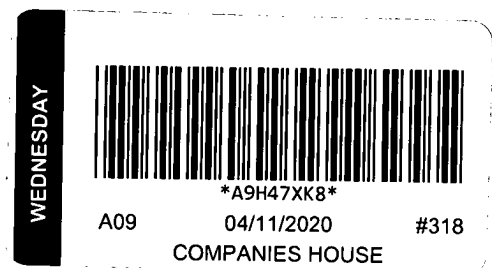


**XEROX LIMITED**

Company Registration No. 00575914 (England and Wales)

**XEROX LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# **XEROX LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	X. G. Heiss J-E. Gueden R. Noonoo R. Pitceathly
<b>Secretary</b>	R. Pitceathly
<b>Company number</b>	00575914
<b>Registered office</b>	Building 4 Uxbridge Business Park Sanderson Road Uxbridge Middlesex UB8 1DH
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX

# **XEROX LIMITED**

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# **XEROX LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present the Strategic Report and financial statements for the year ended 31 December 2019.

#### **Review of the business**

As the trading and manufacturing principal for Xerox Group ("the Group") in Europe, the Middle East, Africa and Asia, Xerox Limited ("the Company") achieved turnover for the year of £1,132m (2018: £1,287m). The Company generated an operating loss of £203m (2018: £12m). During the year the Company sold its 25% share of Fuji Xerox Co., Limited (Fuji Xerox) to Fujifilm Holdings Corporation, generating a gain of £731m. There is no change envisaged in the coming year in the principal activities of the Company.

Dividend income from subsidiaries and associates in the year was £282m (2018: £103m) resulting in a profit before taxation of £816m (2018: £98m).

Net assets has fallen to £1,879m (2018: £2,966m) as a result of transactions related to the disposal of Fuji Xerox.

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

The Group is active in highly competitive and geographically diverse markets. In addition to competitive pressures from competing technologies and companies, the Group is affected by macro-economic pressures in the markets in which it or its dealers and distributors are operating. There are also socio-political factors affecting market performance in specific geographies and the continuing constraints on government spending across Europe.

The Xerox Corporation Group makes significant long-term investments and commits significant resources into developing new high technology products and solutions. Additionally, Xerox Corporation relies on the laws of certain countries to protect its proprietary technology adequately against unauthorized third party copying or use, and ensure that the products comply with existing and newly enacted regulatory requirements in the countries in which they are sold.

#### **Key performance indicators**

The directors believe that the key performance indicators ('KPIs') are revenue growth and profitability.

Revenue declined 12% from £1,287m in 2018 to £1,132m in 2019 with sale of goods sold falling by 7% from £1,213m in 2018 to £1,130m in 2019. The decline reflected lower market demand and a change in trading model in France in April 2018 when certain business was transferred to a subsidiary, Xerox S.A.S.

Gross profit fell from £317m to £280m resulting in gross profit margin remaining at 25% (2018: 25%). Administration expenses reduced from £156m to £103m, reflecting the impact of ongoing cost reduction initiatives.

The average number of employees fell to 600 in 2019 (2018: 800). Further details on employees can be found in note 25 to the financial statements.

#### **Future developments and directions**

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 Company to predict the full impact on our business operations and financial performance. See also the post balance sheet events section of the Directors' Report below.

# **XEROX LIMITED**

## **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

The Company is guided by Xerox Corporation Group ('Xerox' or '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.

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

The 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.

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

### **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

### **Optimise operations for simplicity:**

- Simplify our operating model for greater accountability and efficiency
- Drive effectiveness and efficiency in our business operations
- Increase supplier competitiveness

### **Re-energise the innovation engine:**

- Focus investments in growing market
- Leverage expertise to develop differentiated technology
- Monetise new innovations

### **Focus on Cash flow and increase capital returns**

- Maximise cash flow potential

## **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 Company 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 Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

As a subsidiary trading entity we recognise that business strategy and the majority of decisions and policies affecting the Company and our stakeholder groups are made at Xerox Corporation level and cascaded through the management structures of the Group. Directors of the Company implement these decisions and policies whilst ensuring that they continue to promote the success of the Company. The board is represented in the

# **XEROX LIMITED**

## **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

Xerox Group's management and decision-making processes through membership of both the Executive Committee and the senior leadership team. This ensures that the board is actively involved in maintaining control of the Company's direction.

Significant events for the Company during the year, which were also principal decisions, included the sale of its investment in Fuji Xerox Co. Limited and the subsequent payment of the proceeds as a dividend. This occurred following Xerox Group's decision to reset its relationship with Fujifilm, thereby unlocking significant unrealised value for shareholders, enabling more flexibility in the supply chain and providing clarity for customers. The board consulted with the parent and considered the long-term consequences to the Company before approving this distribution. The triennial review of the Xerox Final Salary Pension Scheme also 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 Company, 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 Company's sales are made mainly to subsidiaries/related parties and to our distributor partners. The board maintains close relationships with both of these groups through our internal management structures and the distributor account teams. These interactions directly influence the Company's decision-making in respect of demand planning and product ordering.

**Suppliers** – we recognise an obligation to actively manage our global 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.

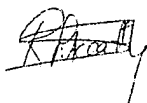
**Employees** – the board values the input and contribution of employees. Directors attend events throughout the year including the Xerox European forum, communication meetings and other round table discussions as part of a two-way exchange of information and ideas.

