-	(6,315)
Settlements	(10,024)	-	(10,024)
Curtailment gain	(40,032)	(38,067)	(78,099)
Separated employee pension enhancements	810	2,206	3,016
Interest on scheme liabilities	128,740	47,543	176,283
Scheme transfers	21,018	-	21,018
Actuarial gain	(198,715)	(102,507)	(301,222)
Contributions by scheme participants	418	171	589
Benefits paid	(173,215)	(58,480)	(231,695)
As at 31 March 2018	3,179,064	1,127,652	4,306,716

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 17 month period ended 31 March 2018

23. Pensions (continued)

Changes in the fair value of scheme assets are as follows:	Retirement Plan	1994 Scheme	Total
	£000	*£000*	*£000*
As at 1 November 2015	2,113,140	823,031	2,936,171
Interest income plan assets	78,747	30,553	109,300
Contributions by employer	26,618	13,263	39,881
Contributions by scheme participants	459	301	760
Benefits paid	(60,008)	(27,349)	(87,357)
Administrative expenses	(4,673)	(2,759)	(7,432)
Actuarial gain	357,051	156,125	513,176
As at 31 October 2016	2,511,334	993,165	3,504,499
Interest income plan assets	135,297	50,107	185,404
Contributions by employer	1,147,895	371,748	1,519,643
Contributions by scheme participants	418	171	589
Scheme transfers	25,124	-	25,124
Benefits paid	(173,215)	(58,480)	(231,695)
Administrative expenses	(8,598)	(4,430)	(13,028)
Actuarial gain/(loss)	45,961	(14,006)	31,955
As at 31 March 2018	3,684,216	1,338,275	5,022,491

Contributions paid by the company in the accounting period amounted to £1,519,643,000.

In readiness for the Hewlett Packard Enterprise Company spin off and merge of the Enterprise Services Business with CSC (Computer Sciences Corporation) to form DXC Technology from 1 April 2017 deficit repair and acceleration of contributions took place of a lump sum payment of £10,000,000 in November 2016.
This was followed by a payment of £1,498,600,000 in December 2016 which was paid from a capital contribution to the company by a fellow UK group company Hewlett-Packard Holdings Limited.

£11,043,000 was paid through monthly payroll deductions and relates to contributions payable in respect of the period 1 November 2016 to 31 March 2018.

Further contribution over the year to 31 March 2019 are expected to be £12,830,000.

Notes to the financial statements

For the 17 month period ended 31 March 2018

24. Share-based payments

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

Employee stock purchase plan

Effective 1st November 2015, the Company adopted the HPE Employee Stock Purchase Plan ("ESPP"). The ESPP allowed eligible employees to contribute up to 10% of their eligible compensation to purchase HPE common stock. The plan provides for a discount not to exceed 15% and an offering period up to 24 months. The Company offered 6 month offering periods during which employees had the ability to purchase shares at 95% of the closing market price on purchase date.

These HPE employee stock purchase plans ceased on 1 November 2016 due to Enterprise Services Business of Hewlett Packard Enterprise spin off, merger with Computer Sciences Corporation and formation of a new DXC Technology Company (DXC).

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.

Incentive stock-based 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 the spin off, merger with Computer Sciences Corporation and formation of a new DXC Technology Company, 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 the spin off, 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 separation conversions and accelerated vesting took place, details on each are below.

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

Notes to the financial statements

For the 17 month period ended 31 March 2018

24. Share-based payments (Continued)

Stock options

As a result of the spin off, merger with Computer Sciences Corporation and formation of a new DXC Technology Company, 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 the spin off. 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 period 585,512 (2016: 143,922) share options were exercised. The weighted average share price at the date of exercise for share options exercised during the year was $18.14 (2016: $9.86).

At the reporting date there were 96,662 (2016: 1,078,415) 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:

	2018		*2016*	
Range of Exercise Prices	*Shares outstanding*	*Weighted-average remaining life in years*	*Shares outstanding*	*Weighted-average remaining life in years*
$0.01 -$9.99	-	-	35,968	4.16
$10 - $19.99	-	-	803,899	5.91
$20 - $29.99	-	-	238,548	5.58
$30 - $39.99	16,802	2.29	-	-
$40 - $49.99	63,882	5.62	-	-
$60 - $69.99	15,978	5.39	-	-
	96,662	5.00	1,078,415	5.78

Restricted stock awards

As a result of the spin off, merger with Computer Sciences Corporation and formation of a new DXC Technology Company, 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 the spin off.

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 period 1,445,987 (2016: 149,506) non-vested restricted stock units were exercised.

At the reporting date there were 64,306 (2016: 1,383,105) outstanding non-vested restricted stock units.

Notes to the financial statements

For the 17 month period ended 31 March 2018

25. Financial instruments

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

	Forward contract outstanding	Fair Value	
	31 March 2018	*31 March 2018*	*31 October 2016*
	£000	*£000*	*£000*
Forward foreign exchange contracts	14,868	66	-

Since 1 April 2017 the company enters into forward foreign currency exchange contracts to mitigate exposure to exchange rate volatility. The company enters into contracts to cover foreign currency exposure on payables and receivables over £100,000 in order to alleviate as much risk as is consistent with a reasonable cost of hedge exposure.

At 31 March 2018, the outstanding contract matures within 1 month (2016: nil contracts) of the financial period end. The fair value above is calculated using the contracted GBP to EURO rate of 0.8746 compared to the market rate of GBP to EURO at 31 March 2018 of 0.87847.

26. Commitments under operating leases

At 31 March 2018 the company had total commitments under non-cancellable operating leases as set out below:

	31 March 2018			*31 October 2016*		
	Machinery and Equipment	*Land and buildings*	*Other items*	*Machinery and Equipment*	*Land and buildings*	*Other items*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Operating leases which expire:						
No later than in one year	26,845	9,730	364	-	12,417	669
Later than one year but in no more than five years	32,508	31,888	296	-	37,887	951
Later than in five years	-	16,453	-	-	18,904	-
	59,353	58,071	660	-	69,208	1,620

27. Ultimate parent undertaking and controlling party

At 31 March 2018, the company's immediate parent undertaking is ES Hague B.V., a company incorporated in the Netherlands.

Up to 31 March 2017 the ultimate parent company and controlling party and the smallest and largest undertaking, which consolidates these financial statements, was Hewlett Packard Enterprise Company, which is incorporated in the United States of America. Copies of the group financial statements of Hewlett-Packard Company can be obtained from 3000 Hanover Street, Palo Alto, California 94304, USA.

From 1 April 2017 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 1775 Tysons Boulevard, Tysons, VA 22102, USA.