

**XEROX (UK) LIMITED**

**Annual report for the year ended  
31 December 2019**

**Registered number: 00330754**



## **Directors and advisers**

### **Directors**

A. Arthurton  
D. Dyas  
J. Hesselgrove Ward  
R.S. Pitceathly

### **Company secretary**

R. S. Pitceathly

### **Registered office**

Building 4  
Uxbridge Business Park  
Sanderson Road  
Uxbridge  
UB8 1DH

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Atrium  
1 Harefield Road  
Uxbridge  
UB8 1EX

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## XEROX (UK) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for Xerox (UK) Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2019.

#### 1. RESULTS AND FINANCIAL POSITION

The group profit for the financial year was £28.9m (2018: £16.3m loss), which will be transferred to reserves. A tax credit of £11.0m has contributed to the profits in 2019.

The group had total assets of £572.0m (2018: £603.2m) and net assets of £336.3m (2018: £377.4m) as at 31 December 2019.

#### 2. BUSINESS REVIEW

##### Revenue and profit

Group revenue for the year was £307.7m (2018: £330.6m). This arose from the leasing of equipment, service agreements, document management services and the sale of goods. Group profit on ordinary activities before taxation was £17.9m (2018: £11.1m).

##### Key Performance Indicators of the Group

|                                  | 2019    | 2018    |
|----------------------------------|---------|---------|
| Revenue                          | £307.7m | £330.6m |
| Gross profit                     | £59.0m  | £59.1m  |
| Gross profit margin %            | 19.2%   | 17.9%   |
| Operating profit                 | £19.3m  | £12.9m  |
| Operating expenses as % turnover | 12.9%   | 14.0%   |
| Headcount                        | 1,457   | 1,571   |
| Staff turnover                   | 9.8%    | 9.6%    |
| Total equity                     | £336.3m | £377.4m |

##### Revenue

The decrease in revenue was due to a decline in all lines of revenue (except finance revenue). The greatest decline being in Service and Document Management Services income, which is mainly due to a decline of machines in field and page volumes.

##### Gross profit and gross profit margin %

Gross profit has decreased during 2019 (2018: decrease) due to the decline in Service Income. However, the Gross margin has increased, driven by the cost of revenue associated with equipment Income reducing at a faster rate than the decline in revenue. Gross margin is the ratio of gross profit before operating expenses to turnover expressed as a percentage.

##### Operating profit

Operating profit has increased during 2019 (2018: decrease) due to a decline in distribution and administrative expenses. This is mainly as a result of a reduction in employee expenses.

##### Operating expenses as % turnover

Operating expenses as % of turnover has decreased during 2019 (2018: decreased) due to the operating expenses reducing at a faster rate than the decline in revenue.

##### Headcount

The decline in headcount in 2019 is a reflection of the restructuring programme and the transition of shared service activities from across functions to HCL, which is aimed at improving productivity. Further detail of headcount can be found in note 4(b).

### 3. BUSINESS REVIEW (CONTINUED)

#### Staff turnover

Staff turnover increased in 2019 to 9.8% (131 heads) (2018: 9.6%, 155 heads). This is the number of employees who resigned over the year expressed as a percentage of headcount.

#### Total Equity

During the year, the Group proposed and paid a dividend of £70m (2018: £nil). The movement in total shareholders' funds is set out in the Consolidated and Company Statements of Changes in Equity on pages 19 and 20.

#### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the Group relate to competition from technology advances, employee retention, the challenging economic market and the success of implementing the 2020 strategy.

To manage and mitigate these risks, the Group offers a broad portfolio of document technology and solutions, continues to focus on cost control and the development of an improved working environment through continued training and development.

Prices, material costs and demand for the Group's products are influenced strongly by the United Kingdom's economic growth. Prices and costs can vary due to currency fluctuations and the uncertainties in the challenging economic environment which could have an adverse impact on turnover, earnings and cash flows.

Xerox Corporation, the Group's ultimate parent, continues to invest in product development in order to put the Group in the best possible competitive position.

At December 31, 2019 there were no outstanding borrowings or letters of credit under the Xerox Corporation credit facility. The credit facility is available without sub-limit to qualifying subsidiaries of Xerox. The Company's obligations under the credit facility are unsecured and are not currently guaranteed by any Group subsidiaries. The credit facility is subject to various financial maintenance covenants and default provisions expressed as ratios of the consolidated balance sheet of Xerox Corporation. Borrowings under the Credit Facility bear interest – at Xerox Holdings Corporation's choice – either (a) a Base Rate as defined in the new Credit Facility agreement, plus a spread that varies between 0.000% and 0.700% depending on our credit rating at the time of borrowing, or (b) LIBOR plus an all-in spread that varies between 1.000% and 1.700% depending on our credit rating at the time of borrowing. Based on our credit rating as of December 31, 2019, the applicable all-in spreads for the Base Rate and LIBOR borrowing were 0.375% and 1.375% respectively.

Xerox Holdings Corporation manages its financing arrangements on a global basis; accordingly, the Company's funding requirements are dependent on the above credit facilities.

The COVID-19 pandemic has affected the Group's business activities since the first quarter of 2020. Further detail of the effect of COVID-19 pandemic can be found in the future development section in directors report.

### 3. BUSINESS REVIEW (CONTINUED)

#### S172 Companies Act 2006 statement

The directors have considered their duty under section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Group for the benefit of its shareholders as a whole. In particular the directors have had regard to:

- likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and environment
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Group.

As a subsidiary trading entity we recognise that business strategy and the majority of decisions and policies affecting the Group and our stakeholder groups are made at Xerox Corporation level and cascaded through the management structures of the Group. Directors of the Group implement these decisions and policies whilst ensuring that they continue to promote the success of the Group. The board is represented in the Xerox Group's management and decision-making processes through membership of senior leadership team. This ensures that the board is actively involved in maintaining control of the Company's direction.

Significant events for the Group during the year, which were also principal decisions, included the triennial review of the Xerox Final Salary Pension Scheme commenced in the year with close involvement of the Directors along with the trustees. The aim of this process is to review the financial position of the Scheme relative to its statutory funding objective and to determine the appropriate level of future contributions. Directors must consider and balance the consequences to the Group, to its employees and to its pensioners when agreeing future pension scheme funding levels. Several joint meetings have already taken place and the review is ongoing.

Engagement with our stakeholder groups is important for the business. Our stakeholders include our customers, suppliers, employees, and pensioners.

**Customers** – The Group's sales are mainly to UK based customers. The board maintains close relationships with these customers to understand their requirements. These interactions directly influence the Group's decision-making in respect of demand planning and product ordering.

**Suppliers** – we recognise an obligation to actively manage our supplier base and ensure these critical partners meet our high social, environmental, and ethical standards. As a member of the Responsible Business Alliance (RBA), Xerox uses the RBA Code of Conduct as our supplier code of conduct and Xerox global procurement and corporate security organizations screen all production suppliers and significant indirect suppliers to assess compliance with global anti-bribery laws and regulations including UK Modern Slavery Act and UK Bribery Act.

**Employees** – the board values the input and contribution of employees. Directors attend events throughout the year including the Xerox European forum, communication meetings and other round table discussions as part of a two-way exchange of information and ideas.

**Environment** – Xerox is committed to reducing its environmental footprint, conserving natural resources and lowering the energy intensity of our operations. The Group is aligned with these initiatives and goals.

Information regarding Xerox Group's stakeholder engagement may also be found in the 2019 Corporate Social Responsibility Report [[www.xerox.com/en-us/about/corporate-social-responsibility](http://www.xerox.com/en-us/about/corporate-social-responsibility)].

### 3. BUSINESS REVIEW (CONTINUED)

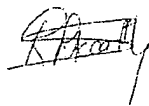
#### UK Referendum

The result of the United Kingdom referendum held on June 23 2016 was to leave the European Union, and on March 29 2017 the UK Government gave official notice by invoking Article 50 of the Treaty on European Union. The time-frame allowed under Article 50 for leaving the EU is two years, and so the UK was due to leave the EU on March 29 2019. However, as a result of the Withdrawal Agreement not being passed by UK Parliament, extensions of the Article 50 process were granted. The withdrawal agreement was finally ratified by UK Parliament and by the EU in January 2020 and the UK left the EU on January 31 2020.

This began a transition period that is due to end December 31 2020, in which the UK and the EU are negotiating their future relationship. During this time the UK remains subject to EU law and remains part of the EU customs union and single market. If a deal is not reached during this time EU Law will cease to apply on December 31 2020.

As the terms of the future arrangement are still being negotiated, at this time it is not possible to assess with any certainty the consequences of the UK's exit from the EU for the Company. As the basis on which the UK leaves the EU progresses, there will be more clarity over the potential impact to the Company including custom tariffs, policy on free movement of people and the position of EU nationals working in the UK. While the medium and long term effect of such factors remains uncertain, the directors are of the view that no provisions are required for these items at the current time.

By order of the board



R.S. Pitceathly

Company Secretary

Date 30 October 2020

## **XEROX (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their consolidated annual report and audited consolidated financial statements for Xerox (UK) Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2019.

#### **1. PRINCIPAL ACTIVITIES**

The principal activities of the Group and the Company during the year were the sale and financing of xerographic and electronic printing equipment, the provision of service facilities and document management services in the United Kingdom.

The business of providing leasing to support the selling activities is conducted by its principal subsidiary undertaking, Xerox Finance Limited.

#### **2. FUTURE DEVELOPMENTS**

The global COVID-19 health crisis is expected to have a significant impact on financial results in 2020 due to the closure of many business premises starting in the month of March 2020 and the effect of this on our customers' purchasing decisions, delays to installations and lower printing volumes on our devices. While we continue to implement actions to mitigate the effect of this crisis on our business and operations, the uncertainty around the duration and economic impact of this crisis, makes it difficult for the Group to predict the full impact on our business operations and financial performance.

The Group is guided by Xerox Holdings Corporation Group (Xerox / Xerox Group) for future developments and direction. Xerox is a print technology and intelligent work solutions leader. The primary offerings span three main areas: Intelligent Workplace Services, Workplace Solutions and Production Solutions and Workplace Solutions.

In 2019 the Xerox Group continued to build and focus on improving our revenues and increasing profitability. We continued to advance our transformation efforts, reinvigorate our core print business and lay the groundwork for the next phase of our revenue enhancement journey.

Our transformation programme is improving Xerox Group's operational excellence and competitiveness, allowing reinvestment in the business and the ability to deliver active returns to shareholders. It is also helping to mitigate the impact of declining revenue, which is aggressively addressed through the strategy.

Xerox's strategy to capture opportunities in its strategic growth areas will help change the trajectory of the top line and, over time, outperform the market. There is a solid business model supported by an iconic brand, a market-leading portfolio, a strong reputation for putting customers first and the best talent in the industry.

In Q1 2020 Xerox (UK) Limited acquired three of the UK's leading services and technology providers, Arena Group, Altodigital and ITEC Connect. Further detail on the acquired companies can be found in the post sheet events in the Directors report and note 28.

Xerox has identified four strategic initiatives that unite our employees to a common purpose and enable the market to measure our success and performance.

1. Drive revenue:
  - Serve our customers via channels that most effectively meet their requirements
  - Enhance capabilities to sell higher value services
  - Expand software and services offerings
2. Optimise operations for simplicity:
  - Simplify our operating model for greater accountability and efficiency
  - Drive effectiveness and efficiency in our business operations
  - Increase supplier competitiveness
3. Re-energise the innovation engine:
  - Focus investments in growing markets
  - Leverage expertise to develop differentiated technology
  - Monetise new innovations
4. Focus on Cash flow and increase capital returns
  - Maximise cash flow potential



### **3. DIVIDENDS**

The directors proposed and paid a Group and Company dividend of £70m for the year ended 31 December 2019 (2018: £nil). The directors do not propose the payment of any final dividends.