**Pensioners** - board members are closely involved in overseeing the Xerox Final Salary pension scheme. This includes regular attendance at meetings with pension scheme trustees, scheme actuaries and advisors ensuring efficient running of the scheme for the benefit of pensioners, deferred pensioners, active members and the Company.

**Environment** – Xerox is committed to reducing its environmental footprint, conserving natural resources and lowering the energy intensity of our operations. The Company 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)].

On behalf of the board



.....  
**R. Pitceathly**  
**Director**

Date: 30 October 2020  
.....

# **XEROX LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report along with the audited financial statements of Xerox Limited (the 'Company') for the year ended 31 December 2019.

#### **Results and dividends**

The results for the year are set out on page 15.

The profit for the financial year was £795m (2018: £88m) including income of £282m (2018: £103m) from its subsidiaries and an associate and £731m from the sale of its largest investment in associate, Fuji Xerox Co. Limited. Refer to review of the business in the Strategic Report for further detail. During the financial year the Company proposed and paid a dividend of £1,717m (2018: £87m).

No preference dividends were paid. The directors do not recommend payment of a final dividend.

#### **Directors**

The directors, who were in office during the year except as noted and up to date of signing the financial statements, were as follows:

H. Tessler	(Resigned 28 February 2020)
D. M. Benoit	(Resigned 15 October 2020)
R. Pitceathly	
L. M. Oliver	(Resigned 30 April 2019)
X. G. Heiss	(Appointed 23 March 2020)
J-E. Gueden	(Appointed 1 October 2020)
R. Noonoo	(Appointed 15 October 2020)

#### **Supplier payment policy**

There is an established process whereby purchases of equipment, spares and consumables from Flextronics, a global electronics manufacturing services company, are procured via XC Singapore Trading Pte.Ltd. Flextronics manufacturing activity is based upon demand forecast supplied by the Company through its Venray Manufacturing division.

The Company may become obligated to purchase inventory that remains unused for more than 180 days, that becomes obsolete, or upon termination of the supply agreement. Activities in Venray, the Netherlands, did not significantly change from the previous year.

#### **Financial instruments**

##### **Financial risk management**

In addition to competitive risks and exposure to macro-economic trends, the Company's operations expose it to a variety of financial risks that include the effects of price risk, exchange rate risk, credit risk, liquidity risk, and interest rate cash flow risk. The Company 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.

Responsibility for monitoring and managing financial risk lies with the Company's Treasury Operations department which works closely with its counterpart in Xerox Corporation and Xerox XF Holdings Ltd.

##### **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, including the use of derivative instruments. 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.

# **XEROX LIMITED**

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

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. Foreign exchange derivatives are used to hedge currency exposures, but these will not normally be treated as designated foreign currency hedges in a hedge accounting relationship.

### ***Liquidity risk***

Liquidity Risk is managed by the Xerox Treasury department which ensures that the Company and its subsidiaries have the appropriate funding structure and access to liquidity such that they can meet their operating cash requirements and obligations as they fall due.

### ***Cash flow and interest rate risk***

The Company has no significant interest bearing assets or interest bearing liabilities with third parties. Interest is charged on the basis of arm's length commercial rates on rolling monthly or quarterly balances with other affiliated companies. Xerox Corporation manages all significant relationships with the external debt market.

### ***Currency risk***

Responsibility for monitoring and managing financial risk lies with Xerox Treasury department. Typically, Treasury 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.

### ***Credit risk***

The Company has implemented policies that require full use of appropriate documentation, structures and credit checks on potential customers before sales are made. Credit risk is managed through the continuous monitoring of exposures to and payment behaviour of counterparties via a network of risk personnel and credit committees under Pan-European direction. Company policy with regard to financial derivatives instruments is to deal only with counterparties having as a minimum investment grade or better credit ratings.

### ***Price risk***

The Company has no exposure to equity securities price risk, as it holds no listed or other traded equity investments. The majority of the goods and services sold by the Company 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.

### **Research and development**

Research and development is undertaken by the Company, fellow subsidiaries in Europe and by its parent company, Xerox Corporation. All expenditure on research and development is charged directly to the income statement as incurred, unless recharged to Xerox Corporation. Qualifying development expenditure is capitalised in accordance with accounting policies see note 1.7. The activities are conducted to create new differentiated products and services by pioneering high-impact technologies. The Company is charged a royalty for the benefit it derives from the use of the Xerox brand and technological developments. The royalty charge is included in the administrative expenses.

### **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 Company'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 LIMITED**

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

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 company 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.

### **Employee**

#### **Equality and Diversity**

It is the Company's policy to create a working environment that reflects the talent and diversity available in the communities in which it operates. The Company also undertakes to judge its people solely on their ability, competency and performance in their job roles. The Company believes that it can add value to the business through capitalising on the diverse talents and abilities of all employees, and maximise each individual's potential to achieve the corporate goals.

The Company 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.

#### **Disabled employees**

As noted above, the Company pursues employment policies that provide equal opportunities for all. It is the Company'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.

#### **Employee Share Scheme**

The Company operates an Employee Share Scheme for employees in order to improve overall employee involvement and motivation levels. This is subsequently limited to the performance of its ultimate parent company shares.

#### **Health and safety**

The Company aims to ensure that all employees work in a safe and healthy environment, free from accident, illness and injury whilst at work.

