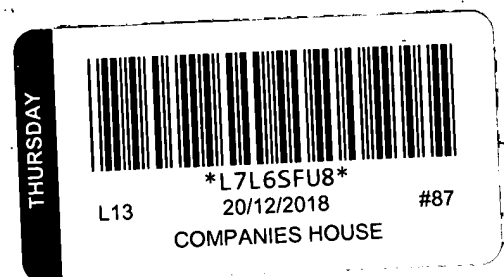


Registration No: 04306133

XCHANGING CLAIMS SERVICES LIMITED

Annual report

for the year ended 31 March 2018



XCHANGING CLAIMS SERVICES LIMITED

Annual Report for the year ended 31 March 2018

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XCHANGING CLAIMS SERVICES LIMITED

Directors and professional advisers

Directors

D Juttla	- appointed 6 September 2017
P Godwin	
J Taylor	- appointed 22 December 2017
S Guerin	- resigned 6 September 2017
I Mallery	
R Myers	- resigned 22 December 2017
K Rainer	

Registered Office

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

Independent Auditor

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

Principal Banker

NatWest Bank
RBS Ground Floor
250 Bishopsgate
London
EC2M 4AA

XCHANGING CLAIMS SERVICES LIMITED

Strategic Report for the year ended 31 March 2018

The Directors present their Strategic Report on the Group for the year ended 31 March 2018.

Results and dividends

The Group's net profit for the year ended 31 March 2018 was £7,629,000 (2017: profit of £5,662,000 for the 15 months period ended 31 March 2017). No dividends were paid during the year ended 31 March 2018 (FY'17 2017: £3,354,000).

Review of the business and future developments

During the year ended 31 March 2018 the business revenue decreased to £32,625,000 from £37,329,000 (for the financial period ended 31 March 2017), with profit for the year ended 31 March 2018 increasing to £7,629,000 from £5,662,000 for the financial period ended 31 March 2017.

Net assets of the Group increased from £6,249,000 (as at March 2017) to £ 14,043,000 (as at March 2018).

The decrease in revenue for the financial year ended 31 March 2018 is attributed to the reported results for 12 months when compared to a 15-month period ended 31 March 2017. On a pro-rata basis, the revenue increase for the year ended 31 March 2018 would be 9.2%, this is attributed to higher volume of claims processed and in line with recent trends.

The results for the Group show a profit on ordinary activity before taxation for the year ended 31 March 2018 of £9,430,000 (15-month period ended 31 March 2017: £7,093,000). Net cash inflow from operating activities for the year ended 31 March 2018 was £12,057,000 (15-month period ended 31 March 2017: inflow of £11,938,000).

The focus for 2019 will be to continue to grow our elective business in the Lloyd's market through our expert teams and products such as Volume Claims Service.

Principal activities

The principal activity of Xchanging Claims Services Limited, registered company 04306133, and its subsidiaries ("XCS" or "the Group") is the provision of claims adjusting, processing and recoveries services to Lloyd's and London insurance market.

Principal risks and uncertainties

Management review risk proactively to keep the Group at an acceptable level of overall business risk. The Director of Risk & Compliance oversees an active Governance, Risk & Compliance program, and assurance is provided through effective SOX controls with review & assessment by the Internal Audit Function. The execution of the above strategy is subject to many financial and non-financial risks which are recorded and monitored in the Group's risk register, including:

Strategic risks

- Failure to renew existing contracts or win new contracts for core and elective services; and
- Failure to ensure the business is run in alignment with shareholders' interests.

XCHANGING CLAIMS SERVICES LIMITED

Strategic report for the year ended 31 March 2018 (continued)

Principal risks and uncertainties (continued)

Service delivery risks

- Failure to meet service levels and customer service expectations; and
- Catastrophic loss of environment or IT services.

People risks

- Loss of key staff or skills; and
- Inefficient use of existing staff.

Legal, compliance and regulatory risk

- Failure to comply with UK, EU and/or international sanctions;
- Failure to maintain an appropriate control environment; and
- Failure to detect and report suspicious activities.

Financial risk

- Unrecognised liabilities may crystallise from the Group's defined benefit pension scheme;
- Failure to maintain a robust information technology security policy; and
- Unidentified weaknesses in business continuity systems.

These risks are recorded and monitored in the Group's risk register.

Financial risk management

Given the size of the Group, the Directors have not delegated the responsibilities of monitoring financial risk management to the individual companies' boards. The policies set by the board of directors are implemented by the Group's finance department.

The Group is exposed to a variety of financial risks which are reviewed on a regular basis to limit the adverse effects on the financial performance of the Group. These are set out as follows:

I) Foreign exchange risk

The Group has no overseas operations or foreign currency exposures.

II) Interest rate risk

The Group has no interest-bearing liabilities. The Group does not use derivative financial instruments as exposure levels are not material.

III) VAT risk

The UK is currently reviewing VAT rules on financial and insurance services; with a view to modernise and standardise across the UK. This may lead to some currently exempt services provided by Xchanging Claims Services Limited becoming non-exempt. Any resulting change is not expected to take effect before the end of 2018. We continue to track these legislative developments, assess their likely impact and seek to mitigate.

IV) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB+' have been accepted, and during the period, the Group's bank NTW was upgraded from BBB- to BBB+. Due to the nature of NTW' ownership, the risk of holding cash with NTW is considered acceptable. The Group's credit risk with customers is limited as a significant proportion of annual income is either collected in advance via annual subscription or by direct settlement in the month following that when the service was provided. Where customers are provided with credit, regular credit control reviews are performed to monitor the collection of the debt and risk assessments are carried out for new customers.

XCHANGING CLAIMS SERVICES LIMITED

Strategic report for the year ended 31 March 2018 (continued)

Financial risk management (continued)

V) Liquidity risk

The Group actively monitors that it has sufficient funds for operations and any planned expansions. The Group does not currently make use of any financing arrangements, but this will be continually reviewed as the business develops and matures.

VI) Capital management risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

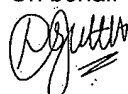
Key performance indicators

The board measures this progress based on the KPIs below:

	March 2018	March 2017 (15 Month Period)	Definition, method of calculation and analysis
Change in revenue (%)	(12.6%)	38.2%	Year on year revenue (decrease)/increase expressed as a percentage.
Profit margin (%)	19%	15.2%	Profit margin is the ratio of profit after tax to revenue expressed as a percentage. The increase is a result of lower operating expenses, improved productivity.
Volumes processed	1.3 m	1.5 m	Number of claim transactions volumes processed during the year/period.
Employee numbers	214	235	Average number of permanent staff employed during the year/period.