### **4. CHARITABLE CONTRIBUTIONS**

Our employees continued to support the Xerox (UK) Trust in 2019, by participating in a range of fundraising activities including cake sales, sponsored walks, quizzes and sports events. Xerox is committed to charitable fundraising and supports its employees to help those most vulnerable in our society.

Xerox (UK) Trust is a private limited company by guarantee and is registered with the Charity Commission (no: 284698). It contributes to charitable causes and provides funding to small charities for a total spend of approximately £25k per year.

### **5. SUPPLIER PAYMENT POLICY**

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 59 days (2018: 71 days) purchases, based on the average daily amount invoiced by suppliers during the year.

### **6. DIRECTORS**

The directors who held office during the year and up to the date of signing these financial statements are:

A. Arthurton (appointed 23<sup>rd</sup> March 2020)

O. J. Dehon (resigned 17<sup>th</sup> January 2019)

D. Dyas (appointed 11<sup>th</sup> January 2019)

J. Hesselgrove Ward

R. Noonoo (appointed 11<sup>th</sup> January 2019) (resigned 23<sup>rd</sup> March 2020)

R. S. Pitceathly

### **7. FINANCIAL RISK MANAGEMENT**

The Group's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency risk. The Group has in place risk management processes that seek to limit the adverse effects on its financial performance by monitoring levels of debt, liquidity and exchange rate risk and the related financial costs. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

The policies set by the board of directors are implemented by the Group's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage price risk, credit risk, liquidity risk and interest rate cash flow risk and circumstances where it would be appropriate to use financial instruments to manage these.

#### **(i) Price risk**

The majority of the goods and services sold by the Group are provided from its own resources or are bought in from related parties. Processes exist to provide adequate forewarning of any changes in transfer pricing levels. Transfer pricing levels can be subject to periodic review by national tax authorities.

## 7. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (ii) Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reviewed annually by the board. Any cash or deposits held with financial institutions are handled by Treasury Operations.

### (iii) Liquidity risk

Funding for the Group is through inter-company arrangements. In total, the Group is a net provider of funds to other affiliated companies within the Xerox Corporation group.

### (iv) Interest rate cash flow risk

The Group has no significant interest bearing assets or interest bearing liabilities with third parties; therefore little risk arises from changes in interest rates to the Group in its own right. Xerox Corporation manages all significant relationships with the external debt market. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

### (v) Foreign currency risk

Responsibility for monitoring and managing financial risk lies with Xerox Corporation's Treasury Operations department. Typically, Treasury Operations use forward exchange contracts to manage currency risk for payments to related parties in Japanese Yen, US Dollars and Euros in respect of goods and services purchased and technology related royalties.

## 8. POST BALANCE SHEET EVENTS

For 31 December 2019 year-end, the impact of COVID-19 is considered a non-adjusting event.

The COVID-19 pandemic has affected the Group's business activities since the first quarter of 2020. It has become difficult to expand sales of new products and services owing to such factors as declining purchasing demand and an inability to install machines in field. Additionally, lower business activity in offices has reduced the usage of multifunctional printers, resulting in a decline in sales of consumables and other offerings.

While we continue to implement actions to mitigate the effect of this crisis on our business and operations, including strict cost control measures and making use of Government employment support schemes, the uncertainty around the duration and economic impact of this crisis makes it difficult for the Group to predict the full impact on our business operations and financial performance. We expect that as closures are lifted, we will see more normalized trends emerge over the course of 2020.

In Q1 2020 Xerox UK Limited acquired three of the UK's leading services and technology providers, Arena Group, Altodigital and ITEC Connect. These companies are leaders in managed print services and have IT services capability, an area we are rapidly expanding into with new offerings. They provide sales, services and supplies and service large customer bases that are complementary to our own. Together we are in a position to bring our growing portfolio of workplace technology solutions to new customers looking for a modern work experience. The three companies have a number of offices across the UK, increasing the number of sales and services resources we have focused on the Small and Midsize Business (SMB) market. The integration of these three companies will strengthen our presence in SMB and support our growth objectives in the UK.

## 9. EMPLOYEES

### Diversity and Inclusion

Diversity and inclusion is an essential part of the Xerox culture. It is the Group's policy to create a working environment that reflects the talent and diversity available in the communities in which it operates. The Group also undertakes to judge its people solely on their ability, competency and performance in their job roles.

Today, we have one of the most diverse workforces in the world. Through diversity of backgrounds and perspectives, we gain the benefit of different ways of looking at our business, leading to innovative breakthroughs for our customers and more engaging work for our people.

The Group seeks a working environment that is free from unfair and unlawful discrimination and harassment. Employees or applicants for employment do not receive different treatment because of personal criteria. This includes a person's race, colour, nationality, religious belief or affiliation, sex, sexual orientation, marital or family status, age, current or past disability and ethnic or national origin.

We continue to learn and adapt every day; building and sustaining a global workforce and supply base that represents and connects with the different people and communities we serve. In today's changing, connected world, our shared commitment to respect each other and listen to each other remain critical to our success.

### Engagement with Employees

The Group believes that employees must be informed about the state of the business, and be involved in issues that affect their working environment. Information is given to employees regularly through the Company's intranet including live broadcasts, e-mail, 'information cascade' meetings, in-house newsletters and two-way communication sessions. Our employee engagement goal is to tap into the knowledge, creativity and enthusiasm of our people at all levels. Communication is two-way, we invite feedback from employees via Yammer, an internal social media network, and collaboration platforms. Town hall meetings and roundtables with employees and directors are a regular feature of our engagement activities. Refer to the S172 statement in the Strategic Report for further information.

### Employment of disabled persons

It is the Group's policy to give full and fair consideration to applications for employment from people with disabilities. Whenever possible, the employment of employees who become disabled will be continued and appropriate training and career development will be offered.

### Health and safety

It is the Group's intent to achieve for all its employees, and others affected by its operations, maximum possible freedom from accidents and ill-health. This will be achieved through complete and continuing attention to health and safety in all its aspects.

The safety of Xerox employees comes before the demands of the Group's operations. To this end the Group's plant, premises, equipment and systems of operations will be designed, operated and maintained in conformity with good practice, as defined by National Legislation and Approved Codes of Practice as well as Company Standards.

## 10. ENGAGEMENT WITH OTHER STAKEHOLDERS

The Group aims to act responsibly and fairly in its engagement with suppliers. We recognise an obligation to actively manage our supplier base and ensure these critical partners meet our high social, environmental, and ethical standards. As a member of the Responsible Business Alliance (RBA), Xerox uses the RBA Code of Conduct as our supplier code of conduct.

We endeavour to create strong, collaborative working relationships with our customers. Through continuing innovation and investment in new products, we aim to provide them with products that enable them to become more efficient, more cost effective and more secure.

Refer to the S172 statement in the Strategic Report for further information about stakeholder engagement.

## 11. GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the review of the business and future developments sections of the Strategic and Directors' reports.

The Group participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors have obtained written confirmation of support from the Group's parent, Xerox Holdings Corporation and on the basis of this support consider that the Group has adequate resources to continue in operational existence for the foreseeable future, even under uncertain conditions created by the Covid-19 outbreak. Thus the Group continues to adopt the going concern basis in preparing the Group's annual financial statements.

## 12. CORPORATE GOVERNANCE

The Group has not applied a specific external governance framework. As a subsidiary trading entity it has elected to follow the corporate governance procedures, processes and policies adopted by its ultimate parent, Xerox Holdings Corporation. This covers areas such as remuneration, strategy and validation of internal controls.

The Group's board includes experienced directors who are also senior executives within the Xerox Group's overall management and decision-making structure. Regular board meetings are held to enable the effective management of the Group.

Further details of Xerox governance procedures may be found within the Xerox Corporate Social Responsibility Report available at [www.xerox.com/en-us/about/corporate-social-responsibility](http://www.xerox.com/en-us/about/corporate-social-responsibility).

## 13. CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to reducing its impact on the environment, and in line with Group policy, continues to review and develop initiatives to reduce waste and minimise energy consumption.

## 14. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**15. DISCLOSURE OF INFORMATION TO AUDITORS**

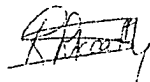
Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) each director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

In accordance with the Company's articles, a resolution proposing that PricewaterhouseCoopers LLP be appointed as auditors of the Group will be put at a General Meeting.

By order of the board



R. S. Pitceathly

**Company Secretary**

**Date** 30 October 2020

# Independent auditors' report to the members of Xerox (UK) Limited

## Report on the audit of the financial statements

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### Opinion

In our opinion, Xerox (UK) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Cash Flows Statements, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

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### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## **Independent auditors' report to the members of Xerox (UK) Limited**

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### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of the Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

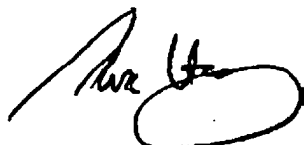
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### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
30<sup>th</sup> October 2020

**Xerox (UK) Limited and Subsidiary Undertakings**

**Consolidated Statement of Comprehensive Income for the year ended 31 December 2019**

|   |           | 2019        | 2018          |
|---|-----------|-------------|---------------|
|   | Note      | £m          | £m            |
| Revenue   | 3         | 307.7       | 330.6         |
| Cost of Sales   |           | (248.7)     | (271.5)       |
| <b>Gross Profit</b>   |           | <b>59.0</b> | <b>59.1</b>   |
| Distribution costs  |           | (19.5)      | (24.6)        |
| Administrative expenses   |           | (20.2)      | (21.6)        |
| <b>Operating Profit</b>   |           | <b>19.3</b> | <b>12.9</b>   |
| Finance income  | 5 (a)     | 4.2         | 2.7           |
| Finance charges   | 5 (b)     | (5.6)       | (4.5)         |
| <b>Profit on ordinary activities before taxation</b>                              | <b>6</b>  | <b>17.9</b> | <b>11.1</b>   |
| Tax on profit on ordinary activities  | 7         | 11.0        | (27.4)        |
| <b>Profit/(loss) and total comprehensive income/(loss) for the financial year</b> | <b>21</b> | <b>28.9</b> | <b>(16.3)</b> |

The notes on pages 22 to 53 form part of these financial statements.