#### **Engagement with Employees**

The Company 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. In 2019 the move of our headquarters office location in Uxbridge was a key area of communication with regular status updates and Q&A articles being provided in response to employees' questions. Refer to the S172 statement in the Strategic Report for further information.

#### **Engagement with other stakeholders**

The Company aims to act responsibly and fairly in its engagement with suppliers. We recognise an obligation to actively manage our global 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.

# **XEROX LIMITED**

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

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.

The Company and its Directors work with pension trustees to ensure stability of the Xerox Final Salary scheme for the benefit of pensioners, deferred pensioners and employee members.

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

### **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 UK Parliament ratified the withdrawal agreement, and the UK left the EU on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU are negotiating their future relationship. 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.

The directors have identified short term impacts which could have a material effect on the Company, including: the effect of high volatility of the currency exchange rates on inventory purchases and translation of accounts; the ability to absorb such volatility in customer pricing; financial stability of customers; and delays in commitment to long term contractual commitments. There are early indications that such factors are affecting performance but no forward looking balance sheet provisions have been made in view of the inability to estimate accurately such factors.

### **Future developments**

Future developments are deemed to be of strategic importance to the Company and as such have been outlined within the Strategic report.

### **Going Concern**

The Company'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' Report.

The Company 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 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.

### **Environment**

In the field of environmental protection, Xerox Limited is not in breach of any rules or regulations. The Company strives to operate in such a way as to minimize the environmental impact of its operations. The Company operates under the following environmental protection principles:

- Reducing energy consumption.
- Preserving biodiversity and the world's forests.
- Maintaining clean air and water.
- Reducing and managing waste.
- Ensuring the health and safety of employees.

# **XEROX LIMITED**

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

Together with our suppliers, customers and shareholders, Xerox Limited seeks to maintain the highest standards of environmental protection. The Company runs initiatives to reduce hardcopy printing and recycles used equipment and parts.

### **Corporate Governance**

The Company 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 Company's role is to act as the trading and manufacturing principal for the Xerox Group in Europe, the Middle East, Africa and Asia. As such it must act to deliver the objectives of the Xerox Group whilst taking account of the various laws and customs in each of the countries and regions in which it operates. For details of significant events in the year, please refer to the S172 statement.

*Shareholder* – the Company is a private limited company and a wholly owned indirect subsidiary of Xerox Holdings Corporation. The management structures of the Corporation enable clear communication between the Company and its ultimate parent.

*Strategy and business model* – the Company is guided by the Xerox Group for its strategy and direction, as set out in the Strategic Report above.

*Stakeholders* - The Company recognises that its long-term success relies on maintaining and building strong relationships with its various stakeholders, including in particular, its customers, suppliers and employees. For details of significant events in the year, please refer to the S172 statement.

*Risk management* – the Xerox Group devotes considerable resources toward Enterprise Risk Management (ERM), anticipating and mitigating risks to the financial and operational health of the business. ERM follows a clearly defined business strategy that is shared by the Company and aligned with strategic and organisational goals. The ERM process is based on the COSO II (Committee of Sponsoring Organizations of the Treadway Commission) framework.

*Board functioning* - Regular board meetings are held to enable the effective management of the Company. There are no separate Board committees. Further details on how governance is applied by the board can be found in the S172 statement.

*Board skills* - The Company's board includes experienced directors who are also senior executives within the Xerox Group's overall management and decision-making structure. The composition of the board is consistent with the Company's purpose, values and delivery of strategy. Its members have had experience as Xerox regional general managers, senior finance executives and company secretary.

*Ethical behaviours* – The Xerox Code of Business Conduct serves as the foundation of the Company's Business Ethics and Compliance Program and our means to implement the Xerox Human Rights Policy. It embodies and reinforces our commitment to integrity and helps our people resolve ethics and compliance concerns consistent with our core values and legal and policy controls. Each year, Xerox employees are required to take refresher training and acknowledge their conformance with the Xerox Code of Conduct. A supplemental Finance Code of Conduct also exists for finance employees.

*Remuneration* – Executive remuneration is set at Xerox Group level, overseen by the Compensation Committee of the Xerox Board.

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).

### **Independent auditors**

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

# **XEROX LIMITED**

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

### **Statement of directors' responsibilities in respect of the financial statements**

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 company will continue in business.

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

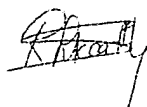
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....  
R. Pitceathly

**Director**

Date:..... 30 October 2020

# **XEROX LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF XEROX LIMITED**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Xerox Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement 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.

##### **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 company 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.

##### **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 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 company's ability to continue as a going concern.

# **XEROX LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF XEROX LIMITED (CONTINUED)**

#### **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.

#### ***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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

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

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 11, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### ***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.

**XEROX LIMITED**  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF XEROX LIMITED (CONTINUED)**

***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.

**Other required reporting**

**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 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**

Date: 30 October 2020  
.....