¹ The change in revenue for the 12 months period ended 31 March 2018 is based on the reported results for 12 months when compared to a 15-month period ended 31 March 2017. On a pro-rata basis, the increase in revenue for the financial year ended 31 March 2018 would be 9.2%, this is attributed to higher volume of claims processed and in line with recent trends.

On behalf of the board



D Juttla

Director

19 December 2018

XCHANGING CLAIMS SERVICES LIMITED

Directors' report for the year ended 31 March 2018

The Directors present their annual report and the consolidated audited financial statements of Xchanging Claims Services Limited, for the year ended 31 March 2018.

Directors

The directors who held office during the year and up to the date of signing the financial statements are listed on page 2.

Future development

The future development has been disclosed in the Strategic Report.

Dividends and Financial risk management

No Dividends paid out during the 12 months ended 31 March 2018 (31 March 2017: £3,354,000). Financial risk management have been disclosed in the Strategic Report.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate based on projections for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

Financial instruments

The Group does not trade in derivative financial instruments. Capital instruments that contain an obligation to transfer economic benefit are classified as liabilities and are recorded at their net proceeds. Financial assets are recorded at cost and the return on such assets is accrued in the period to which it relates.

The Group's financial instruments comprise cash and various items such as trade receivables and trade payables that arise directly from its operations. The fair value of financial assets and liabilities is approximately equal to their book values.

Employment policies

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability, marital status, age or religion. The Group is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Employees are kept well informed of performance and objectives of the Group through regular email communications and periodic briefings by senior management.

Employee involvement

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group and DXC group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its results. The Group encourages the involvement of employee's by means of two-way communication on an internal website, regular forums and update meetings.

Disabled persons

It is the policy of the Group to offer appropriate training and career development to disabled persons as far as possible that are identical to other employees, in line with best practice. In the event of a member of staff becoming disabled every effort is made by the Group to continue employment and arrange appropriate retraining and offer opportunities for promotion.

XCHANGING CLAIMS SERVICES LIMITED

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation taken as a whole; and
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and position of the company and the undertakings included in the consolidation taken, together with a description of the principal risks and uncertainties that they face.

None of the Directors of the Company and the Directors of associated companies have been granted indemnities by the Company. No charitable donations have been made for the year ended 31 March 2018 (period ended 31 March 2017: £nil charitable donations).

Independent auditors

Deloitte LLP have been appointed for the year ended 31 March 2018, the auditors, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at a subsequent meeting of the board.

On behalf of the board



D Juttla

Director

19 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XCHANGING CLAIMS SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Xchanging Claims Services Limited:

- give a true and fair view of the state of the Group and the parent company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheet;
- the consolidated and company statement of changes in equity;
- the consolidated and company cash flow statement and;
- the related notes 1 to 26 for the Group and notes 1 to 15 for the parent company.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis of opinion

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

We are independent of the Group and the parent 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.

Conclusion 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 Group and the parent 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 XCHANGING CLAIMS SERVICES LIMITED (continued)

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 Group and the parent 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 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 XCHANGING CLAIMS SERVICES LIMITED (continued)

Matters on which we are required to report by exception

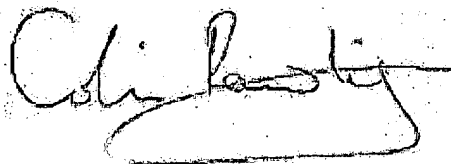
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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



Colin Rawlings, FCA, (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 December 2018

XCHANGING CLAIMS SERVICES LIMITED

Consolidated Income Statement for the year ended 31 March 2018

		2018	2017
		(12-month- year from	(15-month period from
		1 April 2017	1 January 2016
		to 31 March 2018)	to 31 March 2017)
Notes		£'000	£'000
Continuing operations			
Revenue	5	32,625	37,329
Cost of providing services		(17,169)	(22,395)
Gross profit		15,456	14,934
Administrative expenses		(6,032)	(7,855)
Operating profit	6	9,424	7,079
Finance income	8	10	14
Finance costs	8	(4)	-
Profit before income tax		9,430	7,093
Income tax expense	9	(1,801)	(1,431)
Profit for the year/period		7,629	5,662

Notes 1 to 26 form an integral part of these consolidated financial statements.

XCHANGING CLAIMS SERVICES LIMITED

Consolidated statement of comprehensive income for the year ended 31 March 2018

		2018 (12 months- year from 1 April 2017 to 31 March 2018)	2017 (15 months period from 1 January 2016 to 31 March 2017)
	Notes	£'000	£'000
Profit for the year/period		7,629	5,662
Other comprehensive income:			
items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations	18	208	(248)
Income tax relating to these items	9	(35)	42
Other comprehensive income / (expense) for the year/period, net of tax		173	(206)
Total comprehensive income for the year/period		7,802	5,456

Notes 1 to 26 form an integral part of these consolidated financial statements.

XCHANGING CLAIMS SERVICES LIMITED

Consolidated Balance sheet as at 31 March 2018

		31 March 2018	31 March 2017
	Notes	£'000	£'000
Assets			
Non-current assets			
Intangible assets	11	282	451
Property, plant and equipment	12	-	1
Deferred taxation asset	16	109	168
Post-retirement benefit asset	18	87	-
Total non-current assets		478	620
Current assets			
Trade and other receivables	13	4,335	7,182
Cash and cash equivalents		23,628	11,565
Total current assets		27,963	18,747
Total assets		28,441	19,367
Liabilities			
Current liabilities			
Trade and other payables	14	(12,823)	(11,493)
Current income tax liability	9	(1,575)	(1,290)
Provisions	15	-	(200)
Total current liabilities		(14,398)	(12,983)
Non-current liabilities			
Post-retirement benefit liabilities	18	-	(135)
Total non-current liabilities		-	(135)
Total liabilities		(14,398)	(13,118)
Net assets		14,043	6,249
Equity			
Share capital	19	4	4
Share premium	19	2,223	2,223
Merger Reserve	19	(723)	(723)
Retained earnings	19	12,539	4,745
Total equity		14,043	6,249

Notes 1 to 26 form an integral part of these consolidated financial statements.

The financial statements on page 11 to 15 were approved by the board of directors on 19 December 2018 and were signed on its behalf by:



D Juttla
Director

Registered number: 04306133

XCHANGING CLAIMS SERVICES LIMITED

Consolidated statement of changes in equity for the year ended 31 March 2018

Notes	Share capital £ '000	Share premium £ '000	Merger reserve £ '000	Retained earnings £ '000	Total equity £ '000
Total equity at 1st January 2016	4	2,223	(723)	2,627	4,131
Profit for the period	-	-	-	5,662	5,662
Other comprehensive expense	-	-	-	(206)	(206)
Total comprehensive (expense) /income for the period	-	-	-	5,456	5,456
Transactions with owners in their capacity as owners:					
Dividends paid	-	-	-	(3,354)	(3,354)
Employee share schemes	-	-	-	16	16
Balance at 31 March 2017	4	2,223	(723)	4,745	6,249
Profit for the year	-	-	-	7,629	7,629
Other comprehensive income	-	-	-	173	173
Total comprehensive income for the year	-	-	-	7,802	7,802
Transactions with owners in their capacity of owners:					
Employee share schemes	-	-	-	(8)	(8)
Balance at 31 March 2018	4	2,223	(723)	12,539	14,043

For a description of the nature and purpose of each reserve within shareholders' equity refer to note 19. Notes 1 to 26 form an integral part of these consolidated financial statements.