**Xerox (UK) Limited and Subsidiary Undertakings**

**Consolidated and Company Balance Sheets as at 31 December 2019**

|                               |        | Group<br>As at<br>31 December |              | Company<br>As at<br>31 December |              |
|-------------------------------|--------|-------------------------------|--------------|---------------------------------|--------------|
|                               |        | 2019                          | 2018         | 2019                            | 2018         |
|                               | Note   | £m                            | £m           | £m                              | £m           |
| <b>Assets</b>                 |        |                               |              |                                 |              |
| <b>Non-current Assets</b>     |        |                               |              |                                 |              |
| Property, plant and equipment | 8      | 28.0                          | 29.4         | 2.5                             | 2.8          |
| Right-of-use assets           | 9      | 2.7                           | -            | 2.7                             | -            |
| Intangible assets             | 10     | 1.5                           | 1.5          | 1.5                             | 1.5          |
| Deferred Income tax asset     | 12     | 56.2                          | 45.2         | 1.3                             | 0.6          |
| Trade and other receivables   | 13 (a) | 5.4                           | 6.0          | 5.4                             | 6.0          |
| Finance lease receivables     | 14 (a) | 107.3                         | 112.5        | -                               | -            |
|                               |        | 201.1                         | 194.6        | 13.4                            | 10.9         |
| <b>Current Assets</b>         |        |                               |              |                                 |              |
| Inventories                   | 15     | 17.4                          | 17.4         | 17.4                            | 17.4         |
| Trade and other receivables   | 13 (b) | 292.2                         | 327.5        | 289.8                           | 318.0        |
| Finance lease receivables     | 14 (b) | 61.3                          | 62.6         | -                               | -            |
| Cash and cash equivalents     |        | -                             | 1.1          | -                               | 1.1          |
|                               |        | 370.9                         | 408.6        | 307.2                           | 336.5        |
| <b>Total Assets</b>           |        | <b>572.0</b>                  | <b>603.2</b> | <b>320.6</b>                    | <b>347.4</b> |
| <b>Equity and liabilities</b> |        |                               |              |                                 |              |
| <b>Equity</b>                 |        |                               |              |                                 |              |
| Share capital                 | 19     | 1.5                           | 1.5          | 1.5                             | 1.5          |
| Retained earnings*            | 21     | 334.8                         | 375.9        | 238.0                           | 271.1        |
| <b>Total Equity</b>           |        | <b>336.3</b>                  | <b>377.4</b> | <b>239.5</b>                    | <b>272.6</b> |

\*The Company's profit after tax for the financial year was £36.9m (2018: £2.2m)

**Xerox (UK) Limited and Subsidiary Undertakings**

**Consolidated and Company Balance Sheets as at 31 December 2019**

|   |        | Group<br>As at<br>31 December |              | Company<br>As at<br>31 December |              |
|---|--------|-------------------------------|--------------|---------------------------------|--------------|
|   |        | 2019                          | 2018         | 2019                            | 2018         |
| Note  |        | £m                            | £m           | £m                              | £m           |
| <b>Liabilities</b>                          |        |                               |              |                                 |              |
| <b>Non-current Liabilities</b>              |        |                               |              |                                 |              |
| Trade and other payables                    | 21 (b) | 2.0                           | -            | 2.0                             | -            |
|   |        | <b>2.0</b>                    | <b>-</b>     | <b>2.0</b>                      | <b>-</b>     |
| <b>Current Liabilities</b>                  |        |                               |              |                                 |              |
| Trade and other payables                    | 22 (a) | 228.8                         | 222.3        | 74.2                            | 71.3         |
| Provision for other liabilities and charges | 25     | 4.9                           | 3.5          | 4.9                             | 3.5          |
|   |        | <b>233.7</b>                  | <b>225.8</b> | <b>79.1</b>                     | <b>74.8</b>  |
| <b>Total Liabilities</b>                    |        | <b>235.7</b>                  | <b>225.8</b> | <b>81.1</b>                     | <b>74.8</b>  |
| <b>Total Equity and Liabilities</b>         |        | <b>572.0</b>                  | <b>603.2</b> | <b>320.6</b>                    | <b>347.4</b> |

The financial statements on pages 16 to 53 were approved by the board of directors on 30 October 2020 and were signed on its behalf by:



A. Arthurton  
Director

Company number: 00330754

**Xerox (UK) Limited and Subsidiary Undertakings**

**Consolidated Statement of Changes in Equity for the year ended 31 December 2019**

|   | Note | Share Capital<br>£m | Retained<br>Earnings<br>£m | Total Equity<br>£m |
|---|------|---------------------|----------------------------|--------------------|
| <b>Balance as at 1 January 2018</b>     |      | <b>1.5</b>          | <b>389.3</b>               | <b>390.8</b>       |
| Loss for the financial year             |      | -                   | (16.3)                     | (16.3)             |
| Transition Adjustment                   |      | -                   | 2.9                        | 2.9                |
| <b>Balance as at 31 December 2018</b>   | 21   | <b>1.5</b>          | <b>375.9</b>               | <b>377.4</b>       |
| Balance as at 1 January 2019            |      | 1.5                 | 375.9                      | 377.4              |
| Profit for the financial year           |      | -                   | 28.9                       | 28.9               |
| Total comprehensive income for the year |      | -                   | 28.9                       | 28.9               |
| Dividends                               | 20   | -                   | (70.0)                     | (70.0)             |
| <b>Balance as at 31 December 2019</b>   |      | <b>1.5</b>          | <b>334.8</b>               | <b>336.3</b>       |

The notes on pages 22 to 53 form part of these financial statements.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Company Statement of Changes in Equity for the year ended 31 December 2019**

|   | Note | Share Capital<br>£m | Retained<br>Earnings<br>£m | Total Equity<br>£m |
|---|------|---------------------|----------------------------|--------------------|
| <b>Balance as at 1 January 2018</b>     |      | <b>1.5</b>          | <b>266.0</b>               | <b>267.5</b>       |
| Profit for the financial year           |      | -                   | 2.2                        | 2.2                |
| Transition Adjustment                   | 21   | -                   | 2.9                        | 2.9                |
| <b>Balance as at 31 December 2018</b>   |      | <b>1.5</b>          | <b>271.1</b>               | <b>272.6</b>       |
| Balance as at 1 January 2019            |      | 1.5                 | 271.1                      | 272.6              |
| Profit for the financial year           |      | -                   | 36.9                       | 36.9               |
| Total comprehensive income for the year |      | -                   | 36.9                       | 36.9               |
| Dividends                               | 20   | -                   | (70.0)                     | (70.0)             |
| <b>Balance as at 31 December 2019</b>   |      | <b>1.5</b>          | <b>238.0</b>               | <b>239.5</b>       |

The notes on pages 22 to 53 form part of these financial statements.

**Xerox (UK) Limited and Subsidiary Undertakings**  
**Consolidated and Company Cash Flows Statements for the year ended 31 December 2019**

|  | Note(s) | Group         |              | Company       |              |
|--|---------|---------------|--------------|---------------|--------------|
|  |         | 2019          | 2018         | 2019          | 2018         |
|  |         | £m            | £m           | £m            | £m           |
| <b>Profit before tax</b>                                       |         | <b>17.9</b>   | <b>11.1</b>  | <b>36.2</b>   | <b>1.8</b>   |
| <i>Adjustments for:</i>  |         |               |              |               |              |
| Depreciation and amortisation                                  | 8 & 9   | 17.1          | 14.1         | 1.2           | 1.3          |
| Provision for receivables                                      |         | 1.8           | 3.9          | 0.4           | 0.3          |
| Restructuring and other charges                                |         | 4.2           | 7.4          | 4.2           | 7.4          |
| Cash payments for restructurings                               |         | (6.0)         | (6.7)        | (6.0)         | (6.7)        |
| Decrease in AR and billed portion of finance receivables       |         | 2.9           | 5.4          | 2.7           | 5.1          |
| Increase in inventories  | 15      | (0.1)         | (4.5)        | (0.1)         | (4.5)        |
| Increase in equipment on operating leases                      |         | (13.6)        | (17.8)       | -             | -            |
| Decrease in finance receivables                                | 14      | 5.0           | 2.5          | -             | -            |
| Decrease in other current and long term assets                 |         | 16.6          | 14.9         | 14.7          | 15.1         |
| Decrease in accounts payable and accrued compensation          |         | (22.1)        | (17.6)       | (20.4)        | (15.0)       |
| Increase/(Decrease) in other current and long-term liabilities |         | 7.0           | (7.4)        | 6.3           | (5.8)        |
| Other, net   |         | -             | 4.6          | (2.0)         | 0.9          |
| <b>Cash flows from operating activities</b>                    |         |               |              |               |              |
| Cash generated/(used in) from operations                       |         | 30.7          | 9.9          | 37.1          | (0.1)        |
| Interest paid  | 5 (b)   | (5.6)         | (4.5)        | (0.1)         | (0.1)        |
| Interest received  | 5 (a)   | 4.2           | 2.7          | 2.0           | 1.5          |
| <b>Net cash generated from operating activities</b>            |         | <b>29.4</b>   | <b>8.1</b>   | <b>39.0</b>   | <b>1.3</b>   |
| <b>Cash flows from investing activities</b>                    |         |               |              |               |              |
| Dividend received  |         | -             | -            | 30.0          | -            |
| Purchase of property, plant and equipment                      |         | (0.4)         | (0.6)        | (0.4)         | (0.6)        |
| <b>Net cash used in investing activities</b>                   |         | <b>(0.4)</b>  | <b>(0.6)</b> | <b>29.6</b>   | <b>(0.6)</b> |
| <b>Cash flow from financing activities</b>                     |         |               |              |               |              |
| Increase in/ (Repayment of) borrowings                         |         | 39.0          | (7.3)        | (0.6)         | (0.6)        |
| Principal elements of lease payments                           |         | 0.9           | -            | 0.9           | -            |
| Dividend paid  |         | (70.0)        | -            | (70.0)        | -            |
| <b>Net cash (used in) financing activities</b>                 |         | <b>(30.1)</b> | <b>(7.3)</b> | <b>(69.7)</b> | <b>(0.6)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>    |         | <b>(1.1)</b>  | <b>0.2</b>   | <b>(1.1)</b>  | <b>0.2</b>   |
| Cash and cash equivalents at end of year                       |         | 1.1           | 0.9          | 1.1           | 0.9          |
| <b>Cash and cash equivalents at end of the year</b>            |         | <b>(0.0)</b>  | <b>1.1</b>   | <b>(0.0)</b>  | <b>1.1</b>   |

The notes on pages 22 to 53 form part of these financial statements.

## **Xerox (UK) Limited and Subsidiary Undertakings**

### **Notes to the consolidated financial statements for the year ended 31 December 2019**

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#### **1. General information**

Xerox (UK) Limited (the "Company") and its subsidiaries (together the "Group") sell and provide financing of xerographic and electronic printing equipment and provide the provision of service facilities and document management services in the United Kingdom. The business of providing leasing to support the selling activities is conducted by its principal subsidiary undertaking, Xerox Finance Limited.

The Company is a private company limited by its shares and incorporated and domiciled in the UK. The address of its registered office is Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH.

#### **2. 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.

##### **2.1 Basis of preparation**

The consolidated and company financial statements of Xerox (UK) Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated and company financial statements have been prepared under the historical cost convention, except for share based payment and defined benefits pension which are measured at fair value through the other comprehensive income.

The accounting policies have been applied consistently over the years, other than where new policies have been adopted.

The financial statements are presented in Great British Pounds, which is Xerox (UK) Limited's functional and presentation currency.

##### **2.2 Going Concern**

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have obtained written confirmation of support from the company's parent, Xerox Holdings Corporation and on the basis of this support consider that the company has adequate resources to continue in operational existence for the foreseeable future, even under uncertain conditions created by the Covid-19 outbreak. Thus, the company continues to adopt the going concern basis in preparing the company's annual financial statements.

##### **2.3 Adoption of new and revised standards and changes in accounting policies**

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

In the current year, the following new and revised Standards and Interpretations have been adopted by the Group and have an effect on the current period or a prior period or may have an effect on future periods:

From January 1, 2019, the Group adopted IFRS 16 'Leases' retrospectively, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. IFRS 16 introduces a uniform lease accounting model for lessees, requiring recognition of a right-of-use asset and a liability for leases unless such leases are immaterial. It eliminates the requirement for lessees to classify lease contracts as either operating leases – without recognizing the respective assets or liabilities – or as finance leases. The leases that the Group entered into are for building spaces.

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

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application (applied on a lease by lease basis); and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Xerox incremental borrowing rates as published by Xerox Treasury. These rates range from 2.02% for 1 year leases to 5.45% for 10 year leases.

The operating lease commitment disclosed in the 2018 financial statements was £3.0m. Three of the leases included in this balance were calculated based on the lease break date rather than the lease end date and one lease owned by the Group had been included in the Xerox Limited commitments instead of the Group's commitments. Adjusting for these the balance would have been £4.3m. The revised balance was discounted to obtain the lease liability balance of £3.9m as at 1 January 2019. The right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 31 December 2018. The right of use asset recognised as at 1 January 2019 is £3.9m. There was no impact on the opening retained earnings.