# XEROX LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Revenue	4	1,132	1,287
Cost of sales		(852)	(970)
<b>Gross profit</b>		<u>280</u>	<u>317</u>
Distribution costs		(66)	(75)
Administrative expenses		(103)	(156)
Net impairment losses		(239)	(17)
Other operating expenses		(75)	(81)
<b>Operating profit/(loss)</b>	5	<u>(203)</u>	<u>(12)</u>
Profit on disposal of investments	6	731	-
Income from shares in group undertakings		165	71
Income from interests in associated undertakings	7	117	32
Finance income	8	7	7
Finance costs	9	(1)	-
<b>Profit before taxation</b>		<u>816</u>	<u>98</u>
Tax on profit	10	(21)	(10)
<b>Profit for the financial year</b>		<u><u>795</u></u>	<u><u>88</u></u>



**XEROX LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £m	2018 £m
<b>Profit for the financial year</b>		<b><u>795</u></b>	<b><u>88</u></b>
<b>Other comprehensive (expense) / income, net</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(17)	79
Actuarial profit on defined benefit pension schemes	13	81	69
Movement on deferred tax relating to pension deficit	20	(14)	(12)
Share of the other comprehensive expense of associate		(8)	(22)
Reclassification adjustment on sale of associate	5	(204)	-
<b>Total other comprehensive (expense) / income for the financial year, net of tax</b>		<b><u>(162)</u></b>	<b><u>114</u></b>
<b>Total comprehensive income for the financial year</b>		<b><u>633</u></b>	<b><u>202</u></b>

**XEROX LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Notes	2019 £m	2018 £m
<b>Non-current assets</b>			
Intangible assets	11	9	21
Property, plant and equipment	12	7	12
Retirement benefit surplus	13	290	154
Right-of-use assets	14	15	-
Trade and other receivables	15	125	131
Investments	16	1,265	2,609
		<u>1,711</u>	<u>2,927</u>
<b>Current assets</b>			
Inventories	17	83	112
Trade and other receivables	15	588	309
Cash and cash equivalents		33	25
		<u>704</u>	<u>446</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	18	(468)	(379)
<b>Net current assets</b>		<u>236</u>	<u>67</u>
<b>Total assets less current liabilities</b>		<u>1,947</u>	<u>2,994</u>
<b>Creditors – amounts falling due after more than one year</b>	19	(13)	-
<b>Provisions for liabilities</b>			
Retirement benefit obligations	13	(7)	(7)
Deferred tax liabilities	20	(43)	(15)
Other provisions	21	(5)	(6)
		<u>(55)</u>	<u>(28)</u>
<b>Net assets</b>		<u>1,879</u>	<u>2,966</u>

# **XEROX LIMITED**

## **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

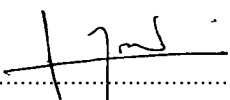
**AS AT 31 DECEMBER 2019**

		<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>£m</b>	<b>£m</b>
<b>Capital and reserves</b>			
Ordinary Shares	<b>23</b>	30	30
Share premium account		783	783
Revaluation reserve		3	6
Other reserves		(83)	267
Retained earnings		<u>1,146</u>	<u>1,880</u>
<b>Total equity</b>		<u><u>1,879</u></u>	<u><u>2,966</u></u>

The financial statements on pages 15 to 57 were approved by the Board of directors and authorised for issue

on 30th October 2020

Signed on its behalf by:

  
.....  
**R. Noonoo**

**Director**

**Company number 00575914**

**XEROX LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Ordinary Shares	Share premium account	Revaluation reserve	Other reserves - translation	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
<b>Balance at 1 January 2018</b>	30	783	(4)	188	1,844	2,841
Profit for the financial year	-	-	-	-	88	88
<b>Other comprehensive income/(expense) for the financial year</b>						
Exchange differences on translation of foreign operations	-	-	-	79	-	79
Actuarial profit on defined benefit pension scheme	-	-	-	-	69	69
Movement on deferred tax relating to pension deficit	-	-	-	-	(12)	(12)
Share of other comprehensive expense of associate	-	-	-	-	(22)	(22)
<b>Total comprehensive income for the financial year</b>	-	-	-	79	123	202
Dividends	-	-	-	-	(87)	(87)
Other	-	-	10	-	-	10
Total transactions with owners, recognised directly in equity	-	-	10	-	(87)	(77)
<b>Balance at 31 December 2018</b>	30	783	6	267	1,880	2,966
Profit for the financial year	-	-	-	-	795	795
<b>Other comprehensive income/(expense) for the financial year</b>						
Exchange differences on translation of foreign operations	-	-	-	(17)	-	(17)
Actuarial profit on defined benefit pension scheme	-	-	-	-	81	81
Movement on deferred tax relating to pension deficit	-	-	-	-	(14)	(14)
Share of other comprehensive income of associate	-	-	-	(14)	6	(8)
Reclassification adjustment on sale of associate	-	-	-	(319)	115	(204)
<b>Total comprehensive income for the financial year</b>	-	-	-	(350)	983	633
Dividends	-	-	-	-	(1,717)	(1,717)
Other	-	-	(3)	-	-	(3)
Total transactions with owners, recognised directly in equity	-	-	(3)	-	(1,717)	(1,720)
<b>Balance at 31 December 2019</b>	30	783	3	(83)	1,146	1,879

The revaluation reserve represents cashflow hedging and remeasurement of financial instruments.

Other reserves are cumulative translation adjustments of foreign operations. Translation has been reclassified from total transactions with owners to total other comprehensive income.

Retained earnings represents accumulated comprehensive income for the year and prior periods plus share-based payments adjustments and related tax credits, charges from the parent company for share based payment and dividend proposed and paid.

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies**

##### **1.1 General Information**

Xerox Limited ("the Company") is the trade and manufacturing principal of document management services and technology for Xerox in Europe, the Middle East, Africa and Asia.

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

##### **1.2 Accounting convention**

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006. The principal accounting policies adopted are set out below.