XCHANGING CLAIMS SERVICES LIMITED

Consolidated statement of cash flows

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	17	12,561	12,363
Income taxes paid		(504)	(425)
Net cash inflow from operating activities		12,057	11,938
Cash flows from investing activities			
Additions to intangible assets		-	(463)
Payments for pre-contract costs		-	(47)
Interest received	8	10	14
Net cash inflow/(outflow) from investing activities		10	(496)
Cash flows from financing activities			
Dividends paid to company's shareholders	10	-	(3,354)
Interest paid	8	(4)	-
Net cash outflow from financing activities		(4)	(3,354)
Net increase in cash and cash equivalents		12,063	8,088
Cash and cash equivalents at the beginning of the financial year		11,565	3,477
Cash and cash equivalents at the end of the financial year		23,628	11,565

Notes 1 to 26 form an integral part of these consolidated financial statements.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

1) General information

The principal activity of Xchanging Claims Services Limited, registered company 04306133, and its subsidiaries ("XCS" - "the Group") is the provision of claims handling and recoveries services to the Lloyd's market. Xchanging Claims Services Limited is a limited liability company incorporated and domiciled in the United Kingdom.

2) Adoption of new and revised Standards

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods except for IFRS 16, for which a full transition assessment will be performed in FY19.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

3) Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of Xchanging Claims Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate based on projections for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

Consolidation

The Group financial statements represent the consolidation of the results of the company and all its subsidiaries made up to 31 March 2018 with uniform accounting policies being adopted across the Group, and the elimination of profits/losses on the intra Group transactions.

Interests acquired in subsidiary undertakings are consolidated from the date control passes to the Group. Transactions and balances between Group companies are eliminated.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which Xchanging Claims Services Limited and its subsidiaries operate ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the functional currency of Xchanging Claims Services Limited.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

Provisions

Provisions are recognised when, the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Revenue

Revenue, which is stated exclusive of value added tax, principally comprises amounts receivable for the provision of claims handling and recoveries services, charged on transactional and commission bases respectively. Revenue is recognised in the income statement for the accounting period in which the insurance claim is processed or claim recovery is completed as appropriate. Revenue from additional services is recognised as earned.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

3) Summary of significant accounting policies (continued)

Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Computer software development costs recognised as assets are amortised over a period of 3 – 7 years based on estimated useful life.

Property, plant and equipment

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

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

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

3) Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- | | |
|--|-----|
| • Computer equipment | 33% |
| • Fixtures & fittings and office equipment | 25% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of investments

At each reporting date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income statement.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand; deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

3) Summary of significant accounting policies (continued)

Employee benefits

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

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

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the income statement.

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

Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Current and deferred income tax

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

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

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

3) Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

4) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful economic lives of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation.

(b) Defined benefit pension scheme

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

5) Revenue

The tables below present revenue from continuing operations by the geographical location of customers and by category:

Revenue by geographical location:

	2018 1 April 2017 to 31 March 2018 £'000	2017 1 January 2016 to 31 March 2017 £'000
United Kingdom	32,625	37,329
Total Revenue	32,625	37,329

Analysis of revenue by category:

	2018 1 April 2017 to 31 March 2018 £'000	2017 1 January 2016 to 31 March 2017 £'000
Services	6,556	7,432
Transaction Based	26,069	29,897
Total Revenue	32,625	37,329

Information about product/services:

	2018 1 April 2017 to 31 March 2018 £'000	2017 1 January 2016 to 31 March 2017 £'000
Claims services	32,625	37,329
Total Revenue	32,625	37,329

Material customers

No customers accounted for greater than ten per cent of the Group's net revenue.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

6) Operating profit

Operating profit is stated after charging the following expenses:

		2018 (12 months period from 1 April 2017 to 31 March 2018) £'000	2017 (15 months period from 1 January 2016 to 31 March 2017) £'000
Depreciation and amortisation			
- Depreciation of property, plant and equipment	12	1	6
- Amortisation of other intangible assets	11	169	377
- Amortisation of pre-contract costs		1	12
Audit fees payable to the company auditor		125	35
Operating lease charges		14	32

All audit fees payable to the company auditor comprise fees for the annual audit of the company and consolidated financial statements and audit of company's subsidiaries pursuant to legislation.

7) Employees and directors

Directors:

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

Director's emoluments were as follows:

	2018 Financial year 1 April 2017 to 31 March 2018 £'000	2017 Financial period 1 January 2016 to 31 March 2017 £'000
Aggregate emoluments	-	328
Pension contributions	-	4
Total	-	332

Employees

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

	31 March 2018 Number	31 March 2017 Number
By activity		
Selling and distribution	179	231
Administration	35	4
	214	235

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

7) Employees and directors (continued)

	2018 (12 months period from 1 April 2017 to 31 March 2018) £'000	2017 (15 months period from 1 January 2016 to 31 March 2017) £'000
Note		
Wages and salaries	7,251	10,321
Social security costs	790	1,062
Share based payment charge	-	16
Other pension costs	671	736
Direct staff costs	8,712	12,135

8) Finance income and costs

	2018 (12 Months year from 1 April 2017 to 31 March 2018) £'000	2017 (15 Months period from 1 January 2016 to 31 March 2017) £'000
Finance Income		
Bank interest income	10	9
Net interest income on defined benefit pension schemes	0	5
Total finance income	10	14
Finance costs		
Net interest cost on post-employment benefits	(4)	-
Total finance costs	(4)	-
Net finance income	6	14

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

9) Income Tax

Tax expense included in profit and loss:

	2018 (12 Months year from April 18 to March 18) £'000	2017 (15 Months period from January 16 to March 17) £'000
Current tax:		
UK corporation tax on profit for the year	1,762	1,393
Adjustments in respect of prior years	16	(16)
Total current tax	1,778	1,377
Deferred tax:		
Origination and reversal of timing differences	27	48
Adjustments in respect of prior years	(4)	4
Impact of change in tax rate		2
Total deferred tax	23	54
Income tax expense	1,801	1,431

Tax expense /(income) included in other comprehensive income

	2018 £'000	2017 £'000
Deferred tax expense/(credit)	35	(42)
Total tax expense/(credit) included in other comprehensive income	35	(42)

The current tax assessed for the period is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	9,430	7,093
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	1,792	1,362
Effects of:		
Other timing difference	(3)	-
Re-measurement of deferred tax - change in UK tax rate		2
Adjustments to tax charge in respect of prior years	12	73
Expenses not deductible for tax purposes		(5)
Income tax expense	1,801	1,431

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017. A reduction to the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The rate of 17% (2017: 17%) has been used to calculate the deferred tax asset/(liability).