Other amendments to accounting such as the Amendments to IFRS9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities and Amendments to IAS 19, Employee benefits' on plan amendment, curtailment or settlement' do not have a material impact on the Group.

The new standards applicable to the group effective after 1<sup>st</sup> January 2020 are Amendments to IFRS 3 – definition of a business and Amendments to IAS 1 and IAS 8 – on the definition of material. The new standards have not been early adopted and would not be expected to have a material impact on the Group.

### **2.4 Use of estimate**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The significant estimates and assumptions are detailed below.

#### **(i) Allowance for Doubtful Accounts**

A provision for doubtful debts is maintained at a level designed to reflect all amounts on trade debtors that are not considered recoverable, and where the Company bears the risk of recoverability.

The level of provision is based on a combination of past collection experience, detailed assessments of customers' credit worthiness and considers the potential impact of current and future conditions and factors. Detailed assessments of customers credit worthiness is under taken by the in-house risk management group prior to contract acceptance and by using external credit agencies. This credit worthiness is monitored on an on-going basis. The level of provision for finance lease receivables is determined by using a Loss Rate methodology which is based on analysis of previous write-offs and future expectations and then applied to current year activations.

## **Xerox (UK) Limited and Subsidiary Undertakings**

### **Notes to the consolidated financial statements for the year ended 31 December 2019**

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

##### **(ii) Pension Assumptions**

The cost of providing benefits under the defined benefit scheme is determined under the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits. With effect from 31 December 2013 the UK defined benefit scheme rules were amended to freeze current benefits and eliminate benefit accruals for future service. The freeze of current benefits is the primary driver of the reduction in pension service costs since 2013. In certain plans we are required by law or statute to continue to reflect salary increase and inflation in determining the benefit obligation related to prior service.

In accordance with IAS 19 Employee benefits, the Company accounts for its contributions as though it were a defined contribution scheme. Further detail on the scheme can be found in note 2.22 employee benefits.

##### **(iii) Revenue Recognition**

Application of the various accounting principles in GAAP related to the measurement and recognition of revenue requires us to make judgements and estimates. Complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Specifically, the revenue related to Bundled Lease Arrangements and the variable usage charges related to service income involves significant judgements and estimates:

We sell our equipment under bundled lease arrangements, which typically include the equipment, service, supplies and a financing component for which the customer pays a single negotiated monthly fixed price for all elements over the contractual lease term. Recognising revenue under these arrangements requires us to allocate the total consideration received to the lease and non-lease deliverables included in the bundled arrangement, based upon the estimated fair values of each element.

Variable usage charges relating to service income is billed in arrears and so there is a requirement to estimate these charges, where the billing hasn't taken place by the end of the period. The value of the estimate is based on serial number level data and includes using actual meter reads where received or using prior periods meter reads to estimate the usage for the current period, where current meter reads haven't been provided.

#### **2.5 Translation of foreign currencies**

Transactions denominated in foreign currencies are recorded in sterling at exchange rates approximating to those ruling at the date of the transaction. Monetary assets and liabilities in the balance sheet denominated in foreign currencies are translated into sterling at 31 December rates of exchange. Currency gains and losses arising from translation are included in the income statement.

#### **2.6 Intangible assets**

##### **(i) Goodwill**

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill represents the excess of the fair value or the consideration given over the fair value of the identifiable net asset acquired.

The Company evaluates the carrying value of goodwill in each financial year to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.



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

### **(ii) Software**

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
- 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 the software development 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 period.

Software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives: 3-5 years.

## **2.7 Impairment of tangible and intangible assets**

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **Xerox (UK) Limited and Subsidiary Undertakings**

### **Notes to the consolidated financial statements for the year ended 31 December 2019**

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

##### **2.8 Property, plant and equipment**

The Company holds the majority of its land and buildings under operating leases. Freehold land & buildings are not assets held for sale and therefore, carried at historic cost less impairment.

All other 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the assets 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 company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other 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:

|                                  |  |
|----------------------------------|--|
| Assets held for operating leases | 3 – 4 years  |
| Leasehold land and buildings     | Shorter of term of lease or expected life of asset |
| Plant and machinery              | 5 – 12 years                                       |
| Fixtures and fittings            | 3 – 15 years                                       |

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 (note 8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

All tangible fixed assets held for use in operating leases relate to equipment of which the Company is the lessor.

##### **2.9 Fixed asset investments**

Investments are stated at cost less provision for impairment in value. Dividends received and receivable are credited to the profit and loss account to the extent that they represent a realised profit.

##### **2.10 Financial assets**

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

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through the profit and loss, which are measured at fair value.

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

**2.11 Inventories**

Inventories consist principally of supplies. These are stated at the lower of cost and net realisable value, which is the value that can be attained upon sale of the asset less the associated costs of making the sale of the asset. Where the inventories have been imported the cost includes import duties, insurance and freight costs. In general, cost is determined on a first in first out basis. Provision is made for obsolete, slow moving and defective stock.

**2.12 Trade receivables**

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

**2.13 Loans and receivables**

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

**(i) Impairment of financial and non-financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

For Amounts owed by Group undertakings, the group credit rating is used to determine the probability of default and loss given default used to determine the expected credit loss for balances that are not on demand. For on demand balances, the liquidity available by the counterparty is considered.

For expected credit loss for leasing arrangements see note 2.4.

**(ii) De-recognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

**2.14 Cash and Cash Equivalents**

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

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

## **Xerox (UK) Limited and Subsidiary Undertakings**

### **Notes to the consolidated financial statements for the year ended 31 December 2019**

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#### **2.15 Deferred income tax assets and liabilities**

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 a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **2.16 Current Liabilities**

These are recognised initially at fair value and subsequently measured at amortised cost. Accounts payable and loans due within one year are included under current liabilities.

#### **2.17 Provisions and restructuring provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Restructuring provisions require approval of a formal plan by management and communication to employees, before they can be recognised.

#### **2.18 Financial Liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### **(i) Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

##### **(ii) De-recognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

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

**2.19 Leasing arrangements**

Finance leases are those where the Group has entered into an agreement with a third party such that substantially all the risks and rewards of ownership of that asset have been transferred to or from the other party.

Assets recorded in the Group balance sheet as finance lease receivables represent the net investment by Xerox Finance Limited in equipment purchased for leasing. These assets are reduced over the term of the lease by the gross amount paid by customers less an amount representing finance income receivable on the capital balance. The finance income thus arising is accounted for as follows:

- (i) Finance income receivable is recorded as unearned income at the start of the contracts.
- (ii) This unearned income is subsequently released to the profit and loss account as turnover to provide an approximately constant rate of return on the balance of the contract outstanding.

All other lease agreements with customers are classified as operating leases. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the asset. Assets leased or intended to be leased under operating leases are classified as assets held for operating leases within tangible fixed assets (note 8) and depreciated over their estimated useful economic lives. Rentals receivable from customers under operating leases are recognised in the profit and loss account as earned and associated costs are charged to cost of revenue as incurred.

**2.20 Leases**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets where the value is lower than USD 5,000. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- (i) fixed lease payments (including in-substance fixed payments), less any lease incentives;
- (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- (iii) the amount expected to be payable by the lessee under residual value guarantees;
- (iv) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in note 9 and note 21 of the financial statements. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- (i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- (ii) the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

## **Xerox (UK) Limited and Subsidiary Undertakings**

### **Notes to the consolidated financial statements for the year ended 31 December 2019**

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

### **2.20 Leases (continued)**

(iii) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the balance sheet.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Administrative expenses' in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

### **2.21 Fair Value Measurement**

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. There was no impact to the Group from the adoption of IFRS 13.

### **2.22 Employee benefits**

The Company's intermediate parent, Xerox Limited, operates pension plans consisting of both defined benefit and defined contribution schemes, to which the Company contributes.

The pension rights of the employees in the defined benefit pension scheme are dealt with through a self-administered scheme, the assets of which are held independently of Xerox Limited finances. The defined benefit scheme is funded partly by contributions from members and partly by contributions from Xerox Limited and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with IAS 19 Employee benefits, the Company accounts for its contributions as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme relate to Xerox Limited and a number of its subsidiaries and it cannot be split between each subsidiary on a consistent and reasonable basis due to staff movements between subsidiaries. The expenditure in relation to defined contribution schemes is charged to the profit and loss account in the period to which it relates. The details of the defined benefit pension scheme deficit can be found in note 27 to the financial statements.

### **2.23 Share based payments**

The scheme is a cash settled scheme for Xerox (UK) Limited. For cash-settled share-based payments, a liability is recognised for the shares vested, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Qualifying employees of the Group are participants in Xerox Corporation long-term incentive plan. Under the plan, qualifying employees are awarded the right to receive shares in Xerox Corporation. There is a one to three year vesting period until the shares are freely at the disposal of the employee. Should the employee leave their employment all rights to un-vested shares are lost.

## **Xerox (UK) Limited and Subsidiary Undertakings**

### **Notes to the consolidated financial statements for the year ended 31 December 2019**

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

### **2.24 Company profit and loss account**

As permitted by section 408(3) of the Companies Act 2006, the parent company's individual income statement has not been included in these financial statements. The parent company's profit after tax for the year ended 31 December 2019 was £36.9m (year ended 31 December 2018: £2.2m).

### **2.25 Revenue**

Revenue is the aggregate of revenue from the sale and leasing of equipment, service and supplies. Revenue from leasing of equipment is detailed under leasing arrangements (2.19). Services offered include provision of full service maintenance contracts on equipment sold to customers, professional and value-added services and managed print services.

Revenue is realised or realisable and earned when all of the following five steps have been completed under IFRS 15:

- Identify the contract and validate that collectability is reasonably assured
- Identify the performance obligation(s)
- Determine the transaction price
- Allocate the transaction price to each performance obligation in the contract
- Satisfy a performance obligation. Delivery has occurred and/or services have been rendered (delivery/performance)

The amount of revenue recognised is the amount received or expected to be received.

Revenue from the sale of equipment is recognised based on the price specified in the contract, net of rebates and incentives. Revenue is realised at the point the equipment is delivered to the customer which is at a point in time. Revenue from supplies is recognised when consumables are delivered to the customer. The delivery is usually at the point of use. Equipment sales are usually bundled with a service contract which limits exposure to returns. Returns are only applicable if there has been a misrepresentation of the sale or the equipment is not fit for purpose.

Revenue from service transactions should be recognised when it has been earned and is realised or realisable. Revenue from services is earned over time based on the output model as the services are performed and is considered realisable once the customer has committed to pay for the services and the customer's ability to pay is not in doubt. The output model provides a faithful depiction of the transfer of services since the usage by the customer is measured and allocated to the transaction price as per the contract.

Accrued income primarily relates to services and document management services and is based principally on timing differences on customer billings which are in arrears. Deferred income primarily relates to services and document management services and is based principally on timing differences on customer billings that are in advance.

### **2.26 Cost of revenue**

Consumption of raw materials and other cost items are calculated on an historical cost basis. Cost of revenue includes the cost or book value of leased assets in respect of financial lease agreements, adjusted for the present value of any residual and any related interest payable.