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Xerox Corporation in which the entity is consolidated;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of Xerox Corporation. The group financial statements of Xerox Corporation are available to the public and can be obtained as set out in note 32. Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of Xerox Corporation, a company incorporated in the United States of America, and is therefore exempt under Section 401 of the Companies Act 2006 from the obligation to prepare and deliver group financial statements.

Xerox Corporation's Annual Report (Form 10K) has been filed with the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)).

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies - continued**

##### **1.3 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.

##### **1.4 Revenue recognition**

Revenue consists of revenue earned less value added tax in the year from the sale of document processing equipment and related supplies. Revenue is realised or realisable and earned when the following five steps have all 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.

Sales to distribution partners include retrospective volume-related rebates. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebate. Accumulated experience is used to estimate and provide for the rebates.

Revenue accruals are based principally on timing differences on customer billings that are in arrears. Deferred income is based principally on timing differences on customer billings that are in advance. Deferred income is the net of rebates and discounts.

##### **1.5 Investments in associates and subsidiaries**

Investments in subsidiary undertakings are held at cost less accumulated impairment losses. Investments in associated undertakings are held at net asset value, and accounted for using the equity method.

##### **1.6 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are carried at historic purchase cost and adjusted for accumulated depreciation on a straight-line basis, at rates intended to write off the cost, less estimated residual value, over the estimated useful economic life of the respective assets, as follows (see note 12):

Land and buildings leasehold	Shorter of remaining lease term and expected useful life of the asset.
Fixtures, fittings & equipment	3 - 20 years
Plant and machinery	5 - 12 years

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies - continued**

##### **1.7 Intangible assets**

###### **Capitalised 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 Company are recognised as intangible asset 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 it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available ; and
- the expenditure attributable to the software product during its development can be reliably measured.

Capitalised software costs recognised as assets are amortised on a straight line basis over their estimated useful lives between three to seven years. On average these asset have a remaining useful life of 4 years. Amortisation is included within cost of sales and administrative expenses.

##### **1.8 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 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies - continued**

##### **1.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

##### **1.10 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. The Company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the Company from the adoption of IFRS 13.

##### **1.11 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.

##### **1.12 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 profit and loss, which are measured at fair value.

##### ***Financial assets at amortised cost or at fair value through profit and loss***

Trade 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.

##### ***Impairment of financial assets***

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For intergroup assets which have had a significant increase in credit risk, impairment is recognised at expected lifetime losses and for those assets that have not had a significant increase in credit risk, impairment is recognised at 12 month expected losses. Financial assets are reviewed on a quarterly basis for any credit events that would impact collectability. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.



# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies - continued**

##### ***Derecognition 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. Where a trade receivable is sold to a third party without recourse the asset is derecognised.

#### **1.13 Financial liabilities**

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

##### ***Other financial liabilities***

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

##### ***Derecognition of financial liabilities***

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

#### **1.14 Equity instruments**

The only equity instruments held by the Company are shares in its subsidiaries and associated companies.

#### **1.15 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

##### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### ***Deferred tax***

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

**XEROX LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 Accounting policies - continued**

**1.16 Provisions**

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**1.17 Employee benefits**

The pension rights of the Company's employees are managed through a self-administered scheme, the assets of which are held independently of the Company's finances. The scheme is frozen to new members and to the accretion of additional years of service with effect from 31st December 2013. The scheme is funded by contributions from the Company at rates agreed with the Xerox GB Final Salary Pension Plan Trustees as part of the 3 yearly employer covenant review process. In addition, the Plan receives contributions from employees who transferred to the Xerox GB Final Salary Pension Plan under protected rights rules. The 11 employees currently covered by these protected rights can continue to build up their years of service.

As the lead sponsoring employer, Xerox Limited accounts for the pension obligations under the Plan in accordance with IAS 19. The other sponsoring employers account for their contributions to the Plan on a cash basis as permitted for multi-employer final salary pension plans.

In addition, the Company offers Defined Contribution pension arrangements to its employees, with the Company's contributions to these arrangements expensed as incurred.

**1.18 Share-based payments**

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, 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.

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest.

Qualifying employees of the Company 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 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies – continued**

##### **1.19 Leases**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company 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 as a separate line item in the statement of financial position. 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 Company 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);
- (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 Company did not make any such adjustments during the periods presented.

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 Company 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 statement of financial position.

The Company 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.

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1 Accounting policies - continued**

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 'Other expenses' in the income statement.

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 Company has not used this practical expedient.

#### **1.20 Treasury**

The Company holds simple, un-leveraged derivatives (Interest rate swap agreements, forward foreign exchange contracts), which are employed solely for hedging purposes. The Group does not enter into derivative instrument transactions for trading or other speculative purposes.

##### *i. Currency Risk*

Short term forward exchange contracts are used to minimise all on-going currency risks, excluding translation risk arising from holding both foreign currency monetary assets and liabilities as well as cash arising from anticipated transactions.

##### *ii. Cash Flow and Interest Rate Risk*

The Company does not have a fully matched funded portfolio, however, 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. Global cash forecasting disciplines are maintained to ensure there is continuing financial liquidity available.

##### *iii. Credit Risk*

The Company's policies on the use of derivative instruments prescribe an investment grade counterparty, a credit floor and at least quarterly monitoring of credit risk on a counterparty by counterparty basis. Individual monetary credit limits are applied to each counterparty. The Group's derivative portfolio is spread over a sufficient number of counterparties so as to minimise credit risk.