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

10) Equity dividend

	2018	2017
	£'000	£'000
Dividend declared and paid:		
A and B shares: £ per share (2017: £1,676.52)	-	3,353
C shares: £ per share (2017: £0.42)	-	1
	-	3,354

11) Intangible assets

	Capitalised Software £'000
Cost	
At 1st January 2016	3,046
Additions	463
At 31 March 2017	3,509
Additions	-
At 31 March 2018	3,509
Accumulated Amortisation and impairment	
At 1st January 2016	(2,681)
Charge for the year	(377)
At 31 March 2017	(3,058)
Charge for the year	(169)
At 31 March 2018	(3,227)
Net book value	
At 31 March 2018	282
At 31 March 2017	451

Capitalised Software includes a claims processing platform to provide claims processing services for customer based in Singapore. The carrying value of this asset was at 31 March 2018 £282,000 (31 December 2017: £451,000)

Amortisation of intangible assets is recorded in cost of providing services in the income statement.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

12) Property, plant and equipment

	Computer equipment £'000	Fixture & fittings and office equipment £'000	Total £'000
Cost or valuation			
At 1st January 2016	766	208	974
Additions	-	-	-
At 31 March 2017	766	208	974
Additions	-	-	-
At 31 March 2018	766	208	974
Accumulated depreciation			
At 1 st January 2016	(759)	(208)	(967)
Charge for the year	(6)	-	(6)
At 31 March 2017	(765)	(208)	(973)
Charge for the period	(1)	-	(1)
At 31 March 2018	(766)	(208)	(974)
Net book value			
At 31 March 2018	-	-	-
At 31 March 2017	1	-	1

Depreciation is recorded in cost of providing services in the income statement.

13) Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Trade receivables	1,220	1,289
Less provision for impairment of trade receivables	(89)	(89)
Net trade receivables	1,131	1,200
Amounts owed by Group undertakings	34	2,082
Other receivables	98	532
Prepayments and accrued income	3,072	3,368
Total current trade and other receivables	4,335	7,182

Amounts owed by Group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

13) Trade and other receivables (continued)

For the year ended 31 March 2018, trade receivables of £890,000 (31 March 2017: £412,000) were past due, but not impaired. These relate to a number of independent customers for whom there is no recent history of default. All trade receivables, whether current or past due, are reviewed for impairment on a case-by-case basis to identify impairment taking into account the ageing of the debt, the likelihood of recoverability and other external factors. The ageing analysis of the trade receivables is as follows.

	31 March 2018 £'000	31 March 2017 £'000
Current	330	788
1-30 Days	259	34
31-60 Days	226	190
61-90 Days	102	29
Over 90 Days	303	159
Total	1,220	1,200

14) Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Current trade and other payables		
Trade payables	-	-
Amounts owed to Group undertakings	8,224	8,534
Taxation and social security	218	216
Other payables	785	344
Accruals and deferred income	1,176	534
Group relief payable	2,420	1,865
Total current trade and other payables	12,823	11,493

Amounts owed to group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15) Provisions

Provisions are recognised when a present legal or constructive obligation exists as the result of a past event, it is probable that this will result in an outflow of resources and the amount of which can be reliably estimated.

	Litigation £'000	Total £'000
At 31 st December 2015	-	-
Additions	200	200
At 31 March 2017	200	200
Additions	-	-
Utilised	(200)	(200)
At 31 March 2018	-	-

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

16) Deferred tax

The provision for deferred tax consists of the following deferred tax assets/(liabilities):

	31 March 2018 £'000	31 March 2017 £'000
Deferred tax assets	109	168
Deferred tax liabilities	-	-
Total Provision	109	168

Deferred tax assets / (liabilities)	Accelerated capital allowance £'000	Relating to the pension deficit £'000	Other £'000	Total £'000
At 1 January 2016	147	(15)	46	178
Credited/(charged) to the income statement	(7)	-	(46)	(53)
Credited directly to other comprehensive income	-	42	-	42
At 31 March 2017	140	27	-	167
Credited/(charged) to the income statement	(23)	-	-	(23)
Charged directly to other comprehensive income	-	(35)	-	(35)
At 31 March 2018	117	(8)	-	109

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profit is probable.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

17) Cash generated from operations

	Note	2018 £ '000	2017 £ '000
Profit before tax		9,430	7,093
Net finance (income)	9	(6)	(14)
Operating profit		9,424	7,079
Adjustment for non-cash items:			
- employee share-based payment (credit)/expense		(8)	16
- depreciation of PP&E	13	1	6
- amortisation of other intangibles	12	169	377
- amortisation of pre-contract costs		-	17
- defined benefit current service cost	19	-	56
		9,586	7,551
Changes in working capital:			
- (increase) /decrease in trade and other receivables		2,846	(1,662)
- increase/(decrease) in trade and other payables		378	6,362
- decrease in retirement benefit obligations		(49)	(88)
- (decrease)/increase in provisions		(200)	200
Cash generated from operations		12,561	12,363

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18) Post-employment benefits

Defined benefit scheme

For certain employees, the company operates a defined benefit pension scheme with assets held in a separately administered fund.

On 31 December 2015 the defined benefit pension scheme was closed to future accrual. At the same time, the Group offered a defined contribution scheme to provide benefits to these employees.

The scheme pensions are updated in line with the retail price index.

In accordance with UK trust and pensions law, the pension plans have appointed trustees who are independent of the Group. The trustees of these pension schemes are required by law to act in the best interests of the plans' participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the plans. The assets of each pension plan are held separately from those of the Group.