Interest expense relating to the leasing operations has been included within cost of revenue in order to match the related treatment of interest income within revenues

### **2.27 Distribution and administrative expenses**

Distribution and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

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

### **2.28 Financial charges**

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest. Interest income and expense relates to all of the Group's business segments, with the exception of the leasing operations, which have been included within revenues and cost of revenue. The Group does not hold financial instruments for trading purposes and loans are generally with affiliates and are held until maturity. The derivatives used by the Group are those generally offered by banks and other financial institutions and are arms'-length arrangements but there is no active market where they may be re-traded. Consequently, changes in the fair value of these financial instruments are not recognised directly through profit or loss and are only recognised in this way if they give rise to a settlement gain or loss.

### **2.29 Tax**

Tax is calculated on the basis of current tax rates applied to commercial results in the country of operation. Differences between fiscal accounting principles and the accounting principles and policies applied by the Group are taken into account.

### **2.30 Financial Instruments and risk management**

#### **Treasury policy**

Global treasury policy is to identify and to mitigate the impact of financial risk on the cash flows of the Group from foreign currency and/or interest rate fluctuations. It also seeks to minimise the impact of adverse financial market fluctuations that affect the Group's future cash flows. The Group's hedging methodology mitigates the volatility and uncertainty of the underlying cash flows, thereby affording Xerox the desired economic protection for its financial activities.

Global treasury activities are regularly reviewed by senior management through formal Risk Management Reviews of liquidity, interest rate risk and currency risk. In conjunction with other subsidiaries of Xerox Corporation overall interest rate risk is managed in a prudent and collective manner, in accordance with practices and policies established by senior management. On a global basis, short and intermediate term cash forecasting disciplines are maintained to ensure there is appropriate continuing financial liquidity available. Currency exposure is further managed by maximising the opportunity for internal netting of currency flows.

### **2.31 Treasury**

The Group may occasionally hold simple, un-leveraged derivatives, which are employed solely for hedging purposes. The Group does not enter into derivative instrument transactions for trading or other speculative purposes.

Information on the management of the types of risk that could impact the Group are detailed in the Financial Risk Management section of the Directors' report.



## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 3. REVENUE

Breakdown of revenues by products and services:

| Group:   | 2019         | 2018         |
|--|--------------|--------------|
|  | £m           | £m           |
| Services and document management services income                               | 248.2        | 268.6        |
| Sale of goods income   | 22.6         | 25.3         |
| Finance income from leases and related leasing income: (Continuing Operations) |              |              |
| Finance lease income   | 11.4         | 12.5         |
| Income on operating leases   | 16.9         | 15.2         |
| Other leasing income   | 8.6          | 9.0          |
| <b>Total finance income</b>  | <b>36.9</b>  | <b>36.7</b>  |
| <b>Total revenue</b>   | <b>307.7</b> | <b>330.6</b> |

#### Disaggregation of revenue

The Group has assessed the appropriate presentation of the disaggregation of its revenue streams (analysing the varying risk profiles and effect of economic factors on the nature, amount, timing and uncertainty of revenue). The revenue disaggregation below represents the Group's underlying revenue

|                                      | 2019         | 2018         |
|--------------------------------------|--------------|--------------|
|                                      | £m           | £m           |
| <b>Timing of revenue recognition</b> |              |              |
| Over time                            | 281.2        | 301.4        |
| At a point in time                   | 26.5         | 29.2         |
| <b>Total</b>                         | <b>307.7</b> | <b>330.6</b> |

#### Transaction price allocated to the remaining performance obligations

The table below includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

|  | 2020<br>£m | 2021<br>£m | Total<br>£m |
|--|------------|------------|-------------|
| Revenue expected to be recognised on Services and document management services income as of 31 December 2019 | 161.8      | 158.1      | 319.9       |

The sole geographical market of the Group is the United Kingdom.

Interest and other income from finance leases and credit sale agreements are an integral part of the marketing strategy of the Group and, in accordance with section 474 of the Companies Act 2006, fall within the Group's ordinary activities. Accordingly, interest and other leasing income have been included within turnover.

# **Xerox (UK) Limited and Subsidiary Undertakings**

## **Notes to the consolidated financial statements for the year ended 31 December 2019**

### **4. EMPLOYEES**

#### **(a) Directors' emoluments**

|                      | <b>2019</b> | <b>2018</b> |
|----------------------|-------------|-------------|
|                      | <b>£m</b>   | <b>£m</b>   |
| Aggregate emoluments | <b>0.7</b>  | <b>0.9</b>  |

There are two directors (2018: two directors) to whom retirement benefits are accruing under defined benefit schemes

The aggregate of emoluments of the highest paid director were £458,423 (2018: £670,724). The accrued pension at the end of the year for the highest paid director within the defined benefit scheme was £Nil (2018: Nil).

No directors exercised stock options in Xerox Corporation during 2019 (2018: £nil).

There were no retention bonuses (2018: £70,000) paid to directors during 2019.

There were severance payments of £130,000 (2018: nil) paid to the directors during 2019.

The emoluments of three of the directors were paid by another group company and no recharge was made to the Company. Accordingly, no emoluments have been disclosed in respect of these directors.

#### **(b) Average number of people employed**

The average monthly number of persons (including executive directors) employed during the year, analysed by activity:

|                          | <b>Group</b>  |               | <b>Company</b> |               |
|--------------------------|---------------|---------------|----------------|---------------|
|                          | <b>2019</b>   | <b>2018</b>   | <b>2019</b>    | <b>2018</b>   |
|                          | <b>Number</b> | <b>Number</b> | <b>Number</b>  | <b>Number</b> |
| Selling and distribution | <b>1,364</b>  | <b>1,459</b>  | <b>1,364</b>   | <b>1,459</b>  |
| Administration           | <b>93</b>     | <b>112</b>    | <b>72</b>      | <b>88</b>     |
|                          | <b>1,457</b>  | <b>1,571</b>  | <b>1,436</b>   | <b>1,547</b>  |

#### **(c) Employee benefit expense**

Staff costs – all employees (including executive directors):

|                                       | <b>Group</b> | <b>Company</b> |             |             |
|---------------------------------------|--------------|----------------|-------------|-------------|
|                                       | <b>2019</b>  | <b>2018</b>    | <b>2019</b> | <b>2018</b> |
|                                       | <b>£m</b>    | <b>£m</b>      | <b>£m</b>   | <b>£m</b>   |
| Wages and salaries                    | <b>51.9</b>  | <b>64.5</b>    | <b>50.8</b> | <b>63.2</b> |
| Social security costs                 | <b>5.3</b>   | <b>6.5</b>     | <b>5.2</b>  | <b>6.4</b>  |
| Share based payments (note 26)        | <b>0.5</b>   | <b>0.3</b>     | <b>0.5</b>  | <b>0.3</b>  |
| Other pension costs (note 27)         |              |                |             |             |
| Defined benefit scheme                | <b>0.2</b>   | <b>0.2</b>     | <b>0.2</b>  | <b>0.2</b>  |
| Defined contribution schemes          | <b>2.4</b>   | <b>2.8</b>     | <b>2.4</b>  | <b>2.7</b>  |
| <b>Total employee benefit expense</b> | <b>60.3</b>  | <b>74.3</b>    | <b>59.1</b> | <b>72.8</b> |

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**5. FINANCE INCOME AND CHARGES**

**(a) FINANCE INCOME**

| <b>Group:</b>                            | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Interest receivable from group companies | <b>4.2</b>  | <b>2.7</b>  |

**(b) FINANCE CHARGES**

| <b>Group:</b>  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| <b>Interest on financial liabilities measured at amortised cost:</b> |             |             |
| Interest payable to Xerox Group undertakings                         | <b>5.6</b>  | <b>4.5</b>  |
|  | <b>5.6</b>  | <b>4.5</b>  |

**6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

**Expenses by nature**

| <b>Group:</b>   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Employee benefit expense (note 4 (c))   | <b>60.3</b> | <b>74.3</b> |
| Depreciation of property, plant and equipment: owned (note 8)                                 | <b>15.8</b> | <b>14.1</b> |
| Restructuring charge (note 25)  | <b>7.8</b>  | <b>7.8</b>  |
| Fees payable to the Company's auditors for the audit of the consolidated financial statements | <b>0.3</b>  | <b>0.3</b>  |

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**The Group**

|  | 2019          | 2018        |
|--|---------------|-------------|
|  | £m            | £m          |
| <b>Current Tax:</b>                                |               |             |
| UK corporation tax on profits for the year         | -             | -           |
| Adjustment in respect of previous years            | -             | -           |
| <b>Total current tax</b>                           | <b>-</b>      | <b>-</b>    |
| <b>Deferred Tax:</b>                               |               |             |
| Origination and reversal of timing differences     | 4.1           | 1.6         |
| Effect of tax rate change on deferred tax balances | (0.4)         | 2.2         |
| Adjustments in respect of previous years           | (14.7)        | 23.6        |
| <b>Total deferred tax (note 12)</b>                | <b>(11.0)</b> | <b>27.4</b> |
| <b>Tax on profit on ordinary activities</b>        | <b>(11.0)</b> | <b>27.4</b> |

The total tax assessed for the year is lower (2018: higher) than the standard rate of corporation tax in the UK, 19%.

|  | 2019          | 2018        |
|--|---------------|-------------|
|  | £m            | £m          |
| Profit on ordinary activities before taxation  | 17.9          | 11.1        |
| Profit on ordinary activities before taxation multiplied by the UK standard tax rate of 19.00% for 2019 (2018: 19.00%) | 3.4           | 2.1         |
| <b>Effects of:</b>   |               |             |
| Group relief granted/(claimed) to/(from) Group companies for no charge   | 0.7           | (0.5)       |
| Adjustments in respect of previous years   | (14.7)        | 23.6        |
| Effect of tax rate change on deferred tax balances   | (0.4)         | 2.2         |
| <b>Total tax /(credit)/charge</b>  | <b>(11.0)</b> | <b>27.4</b> |

**Factors affecting current and future tax charges:**

The previously enacted corporation tax rate reduction from 19% to 17% with effect from 1 April 2020 was cancelled by Budget 2020 resolution. As at the balance sheet date tax is measured at the enacted rate of 19%. The impact of the cancelled reduction is expected to be approximately £6.6m.