##### *iv. Price risk*

The majority of the goods and services sold by the Company 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.

##### *v. Liquidity risk*

Funding for the Company is through inter-company arrangements.

#### **1.21 Foreign currency translation**

##### *Functional and presentation currency*

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

**XEROX LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 Accounting policies - continued**

*Transactions and balances*

Foreign currency transactions and balances (i.e. those other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

**1.22 Dividend income**

Dividend income is recognised when the right to receive payment is established and is included in the income statement within finance income.

**1.23 Dividend distribution**

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

**1.24 Research and development**

Expenditure on research and development on Xerox equipment and embedded software systems is charged to the income statement as incurred net of recharges passed to Xerox Corporation. Qualifying development expenditure is capitalised in accordance with note 1.7.

**2 Critical accounting estimates and judgements**

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

**Key sources of estimation uncertainty**

**Defined benefit pension scheme**

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increase, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumption reflects historical experience and current trends. See note 13 for the disclosure of the defined benefit pension scheme.

**Impairment on investments**

The Company holds its investment in subsidiaries at historic value. When assessing impairment, management consider the carrying value of the investment against the net asset value of the subsidiary. Where the net asset value falls below the carrying value an impairment loss is taken to adjust to the net asset value of the subsidiary. See note 16 for the net carrying amount of investments in subsidiaries. During the year the Company identified impairments in investments in some of its subsidiaries:

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

In 2019 the Company contributed an additional £43m to its Brazilian subsidiary. Having written-down the full amount of the original investment in 2018 and considering anticipated future cash flows, the Company has also expensed this incremental investment.

During the year the Company received a £5.8m dividend from its subsidiary Newfield I.T Ltd. that reduced the company's net asset value below the investment carrying value by the same amount. The Company has subsequently written down the investment by this value.

The Company also identified a potential impairment in the investment in our operation in Turkey, where the net asset value at 31 December 2019 was below carrying value. An impairment test was performed to estimate the recoverable amount of the investment by taking estimated future cash flows expected to arise from the operation and discounting them to present value using a suitable discount rate. The cash flows used were based on judgemental assessments of future earnings and cash usage and aligned with Xerox strategy. The discount rate used was a weighted average cost of capital of 9.5%. Based on the estimated cash flows analysed, an impairment of £10.9m has been recognised in the income statement. If key financial assumptions would each increase or decrease by 100 basis points, and all other assumptions remain the same, the value in use would change by (£m):

Discount rate		Growth rate	
<b>+100 b.p.</b>	<b>-100 b.p.</b>	<b>+100 b.p.</b>	<b>-100 b.p.</b>
(2.5)	3.1	2.3	(1.8)

Following the receipt of dividends from its Canadian subsidiary, Xerox Canada Inc., the carrying value of the Company's investment has fallen below the value of the net assets. An impairment test was performed to estimate the recoverable amount of the investment using the same cash flow methodology described above. Based on the estimated cash flows analysed, an impairment of £178.7m has been recognised in the income statement. If key financial assumptions would each increase or decrease by 10 basis points, and all other assumptions remain the same, the value in use would change by (£m):

Discount rate		Growth rate	
<b>+10 b.p.</b>	<b>-10 b.p.</b>	<b>+10 b.p.</b>	<b>-10 b.p.</b>
(5.3)	5.4	3.9	(3.8)

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

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

On January 1, 2019, the Company adopted IFRS 16 Leases (see note 34). IFRS 16 introduces a uniform lease accounting model for lessees, requiring recognition of a right-of-use asset and a liability for all leases with a term of more than 12 months 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.

There are no other amendments to accounting standards effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 4 Revenue

An analysis of the Company's revenue is as follows:

	2019 £m	2018 £m
<b>Revenue analysed by class of business</b>		
Sales of goods	1,130	1,213
Services	2	71
Other	-	3
	<u>1,132</u>	<u>1,287</u>
	2019 £m	2018 £m
<b>Revenue analysed by geographical market</b>		
United Kingdom	169	201
France	148	215
Rest of Europe	636	693
Asia and Africa	168	167
Other	11	11
	<u>1,132</u>	<u>1,287</u>

The Directors have decided to include parts that are sold through service providers within sales of goods, as this revenue type is better presented as supplies sales, rather than services revenue, which is where it has been recognised in the past. For consistency, the comparative has also been restated to reflect this change.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 Operating profit/(loss)

	2019	2018
	£m	£m
Profit for the year is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	1	1
Depreciation of property, plant and equipment (note 12)	6	10
Impairment of investments	239	17
Employee costs (note 25)	71	114
Other pension scheme costs (note 13)	(2)	33
Reorganisation expenses	5	6
Amortisation of intangible assets (note 11)	14	16
Cost of inventories recognised as an expense	788	843
	<u>          </u>	<u>          </u>

The cost of sales recognised as an expense includes additional amounts related to inter-group sales of equipment due to the LRD transition of £312m in 2019 and £345m in 2018.

Research and development of £2.3m was expensed during 2019 (2018: £8.9m) of which 57% was recharged to Xerox Corporation (2018: 17%).