The risks of the scheme are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18) Post-employment benefits (continued)

A comprehensive actuarial valuation of the company pension scheme, using the projected unit basis, was carried out at 1 July 2014 by Scottish Widows, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 March 2018	31 March 2017
Discount rate	2.64	2.60%
Rate of inflation	3.01	3.40%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	31 March 2018	31 March 2017
Longevity of age 65 for current pensioners:		
-Men	22.7	22.8
-Women	24.8	24.9
Longevity at age 65 for future pensioners:		
-Men	24.1	24.2
-Women	26.4	26.4

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2017	3,983	(4,118)	(135)
Benefits paid	(122)	122	0
Employer contributions	71	-	71
Employee contributions	-	-	-
Current service cost	-	(53)	(53)
Past service credit	-	-	-
Administration expenses	(19)	19	-
Interest income/(expense)	95	(99)	(4)
Re-measurement (losses)/gains	60	148	208
At 31 March 2018	4,068	(3,981)	87

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18) Post-employment benefits (continued)

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2016	3,282	(3,201)	81
Benefits paid	(61)	61	-
Employer contributions	83	-	83
Administration expenses	(56)	-	(56)
Interest income/(expense)	156	(151)	5
Re-measurement (losses)/gains	579	(827)	(248)
At 31 March 2017	3,983	(4,118)	(135)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

Impact on defined benefit obligation

	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Increase in life expectancy	1 year	4,096	-
Discount rate	0.5%	(450)	(2,315)
Inflation rate	0.5%	410	(279)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Balance Sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

18) Post-employment benefits (continued)

Total cost recognised as an expense:

	31 March 2018 £'000	31 March 2017 £'000
Current service cost	53	-
Administration expense	-	56
Interest cost/ (income)	4	(5)

The fair value of the plan assets was:

	31 March 2018 £'000	2018 %	31 March 2017 £'000	2017 %
Equity instruments	1,019	25.1%	992	24.9%
Bonds	3,040	74.7%	2,935	73.7%
Cash	9	0.2%	55	1.3%
Total	4,068	100%	3,982	100.0%

Defined contribution scheme

The company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was £ 670,000 (31 March 2017: £678,000).

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

19) Reserves

Share capital

	31 March 2018 £'000	31 March 2017 £'000
Allotted and fully paid		
1,000 (2017: 1,000) A shares of £1 each	1	1
1,000 (2017: 1,000) B shares of £1 each	1	1
1,000 (2017: 2,001) C shares of £1 each	2	2
	<u>4</u>	<u>4</u>

There were no changes in called up share capital in the financial year.

The A, B and C shares carry the same rights and privileges and rank pari passu in all respects except for the following rights as regards to dividends:

The holders of the C shares are entitled to receive a fixed cumulative preferential dividend of 5 per cent of the paid-up C share nominal value and a variable participating dividend in priority to the payment of any dividend to the holders of the A shares or the B shares.

On the date of each year's audit opinion the A and B shareholders accrue a right to dividends based on a share of profit calculated after tax and after payment of the preferential dividend to holders of C shares.

Merger reserve

	£ '000
At 31 March 2017	(723)
At 31 March 2018	<u>(723)</u>

The merger reserve relates to the application of the Income Tax Act 2007, Section 132, relief on the acquisition of LCO Marine Limited and LCO Non-Marine Limited in 2002.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

19) Reserves (continued)

Retained earnings

	£'000
At 1st January 2016	2,627
Profit for the period	5,662
Other comprehensive expense	(206)
Dividends provided for or paid	(3,354)
Employee share schemes- value of employee services	16
At 31 March 2017	4,745
Profit for the year	7,629
Other comprehensive income	173
Employee share schemes- value of employee services	(8)
At 31 March 2018	12,539

Retained earnings comprise the accumulation of the Group's net profits retained within the business, after the payment of any dividends and employee share scheme adjustment.

20) Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	32	32
Later than one year and not later than five years	-	6
	32	38

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

21) Related party transactions

The following companies are considered to be related parties of the Group as they hold non-controlling shareholdings in a number of the subsidiaries of the Group or are a joint venture of the Group:

- The Corporation of Lloyd's held a 50.0% interest in Xchanging Claims Services Limited for the full year ended 31 March 2018. Some of the directors of Xchanging Claims Services Limited are employees of the Corporation of Lloyd's. The emoluments of these directors were borne by the Corporation of Lloyd's.

A description of the nature of the services provided (to)/from these companies by/(to) the Group and the amount receivable/(payable) in respect of each as at and for the period ended 31 March 2018, and 31 March 2017, respectively, are set out in the table below:

Corporation of Lloyd's

Services provided by/(to) the Group

	(Charge)/Revenue		Payable	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
IT infrastructure, premises, accounting and administration, and other services	33	(30)	-	(18)
Processing and data services	4	-	4	-

The following companies that the Group has transacted with during the year are related parties because they all share the same ultimate controlling party, DXC Technology Company. The companies concerned are:

- Xchanging Technology Services India Private Limited
- Xchanging Global Insurance Solutions Limited
- Ins-sure Services Limited
- LPSO Limited
- London Processing Centre Limited
- Xchanging Broking Services Limited
- Xchanging Procurement Services Limited
- Xchange Limited
- Xchanging UK Limited
- Total Objects Limited
- Xchanging Pty Limited
- Xchanging Technology Pty Limited
- Xchanging Software Europe
- CSC Computer Sciences Limited
- Ferguson Snell and Associates

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2018 (continued)

21) Related party transactions (continued)

A description of the nature of the services provided by/(to) the related parties of the Group and the amounts receivable/(payable) in respect of them as at and for the period ended 31 March 2018 and 31 March 2017, respectively, are set out in the following table:

Services provided by/(to) the Group

	Revenue/(charge)		Receivable/(payable)	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
IT related and other services in support of operating activities	(9,815)	(12,075)	(4,485)	(3,086)
Licence Fee	(1,618)	(1,851)	(1,608)	(1,842)
Expert fee services, claims management and expense recharges	(90)	829	-	-
Seconded and other recharges	(1,240)	(2,385)	(3,765)	(1,946)
Procurement management	-	-	(18)	-
Group relief	-	-	(1,865)	(1,865)

Transactions with Directors and key management

The compensation disclosure below relates to the company executive Directors and key senior managers within the Group, who constitute the people having authority and responsibility for planning, directing and controlling the Group's activities. The remuneration for certain key management personnel are borne by other DXC group.

Key management compensation (including Directors)

	31 March 2018 £'000	31 March 2017 £'000
Aggregate emoluments	-	328
Pension contributions	-	4
Total	-	332

As no Directors are employed by XCS Group, there is no gain on the share option exercised to report. (31 March 2017: £96,000).

No balances are outstanding from current Directors and key management personnel.

During the year, no key management personnel received compensation for loss of office (31 March 2017: no key management personnel).

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the financial year ended 31 March 2018 (continued)

22) Financial risk management

Given the size of the Group, the directors have not delegated the responsibilities of monitoring financial risk management to the individual companies' boards. The policies set by the board of directors are implemented by the Group's finance department.

The Group is exposed to a variety of financial risks which are reviewed on a regular basis to limit the adverse effects on the financial performance of the Group.

(i) Foreign exchange risk

The Group has no overseas operations or foreign currency exposures.

(ii) Interest rate risk

The Group has no interest-bearing liabilities. The Group does not use derivative financial instruments as exposure levels are not material.