The credit of £(14.7)m for 2019 represents the final prior year tax return's disclaim of capital allowances. The adjustment mainly relates to Xerox Finance Ltd's deferred tax and represents the impact of resubmission of the prior year's tax return. Capital allowances were disclaimed in the resubmission and consequently the tax written down value of the substantial Xerox Finance assets increased, creating the tax gain.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**8. PROPERTY, PLANT AND EQUIPMENT**

**(a) The Group**

|                                 | <b>Assets held<br/>for<br/>operating<br/>leases</b> | <b>Leasehold<br/>Land and<br/>building</b> | <b>Plant and<br/>Machinery</b> | <b>Fixtures<br/>and Fittings</b> | <b>Total</b> |
|---------------------------------|---|--|--------------------------------|----------------------------------|--------------|
| <b>Cost</b>                     | <b>£m</b>   | <b>£m</b>                                  | <b>£m</b>                      | <b>£m</b>                        | <b>£m</b>    |
| At 1 January 2018               | 78.4  | 3.1  | 0.2                            | 7.0                              | 88.7         |
| Additions at Cost               | 19.2  | 0.2  | -                              | 0.4                              | 19.8         |
| Disposals                       | (15.9)  | (2.1)                                      | -                              | (0.5)                            | (18.5)       |
| Transfers                       | -   | 1.0  | -                              | 1.1                              | 2.1          |
| At 1 January 2019               | 81.7  | 2.2  | 0.2                            | 8.0                              | 92.1         |
| Additions at Cost               | 15.1  | 0.1  | -                              | 1.1                              | 16.3         |
| Disposals                       | (4.8)   | (0.1)                                      | -                              | (0.8)                            | (5.7)        |
| <b>At 31 December 2019</b>      | <b>92.0</b>   | <b>2.2</b>                                 | <b>0.2</b>                     | <b>8.3</b>                       | <b>102.7</b> |
| <b>Accumulated Depreciation</b> |   |  |                                |                                  |              |
| At 1 January 2018               | 56.9  | 2.7  | 0.1                            | 4.8                              | 64.5         |
| Charge for the year             | 12.8  | (0.1)                                      | -                              | 1.4                              | 14.1         |
| Disposals                       | (14.4)  | (2.1)                                      | -                              | (0.5)                            | (17.0)       |
| Transfers                       | -   | 1.0  | -                              | 0.1                              | 1.1          |
| At 1 January 2019               | 55.3  | 1.5  | 0.1                            | 5.8                              | 62.7         |
| Charge for the year             | 14.6  | 0.1  | -                              | 1.1                              | 15.8         |
| Disposals                       | (3.3)   | (0.1)                                      | -                              | (0.6)                            | (4.0)        |
| Transfers                       | -   | -  | -                              | 0.2                              | 0.2          |
| <b>At 31 December 2019</b>      | <b>66.6</b>   | <b>1.5</b>                                 | <b>0.1</b>                     | <b>6.5</b>                       | <b>74.7</b>  |
| <b>Net book value at:</b>       |   |  |                                |                                  |              |
| <b>At 31 December 2019</b>      | <b>25.4</b>   | <b>0.7</b>                                 | <b>0.1</b>                     | <b>1.8</b>                       | <b>28.0</b>  |
| At 31 December 2018             | 26.4  | 0.7  | 0.1                            | 2.2                              | 29.4         |

There are no material differences between the proceeds from sales and the net book value of property, plant and equipment disposed.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**(b) The Company**

|                                 | <b>Leasehold land<br/>and buildings</b> | <b>Fixtures and<br/>Fittings</b> | <b>Total</b> |
|---------------------------------|---|----------------------------------|--------------|
| <b>Cost</b>                     | <b>£m</b>                               | <b>£m</b>                        | <b>£m</b>    |
| At 1 January 2018               | 2.7                                     | 4.1                              | 6.8          |
| Additions at Cost               | 0.2                                     | 0.4                              | 0.6          |
| Disposals                       | (2.1)                                   | (0.3)                            | (2.4)        |
| Transfers                       | 1.0                                     | 1.2                              | 2.2          |
| At 1 January 2019               | 1.8                                     | 5.4                              | 7.2          |
| Additions at Cost               | 0.1                                     | 1.2                              | 1.3          |
| Disposals                       | (0.1)                                   | (0.7)                            | (0.8)        |
| <b>At 31 December 2019</b>      | <b>1.8</b>                              | <b>5.9</b>                       | <b>7.7</b>   |
| <b>Accumulated Depreciation</b> |   |                                  |              |
| At 1 January 2018               | 2.5                                     | 1.8                              | 4.3          |
| Charge for the year             | (0.1)                                   | 1.4                              | 1.3          |
| Disposals                       | (2.1)                                   | (0.2)                            | (2.3)        |
| Transfers                       | 1.0                                     | 0.1                              | 1.1          |
| At 1 January 2019               | 1.3                                     | 3.1                              | 4.4          |
| Charge for the year             | 0.1                                     | 1.1                              | 1.2          |
| Disposals                       | (0.1)                                   | (0.5)                            | (0.6)        |
| Transfers                       | 0.0                                     | 0.2                              | 0.2          |
| <b>At 31 December 2019</b>      | <b>1.3</b>                              | <b>3.9</b>                       | <b>5.2</b>   |
| <b>Net book value at:</b>       |   |                                  |              |
| <b>At 31 December 2019</b>      | <b>0.5</b>                              | <b>2.0</b>                       | <b>2.5</b>   |
| At 31 December 2018             | 0.5                                     | 2.3                              | 2.8          |

There are no material differences between the proceeds from sales and the net book value of property, plant and equipment disposed.

The fixtures and fittings transfer for 2019 relate to intercompany transfers to a Xerox company outside of the Group. The assets relating to this transfer remain on the Groups fixed asset register.

# **Xerox (UK) Limited and Subsidiary Undertakings**

## **Notes to the consolidated financial statements for the year ended 31 December 2019**

### **9. LEASES**

#### **Group and Company**

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

|                            | <b>31 Dec<br/>2019</b> | <b>1 Jan<br/>2019</b> |
|----------------------------|------------------------|-----------------------|
|                            | <b>£m</b>              | <b>£m</b>             |
| <b>Right-of-use assets</b> |                        |                       |
| Land and Buildings         | <b>2.7</b>             | <b>3.9</b>            |
| <b>Lease Liabilities</b>   |                        |                       |
| Current                    | <b>1.0</b>             | <b>1.0</b>            |
| Non-current                | <b>2.0</b>             | <b>2.9</b>            |
|                            | <b>3.0</b>             | <b>3.9</b>            |

Additions to the right-of-use assets during the 2019 financial year were £0.2m

(ii) Amounts recognised in the income statement

|  | <b>31 Dec<br/>2019</b> | <b>1 Jan<br/>2019</b> |
|--|------------------------|-----------------------|
|  | <b>£m</b>              | <b>£m</b>             |
| <b>Depreciation charge of right-of-use assets</b>  |                        |                       |
| Land and Buildings                                 | <b>0.9</b>             | <b>-</b>              |
| <b>Interest expense (included in finance cost)</b> | <b>0.2</b>             | <b>-</b>              |
| <b>Expense relating to short-term leases</b>       | <b>-</b>               | <b>-</b>              |

The total cash outflow for leases in 2019 was £1.2m

Future minimum lease payments (1) are as follows:

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Not later than one year                           | <b>1.1</b>  | <b>1.1</b>  |
| Later than one year and not later than five years | <b>2.2</b>  | <b>3.2</b>  |
| <b>Total gross payments</b>                       | <b>3.3</b>  | <b>4.3</b>  |

1. The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Thus, the comparative future minimum lease payments presented are based on IAS17 while the current year are based on IFRS 16.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**10. INTANGIBLE ASSETS**

**Group and Company**

|                               | <b>Capitalised<br/>Software</b> | <b>Goodwill</b> | <b>Total</b> |
|-------------------------------|---------------------------------|-----------------|--------------|
| <b>Cost</b>                   | <b>£m</b>                       | <b>£m</b>       | <b>£m</b>    |
| At 1 January 2018             | 6.4                             | 1.4             | 7.8          |
| Additions                     | -                               | -               | -            |
| Disposal                      | -                               | -               | -            |
| As at 31 December 2018        | 6.4                             | 1.4             | 7.8          |
| Additions                     | -                               | -               | -            |
| Disposal                      | (0.3)                           | -               | (0.3)        |
| <b>As at 31 December 2019</b> | <b>6.1</b>                      | <b>1.4</b>      | <b>7.5</b>   |

**Accumulated Amortisation**

|                               |            |          |            |
|-------------------------------|------------|----------|------------|
| At 1 January 2018             | 6.3        | -        | 6.3        |
| Amortisation charge           | -          | -        | -          |
| Disposal                      | -          | -        | -          |
| As at 31 December 2018        | 6.3        | -        | 6.3        |
| Amortisation charge           | -          | -        | -          |
| Disposal                      | (0.3)      | -        | (0.3)      |
| <b>As at 31 December 2019</b> | <b>6.0</b> | <b>-</b> | <b>6.0</b> |

**Net book value**

|                               |            |            |            |
|-------------------------------|------------|------------|------------|
| Cost                          | 6.4        | 1.4        | 7.8        |
| Accumulated amortisation      | (6.3)      | -          | (6.3)      |
| As at 31 December 2018        | 0.1        | 1.4        | 1.5        |
| Cost                          | 6.1        | 1.4        | 7.5        |
| Accumulated amortisation      | (6.0)      | -          | (6.0)      |
| <b>As at 31 December 2019</b> | <b>0.1</b> | <b>1.4</b> | <b>1.5</b> |

Goodwill remaining as at 31 December 2019, being the difference between consideration paid and net assets acquired, arose on the acquisition of Tektronix during 2000. The cost of Goodwill reflects the historic amortised net book value.

**Impairment testing for goodwill**

Under IAS 36 goodwill is not amortised but rather is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have incurred. Any impairment is recognised immediately in the income statement and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to a Cash Generating Unit (CGU). If the recoverable amount of a CGU is less than the carrying value of the unit the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit. No impairment is required at the balance sheet date.

Amortisation expenses are included in cost of sales.



## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 11. INVESTMENTS

The Company's investments in subsidiaries are as follows:

| Subsidiary             | Principal activities | Registered address   | Ordinary share capital holding |
|------------------------|----------------------|--|--------------------------------|
| Xerox Finance Limited  | Leasing Company      | Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH | 100%                           |
| Bessemer Trust Limited | Dormant              | Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH | 100%                           |

Both companies are incorporated in England and all shares are held at cost. The total cost of shares held by the Company is less than £0.1m. There has been no movement in the year.

#### 12. DEFERRED INCOME TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

|  | Accelerated Capital Allowance's | Finance Leases | Other        | Total       |
|--|---------------------------------|----------------|--------------|-------------|
|  | £m                              | £m             | £m           | £m          |
| Deferred tax asset at 1 January 2018           | 0.6                             | 72.2           | 0.2          | 73.0        |
| <b>Deferred tax movement in prior year:</b>    |                                 |                |              |             |
| Adjustment to other comprehensive income       | -                               | -              | (0.4)        | (0.4)       |
| Profit and loss account movement               | 0.2                             | (27.6)         | -            | (27.4)      |
| <b>Deferred tax asset at 1 January 2019</b>    | <b>0.8</b>                      | <b>44.6</b>    | <b>(0.2)</b> | <b>45.2</b> |
| <b>Deferred tax movements in current year:</b> |                                 |                |              |             |
| Profit and loss account movement               | 0.4                             | 9.5            | 1.1          | 11.0        |
| <b>Deferred tax asset at 31 December 2019</b>  | <b>1.2</b>                      | <b>54.1</b>    | <b>0.9</b>   | <b>56.2</b> |

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

The 2018 adjustment to other comprehensive income is due to the new IFRS15 standard that came into effect on 1 January 2018. To reflect this change in policy, at 1 January 2018 the Group reclassified £3.3m from retained earnings to contract assets and £(0.4)m to deferred tax.

The Accelerated Capital Allowance deferred asset is recognised by the company only.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**13. TRADE AND OTHER RECEIVABLES**

| <b>(a) Non-Current assets</b> | <b>Group</b> |             | <b>Company</b> |             |
|-------------------------------|--------------|-------------|----------------|-------------|
|                               | <b>2019</b>  | <b>2018</b> | <b>2019</b>    | <b>2018</b> |
|                               | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| Other receivables             | <b>5.4</b>   | <b>6.0</b>  | <b>5.4</b>     | <b>6.0</b>  |
|                               | <b>5.4</b>   | <b>6.0</b>  | <b>5.4</b>     | <b>6.0</b>  |

The other receivables balance relates to deferred costs, including contract set up costs and commissions on document managed services contracts. The commissions balance is a result of the new IFRS15 standard that came into effect on 1 January 2019.