### 6 Profit on disposal of investment

During the year the Company sold its 25% share of Fuji Xerox Co., Limited generating a profit on disposal of £731m:

	£m
Sale proceeds	1,717
Cost of investment (note 16)	<u>(1,198)</u>
Gain	519
Releases from other comprehensive income:	
Currency reserves	333
Pension reserves	<u>(121)</u>
	212
Profit on disposal of investments	<u>731</u>

Refer to note 16 (Investments) for further details.



# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 7 Income from interests in associated undertakings

	2019 £m	2018 £m
Fuji Xerox Co., Limited	117	32

### 8 Finance income

	2019 £m	2018 £m
Interest income on short term deposits	1	-
Interest receivable from group undertakings	6	7
	<u>7</u>	<u>7</u>

### 9 Finance costs

	2019 £m	2018 £m
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	1	-

### 10 Tax on profit

	2019 £m	2018 £m
<b>Current tax</b>		
Current year taxation	6	-
<b>Deferred tax</b>		
Current year charge	3	4
Changes in tax rates	(1)	1
Adjustment in respect of prior periods	13	5
	<u>15</u>	<u>10</u>
 Total tax charge	 21	 10

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 10 Tax on profit - (continued)

The charge for the year can be reconciled to the profit per the income statement as follows.

Tax expense for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £m	2018 £m
Profit before taxation	<u>816</u>	<u>98</u>
Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.00%)	155	19
Expenses not deductible in determining taxable profit	47	3
Income not taxable	(193)	(19)
Adjustment in respect of prior years	13	5
Group relief	-	1
Deferred tax rate change	<u>(1)</u>	<u>1</u>
Tax charge for the year	<u>21</u>	<u>10</u>

The previously enacted corporation tax reduction from 19% to 17% with effect from 1 April 2020 was cancelled by Budget 2020 resolution. At the balance sheet date deferred tax is measured at the enacted rate of 17%. The impact of the cancelled reduction is expected to be approximately £2m.

The £13m adjustment in respect of prior years relates mainly to reduce losses recognised by the final returns for prior years.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11 Intangible assets

	Capitalised software £m
<b>Cost</b>	
At 1 January 2018	308
Additions	3
	<hr/>
At 31 December 2018	311
Additions	2
	<hr/>
At 31 December 2019	<hr/> 313 <hr/>
<b>Accumulated amortisation</b>	
At 1 January 2018	274
Charge for the year	16
	<hr/>
At 31 December 2018	290
Charge for the year	14
	<hr/>
At 31 December 2019	<hr/> 304 <hr/>
<b>Carrying Amount</b>	
At 31 December 2019	9
At 31 December 2018	21

Capitalised software includes the Company's integrated reporting system (ESAP) which was created by an external development firm for the Company's specific requirement. The asset was fully amortised at the end of 2019 (2018 carrying value: £11.3m) There are no other individually material intangible assets.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Property, plant and equipment

	Land and buildings leasehold £m	Fixtures, Fittings & Equipment £m	Plant and Machinery £m	Total £m
<b>Cost</b>				
At 1 January 2018	6	91	3	100
Additions	1	1	-	2
Disposals	(2)	(15)	(2)	(19)
Foreign currency adjustments	-	1	-	1
At 31 December 2018	5	78	1	84
Additions	1	-	-	1
Disposals	-	(2)	-	(2)
Foreign currency adjustments	-	(3)	-	(3)
At 31 December 2019	6	73	1	80
<b>Accumulated depreciation and impairment</b>				
At 1 January 2018	6	69	3	78
Charge for the year	1	9	-	10
Eliminated on disposal	(2)	(12)	(2)	(16)
Foreign currency adjustments	(1)	1	-	-
At 31 December 2018	4	67	1	72
Charge for the year	(1)	7	-	6
Eliminated on disposal	-	(2)	-	(2)
Foreign currency adjustments	1	(4)	-	(3)
At 31 December 2019	4	68	1	73
<b>Carrying Amount</b>				
At 31 December 2019	2	5	-	7
At 31 December 2018	1	11	-	12

Land and Buildings consists of leasehold building improvements.

Proceeds on disposals are not materially different from the net book value.

Transfers in from fellow subsidiaries in additions are recorded at the net book value of assets transferred.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 13 Retirement benefit schemes

The total cost charged to income in respect of defined contribution plans is £4m (2018 - £5m (restated)).

##### **Defined benefit scheme**

With effect from 31 December 2013 the UK defined benefit scheme (DB Scheme) has been frozen, so that members can no longer accrue additional years of service. In 2019, the Company has offered employees defined contribution schemes, but only offers defined benefit schemes where we have taken over businesses as a going concern and the employees keep their previous employment terms and conditions. Substantially all of the Company's pension 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.

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. The Trustees of the DB Scheme are responsible for the day-to-day management, including managing its investments and the pension payroll. In addition, every three years the Trustees are required to conduct a covenant review in which they assess the financial strength of the DB Scheme's sponsoring employers and their ability to continue to fund the pension obligations.

The Company provides two pension schemes Xerox Final Salary Scheme and Xerox Unfunded Plan; both are updated in line with the retail price index.

DB Scheme assets held in the funds are governed by local regulations and practise in the United Kingdom. Responsibility for the governance of the DB Scheme - including investment decisions and contributions schedules - lies with the Trustees.

##### *Valuation*

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.

The last full actuarial valuation upon which the IAS 19 figures have been based was at 31 March 2019.