(iii) VAT risk

The UK is currently reviewing VAT rules on financial and insurance services; with a view to modernise and standardise across the EU. This may lead to some currently exempt services provided by Xchanging Claims Services Limited becoming non-exempt. Any resulting change is not expected to take effect before 2018. We continue to track these legislative developments, assess their likely impact and seek to mitigate.

(iv) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Previously for banks and financial institutions, only independently rated parties with a minimum rating of 'BBB+' have been accepted and during the period, the company's bank NTW was upgraded from BBB- to BBB+. Due to the nature of NTW ownership, the risk of holding cash with NTW is considered acceptable. The company's credit risk with customers is limited as around 82% of all revenue is collected monthly via Central Settlement, which automatically debits the customers' accounts and credits the company's accounts. A weekly credit control review is in place for the remaining revenue.

(v) Liquidity risk

The Group actively monitors that it has sufficient funds for operations and any planned expansions. The Group does not currently make use of any financing arrangements, but this will be continually reviewed as the business develops and matures.

(vi) Capital management risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The principal risk facing the Group is liquidity risk, but this is limited as reflected by the above comments.

(vii) Price risk

The group has entered into long term contract with its customer to mitigate pricing risk

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the financial year ended 31 March 2018 (continued)

22) Financial risk management (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractually agreed undiscounted cash flows. Financial liabilities comprise trade and other payable, group relief payable excluding taxes, accruals and deferred income.

	Expiring within one year	Expiring later than one year but not more than two years	Total contractual amount
	£ '000	£ '000	£ '000
Amount owed to group undertakings	8,224	-	8,224
Other creditors	785	-	785
Group relief payable	2,420	-	2,420
At 31 March 2018	11,429	-	9,009
At 31 March 2017	10,743	-	10,743

Capital management

The Group seeks to maintain a minimum cash balance to cover short term operating activities. The following components of the Group's balance sheet are considered to be managed capital:

- Total equity
- Cash and cash equivalents
- Trade and other receivables

23) Financial instruments

Financial assets

The Group has classified all of its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the financial year ended 31 March 2018 (continued)

23) Financial instruments (continued)

Financial assets as per the balance sheet

	Trade and other receivables £ '000	Cash and cash equivalents £'000	Total £'000
At 31 March 2018	1,238	23,628	25,011
At 31 March 2017	3,789	11,565	15,354

Loans and receivables comprises net trade receivables and other receivables which are all current in nature.

Credit quality of financial assets

The credit quality of financial assets that are not impaired can be assessed by reference to historical information about counterparty default rates:

	31 March 2018 £'000	31 March 2017 £'000
Trade receivables		
Counterparties without external credit rating:		
Group 1	0	8
Group 2	1,220	1,281
Total unimpaired trade receivables	1,220	1,289
Cash and cash equivalents		
A-1	-	-
A	-	1
BBB+	23,628	-
BBB-	-	11,564
Total cash and cash equivalents	23,628	11,565

Group 1 – new customers/related parties (less than six months).

Group 2 – existing customers/related parties (more than six months) with no defaults in the past.

Financial liabilities.

The Group does not use derivative financial instruments and has classified all of its financial liabilities as loans and payables held at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. The Group determines the classification of its financial liabilities at initial recognition.

Loans and payables held at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet, which are classified as non-current liabilities. Loans and payables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the obligation to pay cash has either been settled or has expired.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the consolidated financial statements for the financial year ended 31 March 2018 (continued)

23) Financial instruments (continued)

Financial liabilities comprise trade and other payables

The details of financial liabilities are disclosed in note 22.

24) Parent undertaking and ultimate controlling party.

The company is jointly owned by Xpanse No. 2 Limited and the Corporation of Lloyd's. Both are incorporated in the United Kingdom.

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

25) Events after the end of the reporting period.

The company had no subsequent events since the reporting date.

26) Contingent liabilities

On February 2, 2017 DXC Technology submitted an initial notification of voluntary disclosure regarding certain possible violations of U.S. sanctions laws to the U.S. Department of Treasury, Office of Foreign Assets Control (OFAC) pertaining to insurance premium data and claims data processed by the group and Xchanging Claims Services Limited (a related party of the group). A copy of the disclosure was also provided to Her Majesty's Treasury Office of Financial Sanctions Implementation (OFSI) in the U.K. DXC Technology's related internal investigation is continuing and DXC Technology has undertaken to provide a full report of its findings to OFAC when completed. Further DXC Technology has committed to cooperate with OFAC.

XCHANGING CLAIMS SERVICES LIMITED

Income statement for the year ended 31 March 2018

		2018 (12-month period from 1 April 2017 to 31 March 2018) £'000	2017 (15-month period from 1 January 2016 to 31 March 2017) £'000
Note			
	Revenue	-	-
	Cost of providing services	-	-
	Gross profit	-	-
	Administrative expenses	-	-
	Other income	6	2,773
	Operating profit	-	2,773
	Finance cost	10	-
	Profit before income tax	16	2,773
10	Income tax expense	(55)	-
	Loss for the year	(39)	2,773

The above results are wholly attributable to continuing activities.

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

XCHANGING CLAIMS SERVICES LIMITED

Company Balance sheet as at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
Assets			
Non-current assets			
Intangible assets	4	270	424
Investments in subsidiaries	5	2,512	2,512
Total non-current assets		2,782	2,936
Current assets			
Trade and other receivables	6	39,248	42,576
Current income tax asset		504	990
Cash and cash equivalents		19,061	9,970
Total current assets		58,813	53,536
Total assets		61,595	56,472
Liabilities			
Current liabilities			
Trade and other payables	7	(48,838)	(43,676)
Total current liabilities		(48,838)	(43,676)
Net assets		12,757	12,796
Equity			
Ordinary shares	14	4	4
Share premium	14	2,223	2,223
Retained earnings	14	10,530	10,569
Total Equity		12,757	12,796

The notes on pages 49 to 61 are integral part of these financial statements.

The financial statements on pages 45 to 48 were approved by the board of directors on
were signed on its behalf by:

19 December 2018 and



D Juttla
Director

Registered number: 04306133.