**(b) Current asset**

|   | <b>Group</b> |              | <b>Company</b> |              |
|---|--------------|--------------|----------------|--------------|
|   | <b>2019</b>  | <b>2018</b>  | <b>2019</b>    | <b>2018</b>  |
|   | <b>£m</b>    | <b>£m</b>    | <b>£m</b>      | <b>£m</b>    |
| Trade receivables (i)                   | <b>22.4</b>  | <b>23.2</b>  | <b>21.6</b>    | <b>22.2</b>  |
| Amounts owed by group undertakings (ii) | <b>240.8</b> | <b>274.7</b> | <b>240.7</b>   | <b>268.1</b> |
| Other receivables                       | <b>4.2</b>   | <b>2.7</b>   | <b>4.2</b>     | <b>2.3</b>   |
| Prepayments and accrued income          | <b>24.8</b>  | <b>26.9</b>  | <b>23.3</b>    | <b>25.4</b>  |
|   | <b>292.2</b> | <b>327.5</b> | <b>289.8</b>   | <b>318.0</b> |

- i) Trade receivables include a bad debt reserve for the Group and Company of £0.6m (2018: £0.6m) and £0.6m (2018: £0.6m) respectively. This is based on lifetime expected credit losses.

The percentage of Trade receivables aged more than 180 days is 1% (2018: 1%) and the percentage of trade receivables aged less than 180 days is 99% (2018: 99%). The Group and company apply a 1.5% expected credit loss rate on the balance of Trade receivables and accrued income.

The Group and company utilised £0.3m (2018: £0.4m) of provision and recorded £0.3m (2018: £0.3m) of new provision.

Please see note 16 for quality of receivable assets.

- ii) Amounts owed by group undertakings are unsecured. Current account balances are payable on demand and change daily as cash is swept through a zero balancing structure and incur interest rates between 0.63% and 0.82%. The loan with XCE are short term 6 month rolling loans. The expected credit loss is insignificant for the balance of intercompany receivable.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**14. FINANCE LEASE RECEIVABLES**

| Future minimum lease payments due:                      | <b>Group</b>       |                    |
|---|--------------------|--------------------|
| <b>(a) Amounts falling due after more than one year</b> | <b>2019<br/>£m</b> | <b>2018<br/>£m</b> |
| Within two years  | 45.9               | 48.7               |
| Within three years                                      | 32.7               | 34.4               |
| Within four years                                       | 20.7               | 20.3               |
| Within five years                                       | 8.4                | 8.8                |
| More than five years                                    | 1.2                | 1.0                |
| Gross investment  | 108.9              | 113.2              |
| Residual value  | -                  | -                  |
|   | 108.9              | 113.2              |
| Provision for doubtful debts                            | (1.6)              | (0.7)              |
| Net investment  | 107.3              | 112.5              |
|   |                    |                    |
| <b>(b) Amounts falling due within one year</b>          |                    |                    |
| Gross Investment  | 62.5               | 65.1               |
| Residual Value  | -                  | -                  |
|   | 62.5               | 65.1               |
| Provision for doubtful debts                            | (1.2)              | (2.5)              |
| Net investment  | 61.3               | 62.6               |
|   |                    |                    |
| <b>Total net investment in finance leases</b>           | <b>168.6</b>       | <b>175.1</b>       |

The finance lease receivables include a net investment in hire purchase transactions of £3.1m (2018: £3.9m).

The Company does not have any finance leases.

**15. INVENTORIES**

|                                     | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                     | <b>2019<br/>£m</b> | <b>2018<br/>£m</b> | <b>2019<br/>£m</b> | <b>2018<br/>£m</b> |
| Finished goods and goods for resale | 17.4               | 17.4               | 17.4               | 17.4               |

The inventory provision at 31 December 2019 was £0.1m (2018: £0.1m)

## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 16. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets can be assessed by reference to internal risk ratings.

| Group                                     | 2019        | 2018        |
|---|-------------|-------------|
|   | £m          | £m          |
| <b>Trade Receivables</b>                  |             |             |
| Investment                                | 19.3        | 20.5        |
| Non-Investment                            | 2.9         | 2.5         |
| Sub-Standard                              | 0.2         | 0.2         |
| <b>Total unimpaired trade receivables</b> | <b>22.4</b> | <b>23.2</b> |

**Investment** – Strong business credit, strong asset quality, strong capacity to meet financial obligations and strong management in all positions.

**Non-Investment** – Average to below average acceptable business credit. Susceptible to developing a weakened capacity to meet financial obligations with adverse shifts in market conditions and/or changing circumstances.

**Sub-Standard** – Marginally unacceptable business credit to unacceptable business credit. Adverse business, financial and/or economic conditions will likely impair the capacity to meet financial obligations. Collection in full is highly improbable.

|                                  | 2019         | 2018         |
|----------------------------------|--------------|--------------|
| Receivables from related parties | £m           | £m           |
| Group 1                          | -            | -            |
| Group 2                          | 240.8        | 274.7        |
| Group 3                          | -            | -            |
|                                  | <b>240.8</b> | <b>274.7</b> |

**Group 1** – new related parties (less than 6 months)

**Group 2** – existing related parties (more than 6 months) with no defaults in the past.

**Group 3** - existing related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

None of the receivables from related parties is past due or impaired.

#### 17. CAPITAL RISK MANAGEMENT

The group's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders.

A dividend of £70m was paid by the group. Further information on the dividend can be found on the directors report.

## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 18. OPERATING LEASES

##### Operating leases rental receivables – group company as lessor

The future minimum lease payments receivables under non-cancellable operating leases are as follows:

|   | 2019       | 2018       |
|---|------------|------------|
|   | £m         | £m         |
| No later than 1 year                        | 1.9        | 1.8        |
| Later than 1 year and no later than 5 years | 3.2        | 2.6        |
|   | <b>5.1</b> | <b>4.4</b> |

#### 19. SHARE CAPITAL

|  | 2019             | 2018             |
|--|------------------|------------------|
|  | £                | £                |
| <b>Authorised:</b>   |                  |                  |
| 100 (2018: 100) 'A' class ordinary shares of £1 each             | 100              | 100              |
| 1,500,000 (2018: 1,500,000) 'B' class ordinary shares of £1 each | 1,500,000        | 1,500,000        |
|  | <b>1,500,100</b> | <b>1,500,100</b> |
| <b>Allotted and fully paid:</b>                                  |                  |                  |
| 100 (2018: 100) 'A' class ordinary shares of £1 each             | 100              | 100              |
| 1,500,000 (2018: 1,500,000) 'B' class ordinary shares of £1 each | 1,500,000        | 1,500,000        |
|  | <b>1,500,100</b> | <b>1,500,100</b> |

The 'A' ordinary shares and the 'B' ordinary shares are entitled to rank pari passu in such a way that as regards to income, the 'A' ordinary shares have the right to receive the first £100 million of the aggregate amount or amounts (if any) of the profits of the Company which it shall be resolved to distribute by way of dividend in each financial year of the Company, to be distributed in proportion to the number of 'A' ordinary shares held.

#### 20. DIVIDENDS

A dividend of £70m was paid out of 2018 retained earnings in 2019 (2018: £nil) by the Company and its subsidiaries.

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**21. RETAINED EARNINGS**

|                                      | <b>Group</b> | <b>Company</b> |
|--------------------------------------|--------------|----------------|
|                                      | <b>£m</b>    | <b>£m</b>      |
| At 1 January 2018                    | 389.3        | 266.0          |
| Transition Adjustment                | 2.9          | 2.9            |
| (Loss)/Profit for the financial year | (16.3)       | 2.2            |
| <b>At 31 December 2018</b>           | <b>375.9</b> | <b>271.1</b>   |
| <br>                                 |              |                |
| Profit for the financial year        | 28.9         | 36.9           |
| Dividend                             | (70.0)       | (70.0)         |
| <b>At 31 December 2019</b>           | <b>334.8</b> | <b>238.0</b>   |

The transition adjustment in 2018 relates to the reclassification of sales commissions and the associated tax adjustment from retained earnings to contract assets and deferred tax, as a result of the introduction of IFRS15 that came into effect on 1 January 2019.

**22. TRADE AND OTHER PAYABLES**

**(a) Non-Current liabilities**

|                            | <b>Group</b> |             | <b>Company</b> |             |
|----------------------------|--------------|-------------|----------------|-------------|
|                            | <b>2019</b>  | <b>2018</b> | <b>2019</b>    | <b>2018</b> |
|                            | <b>£m</b>    | <b>£m</b>   | <b>£m</b>      | <b>£m</b>   |
| Lease Liabilities (note 9) | 2.0          | -           | 2.0            | -           |
|                            | <b>2.0</b>   | <b>-</b>    | <b>2.0</b>     | <b>-</b>    |

**(b) Current liabilities**

|                                    | <b>Group</b> |              | <b>Company</b> |             |
|------------------------------------|--------------|--------------|----------------|-------------|
|                                    | <b>2019</b>  | <b>2018</b>  | <b>2019</b>    | <b>2018</b> |
|                                    | <b>£m</b>    | <b>£m</b>    | <b>£m</b>      | <b>£m</b>   |
| Trade payables                     | 19.6         | 23.4         | 19.6           | 23.2        |
| Amounts owed to group undertakings | 179.6        | 174.5        | 29.7           | 27.7        |
| Lease Liabilities 1 (note 9)       | 1.0          | -            | 1.0            | -           |
| Social security and other taxes    | 12.2         | 11.2         | 11.1           | 10.7        |
| Accruals and deferred income       | 16.4         | 13.2         | 12.8           | 9.7         |
|                                    | <b>228.8</b> | <b>222.3</b> | <b>74.2</b>    | <b>71.3</b> |

Amounts owed by the Group to other group undertakings are a combination of unsecured trade and financing debt and interest is charged based on commercial rates on rolling monthly or quarterly borrowing and payment terms. All current liabilities fall due within one year and their fair values approximate their book value.

- The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 23. CONTRACT BALANCES

Accrued income and deferred income are included within "trade and other receivables" and "trade and other payables" respectively on the face of the Balance Sheet. The timing of work performed (and thus revenue recognised), billing profiles and cash collection, results in trade receivables (amounts billed to date and unpaid), contract assets (unbilled amounts where revenue has been recognised) and customer advances and deposits (contract liabilities), where no corresponding work has yet to be performed, being recognised on the Group's balance sheet.

|  | Accrued<br>Income<br>£m | Deferred<br>Income<br>£m |
|--|-------------------------|--------------------------|
| 1 January 2019   | 24.7                    | (4.3)                    |
|  | 24.7                    | (4.3)                    |
| Revenue recognised of which relates to performance obligations satisfied in the current year | 21.8                    | 3.1                      |
| Transfers in the period from accrued income to trade receivables                             | (24.3)                  | –                        |
| Net cash received in advance of performance obligations being fully satisfied                | –                       | (3.6)                    |
| <b>As at 31 December 2019</b>  | <b>22.2</b>             | <b>(4.8)</b>             |

#### 24. FAIR VALUE OF FINANCIAL LIABILITIES

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements are approximate to their fair values.

The maturity of the group and company contractual undiscounted financial liabilities is shown below:

|   | Group                           |                                 | Company                         |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2019<br>Carrying<br>Value<br>£m | 2018<br>Carrying<br>Value<br>£m | 2019<br>Carrying<br>Value<br>£m | 2018<br>Carrying<br>Value<br>£m |
| No later than 1 year                        | 216.6                           | 211.1                           | 63.1                            | 60.6                            |
| Later than 1 year and no later than 5 years | 2.0                             | –                               | 2.0                             | –                               |
| <b>Total</b>                                | <b>218.6</b>                    | <b>211.1</b>                    | <b>65.1</b>                     | <b>60.6</b>                     |

**Xerox (UK) Limited and Subsidiary Undertakings**

**Notes to the consolidated financial statements for the year ended 31 December 2019**

**25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

| <b>Group and Company</b>                    |                                    |            |              |
|---|------------------------------------|------------|--------------|
|   | <b>Restructuring Dilapidations</b> |            | <b>Total</b> |
|   | <b>£m</b>                          | <b>£m</b>  | <b>£m</b>    |
| At 1 January 2019                           | 2.3                                | 1.2        | 3.5          |
| Charged/(credited) to the income statement: |                                    |            |              |
| Additional provisions                       | 8.0                                | -          | 8.0          |
| Release of prior year provisions            | (0.2)                              | -          | (0.2)        |
| Utilised during the year                    | (6.3)                              | (0.1)      | (6.4)        |
| <b>At 31 December 2019</b>                  | <b>3.8</b>                         | <b>1.1</b> | <b>4.9</b>   |

**Restructuring**

The restructuring provision principally consists of ongoing headcount productivity improvement actions. As at 31 December 2019, the liability represents the estimated severance costs of the outstanding affected roles. £2m of the additional provision in 2019 relates to roles that moved to HCL and will be subsequently restructured. The liability for these severance costs remain with Xerox and have been paid upfront to HCL by another division of Xerox. Once the restructuring actions have taken place, there will be a reconciliation process to validate which roles were restructured and what the costs of this were. At this point the charge will be transferred to the company and booked against the provision.