XCHANGING CLAIMS SERVICES LIMITED

Company statement of changes in equity for the year ended 31 March 2018

	Note	Share capital £'000	Share premium £'000	Retained Earnings £'000	Total Equity £'000
Total equity at 1 January 2016		4	2,223	11,150	13,377
Profit for the period		-	-	2,773	2,773
Total comprehensive income for the year		-	-	2,773	2,773
Transactions with owners in their capacity as owners:					
Dividends paid	3	-	-	(3,354)	(3,354)
Balance at 31 March 2017		4	2,223	10,569	12,796
Profit for the year		-	-	(39)	(39)
Total comprehensive (loss) for the year		-	-	-	-
Balance at 31 March 2018		4	2,223	10,530	12,757

XCHANGING CLAIMS SERVICES LIMITED

Company statement of cash flows

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	9	9,081	11,545
Income tax paid		-	-
Net cash inflow from operating activities		9,081	11,545
Cash flows from investing activities			
Additions to intangible assets		-	(463)
Dividends received		-	-
Interest received		10	-
Net cash flow from investing activities		10	(463)
Cash flows from financing activities			
Dividends paid to company's shareholders	3	-	(3,354)
Net cash outflow from financing activities		-	(3,354)
Net increase in cash and cash equivalents		9,091	7,728
Cash and cash equivalents at the beginning of the financial year /period		9,970	2,242
Cash and cash equivalents at the end of the financial year/ period		19,061	9,970

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

1) Summary of significant accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income.'

Dividend income

Dividend income is recognised when the right to receive payment is established.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

1) Summary of significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

1) Summary of significant accounting policies (continued)

Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on net basis

2) Auditor's remuneration

The audit fees payable in relation to the audit of the financial statements of the company are £15,000. (2017 £40,000)

3) Equity dividend

	2018 £'000	2017 £'000
Dividend declared and paid:		
A and B shares: £nil per share (2017: £1,676.52)	0	3,353
C shares: £ nil per share (2017: £0.42)	0	1
	<hr/> 0	<hr/> 3,354

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

4) Intangible assets

	Capitalised Software £'000
Cost	
At 1st January 2016	-
Add Additions	463
At 31 March 2017	463
Add Additions	-
At 31 March 2018	463
Accumulated Amortisation and impairment	
At 1 st January 2016	-
Charge for the period	39
At 31 March 2017	39
Charge for the period	154
At 31 March 2018	193
Net book value	
At 31 March 2018	270
At 31 March 2017	424

5) Investments

Investments in subsidiaries

	£'000
At 31 March 2017	2,512
At 31 March 2018	2,512

The following are wholly owned subsidiaries of Xchanging Claim Services Limited.

Name	Registered office	Principal activity	Percentage of Holding- 2018	Percentage of Holding- 2017
LCO Marine Limited	Royal pavilion, Wellesley road, Aldershot, Hampshire, GU 11 1PZ, United Kingdom.	Support Services	100%	100%
LCO Non-Marine & Aviation Limited	Royal pavilion, Wellesley road, Aldershot, Hampshire, GU 11 1PZ, United Kingdom.	Support Services	100%	100%

Investments comprise equity shares with a cost of £ 2,512,000 (31 March 2017: £2,512,000). The directors believe that the carrying value of the investments is supported by their underlying net assets.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

6) Trade and other receivables

	31 March 2018	31 March 2017
	£'000	£'000
Trade receivables	102	93
Amounts owed by Group undertakings	32,629	38,858
Other receivables	668	828
Prepayments and accrued income	2,336	2,766
Group relief receivable	3,513	31
Total trade and other receivables	39,248	42,576

Amounts owned by Group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

7) Trade and other payables

	31 March 2018	31 March 2017
	£'000	£'000
Trade payables	-	-
Amounts owed to Group undertakings	45,009	42,879
Other payables	733	313
Accruals and deferred income	538	71
Group relief payable	2,558	413
Total trade and other payables	48,838	43,676

Amounts owned to Group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8) Provisions

	Litigation £'000
At 31 st December 2015	-
Additions	200
At 31 March 2017	200
Additions	-
Utilised	(200)
At 31 March 2018	-

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

9) Cash generated from operations

	2018	2017
	£'000	£'000
Profit before tax	16	2,773
Net finance income	(10)	-
Operating profit /(loss)	6	2,773
Adjustment for non-cash items		
-amortisation of other intangible assets	154	39
Cash flow pre-working Capital	160	2,812
Changes in working capital:		
- Increase in trade and other receivables	(6,922)	(33,400)
- Increase /(decrease) in trade and other payables	15,357	41,796
- Increase in tax liabilities	486	337
Cash generated from operations	9,081	11,545

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

10) Income Tax

Tax expense included in profit and loss

	2018 (12 months period from 1 April 2017 to 31 March 2018)	2017 (15 months period from 1 January 2016 to 31 March 2017)
	£'000	£'000
Tax expense included in profit and loss		
Current tax:		
UK corporation tax on profit for the year	3	-
Adjustments in respect of prior years	52	-
Total current tax	55	-

The current tax assessed for the period is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below

	2018 £'000
Profit on ordinary activities before tax	16
Profit multiplied by the standard rate of tax in UK of 19% (FY17: 20%)	3
Adjustment to tax charge in respect of previous period	52
Tax expense for the period	55

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017. A reduction to the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

11) Related party transactions

The following companies are considered to be related parties of the company as they hold non-controlling shareholdings in a number of the subsidiaries of the company or are a joint venture of the company:

- The Corporation of Lloyd's held a 50.0% interest in Xchanging Claims Services Limited for the full year ended 31 March 2018. Some of the directors of Xchanging Claims Services Limited are employees of the Corporation of Lloyd's. The emoluments of these directors were borne by the Corporation of Lloyd's;

A description of the nature of the services provided (to)/from these companies by/(to) the company and the amount receivable/(payable) in respect of each them as at and for the period ended 31 March 2018 and 31 March 2017, respectively, are set out in the table below:

Corporation of Lloyd's

Services provided by/(to) the company	(Charge)/Revenue		Receivable/Payable	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
IT infrastructure, premises, accounting and administration, and other services	-	-	-	-

The following companies that the company has transacted with during the year are related parties because they all share the same ultimate controlling party, Xchanging Limited (formerly Xchanging plc). The companies concerned are:

- Xchanging Technology Services India Private Limited
- Xchanging Global Insurance Solutions Limited
- Ins-sure Services Limited
- LPSO Limited
- London Processing Centre Limited
- Xchanging Broking Services Limited
- Xchange Limited
- Xchanging UK Limited
- LPSO Limited
- Total Objects Limited
- London Processing Centre

A description of the nature of the services provided by/(to) the related parties of the company and the amounts receivable/(payable) in respect of them as at and for the period ended 31 March 2018 and 31 March 2017, respectively, are set out in the following table:

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

11) Related party transactions (continued)

Services provided by/(to) the company

	Revenue/(charge)		Receivable/(payable)	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
IT related and other services in support of operating activities	(7,026)	(6,228)	(3,491)	(3,438)
Seconded and other recharges	(14,813)	(6,055)	(2,739)	(583)
Procurement	-	-	(18)	-
License Fee	-	-	3,211	-

Transactions with Directors and key management

The compensation disclosure below relates to the Group Directors and key senior managers within the Group, who constitute the people having authority and responsibility for planning, directing and controlling the Group's activities. For the years ended 31 December 2015 and 2014, the key senior managers within the Group are deemed to be the Executive Board members. The remuneration for certain key management personnel are borne by other Xchanging plc and Computer Sciences Corporation Group undertakings and recharged to the company.

Key management compensation (including Directors)	31 March 2018 £'000	31 March 2017 £'000
Aggregated emoluments	-	328
Post-employment benefits	-	4
Total	-	332

No director employed by XCS Group and hence no disclosure on the share options exercised by highest paid director (31 March 2017: nil of Xchanging plc).

No balances are outstanding from current Directors and key management personnel.

During the year, no key management personnel received compensation for loss of office (31 March 2017: no key management personnel).

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

12) Financial risk management

Given the size of the company, the directors have not delegated the responsibilities of monitoring financial risk management to the individual companies' boards. The policies set by the board of directors are implemented by the company's finance department.

The company is exposed to a variety of financial risks which are reviewed on a regular basis in order to limit the adverse effects on the financial performance of the company.

(i) Foreign exchange risk

The company has no overseas operations or foreign currency exposures.

(ii) Interest rate risk

The company has no interest-bearing liabilities. The company does not use derivative financial instruments as exposure levels are not material.

(iii) VAT risk

The UK is currently reviewing VAT rules on financial and insurance services; with a view to modernise and standardise across the UK. This may lead to some currently exempt services provided by Xchanging Claims Services Limited becoming non-exempt. Any resulting change is not expected to take effect before 2018. We continue to track these legislative developments, assess their likely impact and seek to mitigate.

(iv) Credit risk

Credit risk is managed on a company basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Previously for banks and financial institutions, only independently rated parties with a minimum rating of 'BBB+' have been accepted, however during the period, the company's bank RBS was downgraded from BBB+ to BBB-. Due to the nature of RBS' ownership, the risk of holding cash with RBS is considered acceptable. The company's credit risk with customers is limited as around 82% of all revenue is collected monthly via Central Settlement, which automatically debits the customers' accounts and credits the company's accounts. A weekly credit control review is in place for the remaining revenue.

(v) Liquidity risk

The company actively monitors that it has sufficient funds for operations and any planned expansions. The company does not currently make use of any financing arrangements, but this will be continually reviewed as the business develops and matures.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

12) Financial risk management (continued)

(vi) Capital management risk

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The principal risk facing the company is liquidity risk, but this is limited as reflected by the above comments.

The table below summarises the maturity profile of the company's financial liabilities based on contractually agreed undiscounted cash flows. Financial liabilities comprise trade and other payables, company relief payable and excluding taxes, accruals and deferred income.

	Expiring within one year	Expiring later than one year but not more than two years	Total contractual amount
	£ '000	£ '000	£ '000
Amount owed to group undertakings	45,009	-	45,009
Other creditors	733	-	733
Group relief payable	2,558	-	2,558
At 31 March 2018	48,300	-	48,300
At 31 March 2017	43,605	-	43,605

Financial assets

The company does not use derivative financial instruments and has classified all of its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risk and rewards of ownership. Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

12) Financial risk management (continued)

Financial assets (continued)

Financial assets as per the balance sheet

	Loans and receivables £ '000	Cash and cash equivalents £'000	Total £'000
At 31 March 2018	36,912	19,061	35,578
At 31 March 2017	39,810	9,970	49,780

Loans and receivables comprises net trade receivables and other receivables which are all current in nature.

13) Financial instruments

Financial liabilities

The company does not use derivative financial instruments and has classified its financial liabilities as loans and payables held at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. The company determines the classification of its financial liabilities at initial recognition.

Loans and payables held at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet, which are classified as non-current liabilities. Loans and payables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the obligation to pay cash has either been settled or has expired.

Financial liabilities comprise trade and other payables

The details of financial liabilities are disclosed in note 12.

XCHANGING CLAIMS SERVICES LIMITED

Notes to the company financial statements for the year ended 31 March 2018 (continued)

14) Reserves

Share capital	31 March 2018 2018 £'000	31 March 2017 2017 £'000
Allotted and fully paid		
1,000 (2017: 1,000) A shares of £ 1 each	1	1
1,000, (2017: 1,000) B shares of £ 1 each	1	1
2,001 (2017: 2,001) C shares of £ 1 each	2	2
	<u>4</u>	<u>4</u>

There were no changes in called up share capital in the financial year.

The A, B and C shares carry the same rights and privileges and rank pari passu in all respects except for the following rights as regards to dividends:

The holders of the C shares are entitled to receive a fixed cumulative preferential dividend of 5 per cent of the paid-up C share nominal value and a variable participating dividend in priority to the payment of any dividend to the holders of the A shares or the B shares.

On the date of each year's audit opinion the A and B shareholders accrue a right to dividends based on a share of profit calculated after tax and after payment of the preferential dividend to holders of C shares.

Share premium

	£'000
At 1 January 2016	<u>2,223</u>
At 31 March 2017	<u>2,223</u>
At 31 March 2018	<u>2,223</u>

Retained Earnings

	£'000
At 1 January 2016	<u>11,150</u>
Profit for the period	2,773
Dividends paid	(3,354)
At 31 March 2017	<u>10,569</u>
Loss for the year	(39)
Dividends paid	-
At 31 March 2018	<u>10,530</u>

Retained earnings comprise the accumulation of the company's net profits retained within the business after payment of any dividends.

15) Parent undertaking and ultimate controlling party

The company is jointly owned by Lloyds Corporation and Xpanse Limited, a wholly owned subsidiary of Xchanging Limited (formerly Xchanging plc).

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

LCO MARINE LIMITED

Strategic report for the year ended 31 March 2018 (continued)

Key performance indicators

The board measures this progress based on the KPIs below:

	Mar'2018	Mar'2017	Definition and method of calculation
Change in revenue (%) ¹	(8.5) %	12.5%	Year on year revenue (decrease)/increase expressed as a percentage.
Profit margin (%)	32.5%	12.8%	Profit margin is the ratio of profit after tax to revenue expressed as a percentage.
Volumes processed	0.2m	0.2m	Number of claim transactions volumes processed during the period/year.
Employee numbers	48	56	Average number of permanent staff employed during the period/year.

¹ The change in revenue for the year ended 31 March 2018 is based on reported results for a 12-month period when compared to 15-month period ended 31 March 2017. On a pro-rata basis, the increase in revenue for the year ended 31 March 2018 would be 14.4%, if the revenue for the period ended 31 March 2017 was pro-rated for 12 months. Increase in revenue is attributed to higher processing of core volume transactions.

On behalf of the board



D Juttla
Director