**Dilapidations**

The dilapidations provision represents the fair value of conditional asset retirement obligations associated with leased facilities, where the Group may have to make repairs to return the property to its original condition. The provision relates to leases with primary periods of 1-5 years and reflects management's current estimate of cost to be incurred.



## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 26. SHARE BASED PAYMENTS

Xerox Corporation has implemented stock-based compensation programs that included expanded use of restricted stock grants in lieu of stock options. These restricted stock awards are reflected as compensation expense in our results of operations.

In addition to the above are Restricted Stock Units (RSUs) and Performance Share Units (PSUs). Essentially, these are a promise to receive a pre-specified number of shares on a pre-specified date subject to certain conditions being met as described in note 2.23. These are effectively a stock gift to employees and so have a grant price of zero.

Compensation expense is based on a combination of the grant date market price and an internally set price based on Xerox performance metrics. The compensation expense is recorded over the vesting period, which is between one and three years, based on management's estimate of the number of shares expected to vest.

The total charge relating to share based payment for the Group was £0.5m (2018: £0.3m) for the year.

The following are movements in RSU's & PSU's in the year.

|                                | 2019          |                               | 2018          |                               |
|--------------------------------|---------------|-------------------------------|---------------|-------------------------------|
|                                | Number        | Weighted average market value | Number        | Weighted average market value |
| Outstanding 1 January          | 58,148        | \$31.16                       | 53,281        | \$31.17                       |
| Granted                        | 20,877        | \$22.30                       | 35,363        | \$30.07                       |
| Transfers                      | 16,083        | \$31.74                       | (506)         | \$28.56                       |
| Forfeited                      | (16,821)      | \$31.95                       | (19,774)      | \$24.06                       |
| Exercised                      | (25,063)      | \$32.26                       | (10,416)      | \$32.64                       |
| <b>Outstanding 31 December</b> | <b>53,224</b> | <b>\$27.95</b>                | <b>58,148</b> | <b>\$31.16</b>                |

| Year of vesting | 2019          |                               | 2018          |                               |
|-----------------|---------------|-------------------------------|---------------|-------------------------------|
|                 | Number        | Weighted average market value | Number        | Weighted average market value |
| 2019            | -             | -                             | 27,984        | \$27.98                       |
| 2020            | 24,259        | \$28.77                       | 19,892        | \$32.56                       |
| 2021            | 12,887        | \$28.07                       | 10,272        | \$27.98                       |
| 2022            | 16,078        | \$22.30                       | -             | -                             |
| <b>Total</b>    | <b>53,224</b> | <b>\$27.95</b>                | <b>58,148</b> | <b>\$31.16</b>                |

## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 27. PENSIONS

Up to the 31 December 2019, the Company has offered employees both defined benefit and defined contribution schemes, which also covered the employees of its UK subsidiaries. With effect from 31 December 2013 the UK defined benefit scheme rules were amended so that no employed members except members of the public sector sections would accrue any further pensionable services after this date. Substantially all of the defined benefit schemes are self-administered and their assets are held independently of the Company's finances. The schemes include an unapproved scheme of minor financial significance.

Valuations of the schemes are undertaken by qualified independent actuaries at least every three years, using the projected unit method. Annual contributions are paid as agreed by the Company, Trustees and Actuary.

#### IAS 19 Employee Benefits

The pension scheme to which Xerox Limited and the Company contribute is the 'Xerox Final Salary Pension Scheme', a defined benefit scheme; however, each company is unable to identify its share of the underlying assets and liabilities of the pension scheme on a consistent and reasonable basis due to staff movements between subsidiaries. Accordingly, under IAS 19 'Employee Benefits', this defined benefit pension scheme is a multi-employer defined benefit scheme. A consequence of this is that under IAS 19 the Company Xerox (UK) Limited is required to account for the scheme as a defined contribution scheme.

Under the multi-employer defined benefit scheme contributions are made by the employees on the Group's payroll. The Group is not liable for other entities obligations and contributions are expected to remain similar to 2019 contributions. The plan is in surplus, therefore, no impact is expected on future contribution.

The last full actuarial valuation upon which the IAS 19 figures have been based was as at 31 March 2019, rolled forward to 31 December 2019 and adjusted for current financial conditions. The present values of the projected benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the periods in which they arise.

The funded status of the 'Xerox Final Salary Pension Scheme' as reported by Xerox Limited is as below:

|   | 2019    | 2018    |
|---|---------|---------|
|   | £m      | £m      |
| Fair value of scheme assets                         | 3,179   | 2,944   |
| Present value of funded defined benefit obligations | (2,889) | (2,790) |
| Funded status                                       | 290     | 154     |

The contributions of £0.2m (2018: £0.2m) to the defined benefit scheme made by the Group and the Company during the year have been charged to the statement of comprehensive income.

Contributions of £2.4m (2018: £2.8m) to defined contribution schemes made by the Group and the Company are charged to the statement of comprehensive income as incurred.

There were no contributions outstanding as at 31 December 2019 (2018:£Nil).

## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 28. RELATED PARTIES

The Group is controlled by Xerox Capital (Europe) Limited (incorporated in the UK). The Group's ultimate parent is Xerox Corporation (incorporated in the United States of America).

| Related Party                  | Relationship                                  | Incorporation            |
|--------------------------------|---|--------------------------|
| Xerox Holdings Corporation     | Ultimate parent company and controlling party | United States of America |
| Xerox Capital (Europe) Limited | Immediate parent and controlling undertaking  | England and Wales        |

The following transactions were carried out with related parties:

#### a) Sales and purchases of goods and services

|   | 2019 | 2018 |
|---|------|------|
|   | £m   | £m   |
| Purchases of goods from parent company -- Xerox Limited | 46.4 | 46.9 |

Balance outstanding with related parties at 31 December were as follows:

|                                   | Amounts<br>owed from<br>related<br>parties<br>2019<br>£m | Amounts<br>owed to<br>related<br>parties<br>2019<br>£m | Amounts<br>owed from<br>related<br>parties<br>2018<br>£m | Amounts<br>owed to<br>related<br>parties<br>2018<br>£m |
|-----------------------------------|--|--|--|--|
| Xerox Limited – Treasury Division | 102.4  | 3.3  | 50.1   | -  |
| Xerox Capital (Europe) Limited    | 117.2  | -  | 198.0  | -  |
| XXFH Treasury Ops                 | -  | 125.0  | -  | 121.6  |
| Xerox Limited – UK Div            | 17.8   | -  | 24.0   | 49.2   |
| Xerox Limited – HQ                | -  | 38.5   | -  | -  |
| Xerox Limited – Venray            | -  | 8.2  | -  | -  |
| Other                             | 3.4  | 4.6  | 2.6  | 3.7  |
|                                   | 240.8  | 179.6  | 274.7  | 174.5  |

This table is applicable to the company only with the exception of XXFH Treasury Ops

#### b) Key management personnel compensation

The compensation paid or payable to the directors who are considered to be key management personnel for employee services is shown below:

|   | 2019       | 2018       |
|---|------------|------------|
|   | £m         | £m         |
| Salaries and other short-term employee benefits | 0.5        | 0.7        |
| Post-employment benefits                        | 0.0        | 0.1        |
| Termination payments                            | 0.1        | -          |
| Share Based Payments                            | 0.1        | 0.1        |
| <b>Total (note 4 (a))</b>                       | <b>0.7</b> | <b>0.9</b> |

## Xerox (UK) Limited and Subsidiary Undertakings

### Notes to the consolidated financial statements for the year ended 31 December 2019

#### 29. POST BALANCE SHEET EVENTS AND BUSINESS ACQUISITIONS

For 31 December 2019 year-end, the impact of COVID-19 is considered a non-adjusting event.

The COVID-19 pandemic has affected the Group's business activities since the first quarter of 2020. It has become difficult to expand sales of new products and services owing to such factors as declining purchasing demand and an inability to install machines in field. Additionally, lower business activity in offices has reduced the usage of multifunctional printers, resulting in a decline in sales of consumables and other offerings.

Xerox UK Limited acquired 100% of company shares of three of the UK's leading services and technology providers, Arena Group, Altodigital and ITEC Connect. Arena Group was acquired on 27<sup>th</sup> January 2020, Altodigital was acquired on 11<sup>th</sup> March 2020 and ITEC Connect was acquired on 19<sup>th</sup> March. These companies are leaders in managed print services and have IT services capability, an area we are rapidly expanding into with new offerings. They provide sales, services and supplies and service large customer bases that are complementary to our own. Together we are in a position to bring our growing portfolio of workplace technology solutions to new customers looking for a modern work experience. The three companies have a number of offices across the UK, increasing the number of sales and services resources we have focused on the SMB market. The integration of these three companies will strengthen our presence in SMB and support our growth objectives in the UK.

The financial effects of these transaction have not been recognised at 31 December 2019. The operating results and assets and liabilities of the acquired companies will be consolidated from the date each company was purchased in Q1 2020.

##### *(i) Purchase consideration*

|                                     | Arena<br>Group | Alto<br>Digital | ITEC<br>Connect |
|-------------------------------------|----------------|-----------------|-----------------|
|                                     | £m             | £m              | £m              |
| Purchase Consideration              |                |                 |                 |
| Cash paid                           | 38.2           | 67.8            | 36.1            |
| Contingent consideration            | -              | -               | -               |
| <b>Total purchase consideration</b> | <b>38.2</b>    | <b>67.8</b>     | <b>36.1</b>     |

##### *(ii) Acquisition related costs*

Acquisition related costs of £0.7m have been included in administrative expenses in the statement of comprehensive income in the current reporting period ending 31 December 2019. Additional costs of £1.7m will be included in administrative expenses in the statement of comprehensive income in the reporting period ending 31 December 2020.

##### *(iii) Information not disclosed because not yet available*

At the time when the financial statements were authorised for issue, the Group had not yet finalised the accounting for the acquisition of the three acquired companies. In particular, the independent valuations have not been finalised for the fair values of the assets and liabilities. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entities.

### **30. GROUP FINANCIAL STATEMENTS**

The largest group in which the results of the Company are consolidated is that of Xerox Holdings Corporation which is incorporated in the United States of America.

Copies of these financial statements are available to the public and may be obtained from:

The Investor Relations Department  
Xerox Corporation  
201 Merritt 7  
Norwalk  
CT 06856-4505  
United States of America  
World Wide Web - <http://www.xerox.com>

The smallest group in which the results of the Company are consolidated is that of Xerox Investments Europe BV, which is registered in The Netherlands. Copies of Xerox Investments Europe BV annual report may be obtained from:

Xerox Investments Europe BV  
Rijnzathe 12  
3454 PV De Meern  
The Netherlands