##### *Risks*

The DB Scheme exposes the Company to a number of risks, the most significant of which are:

- **Changes in bond yields** - A decrease in corporate bonds yields will increase the value placed on the DB Scheme's liabilities for accounting purposed, although this will be partially offset by an increase in the value of the DB Scheme's bond holdings.
- **Asset volatility** - The liabilities are calculated using a discount rate set with reference to corporate bond yields, if assets underperform this yield, this will create a deficit. The DB Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the DB Scheme's long term objectives.
- **Inflation risk** - The majority of the DB Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
- **Life expectancy** - The majority of the DB Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

**XEROX LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**13 Retirement benefit schemes – (continued)**

*Key assumptions*

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Discount rate	2.00	2.85
Pension growth rate	3.0	3.1
Salary growth rate	3.0	3.2
RPI Inflation	3.0	3.2
CPI Inflation	2.0	2.1
	<b>=====</b>	<b>=====</b>

*Mortality assumptions*

Assumed life expectations on retirement at age 65:

	<b>2019</b>	<b>2018</b>
	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	22.0	23.1
- Females	24.3	24.8
	<b>=====</b>	<b>=====</b>
Retiring in 20 years		
- Males	23.3	24.5
- Females	25.7	26.3
	<b>=====</b>	<b>=====</b>

As at 31 March 2019, the average age of active members is 54 years, deferred pensioner 57 years and pensioner 71 years for the Xerox Final Salary Scheme.

Amounts recognised in income statement in respect of defined benefit plans are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Administration expense	(3)	(2)
Other finance income	5	2
Past service cost	-	(33)
	<b>=====</b>	<b>=====</b>
	2	(33)
	<b>=====</b>	<b>=====</b>

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 13 Retirement benefit schemes – (continued)

Amounts recognised in other comprehensive income

	2019 £m	2018 £m
Actuarial changes arising from changes in demographic assumptions	132	(20)
Actuarial changes arising from changes in financial assumptions	(301)	157
Actuarial changes arising from experience adjustments	33	28
Actuarial changes related to plan assets	217	(96)
	<u>81</u>	<u>69</u>

The net defined benefit obligations / (surplus) arise from plans funded as follows:

	2019 £m	2018 £m
Wholly unfunded obligations	7	7
Wholly or partly funded obligations	(290)	(154)
	<u>(283)</u>	<u>(147)</u>

The amounts included in the statement of financial position arising from the Company's obligations in respect of defined benefit plans are as follows:

	2019 £m	2018 £m
Present value of defined benefit obligations	2,889	2,790
Fair value of plan assets	(3,179)	(2,944)
(Surplus) in scheme	<u>(290)</u>	<u>(154)</u>

The present value of defined benefit obligation held in the Xerox unfunded plan is £7m (2018: £7m).

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 13 Retirement benefit schemes – (continued)

Movements in the present value of defined benefit obligations:

	2019 £m	2018 £m
At 1 January	(2,790)	(2,977)
Past service cost	-	(33)
Benefits paid	114	128
Actuarial gains and losses	(135)	165
Interest cost	(78)	(73)
	<hr/>	<hr/>
At 31 December	(2,889)	(2,790)

Movements in the fair value of plan assets:

	2019 £m	2018 £m
At 1 January	2,944	3,042
Interest income	83	75
Remeasurement gains/(losses) on scheme assets	216	(96)
Benefits paid	(114)	(128)
Contributions by the employer	53	53
Administration cost incurred	(3)	(2)
	<hr/>	<hr/>
At 31 December	3,179	2,944

The actual return on plan assets on Xerox Final Salary Scheme is £299.7m (2018: £21.2m).

Future contributions will be £53m per annum until 2023. Contributions beyond this date are subject to committee review between the Company's directors and pension trustees.



# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 13 Retirement benefit schemes – (continued)

##### *Sensitivity of the net obligation to changes in assumptions*

The key assumptions under IAS 19 are: discount rate, inflation and mortality. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the prior year. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows:

		Impact on DBO	
	Change in assumption	Increase in assumption £m	decrease in assumption £m
Discount rate	0.50%	(206)	236
Inflation (CPI and RPI)	0.25%	85	(81)
Life expectancy	1 year	143	(141)

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

The fair value of plan assets at the reporting year-end was as follows:

	Quoted 2019 £m	Quoted 2018 £m
Equity	352	287
Bonds	1,664	1,465
Alternative Instruments	984	979
Property	149	180
Cash	30	33
	<hr/> 3,179 <hr/>	<hr/> 2,944 <hr/>

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 14 Leases

The company has lease contracts for various offices, warehouses and vehicles used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

	31 Dec 2019 £m	1 Jan 2019 £m
<b>Right-of-use assets</b>		
Land and buildings	13	2
Cars and other	2	3
	<u>15</u>	<u>5</u>
<b>Lease liabilities</b>		
Current	2	3
Non-current	13	2
	<u>15</u>	<u>5</u>

Additions to the right-of-use assets during the 2019 financial year were £13m

(ii) Amounts recognised in the income statement

	2019 £m	2018 £m
<b>Depreciation charge of right-of-use assets</b>		
Land and buildings	2	-
Cars and other	1	-
	<u>3</u>	<u>-</u>

Interest expense (included in finance cost)	0.2	-
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The total cash outflow for leases in 2019 was £3m (2018: £3m)

Future minimum lease payments<sup>(1)</sup> are as follows:

	2019 £m	2018 £m
Not later than one year	2	4
Later than one year and not later than five years	8	3
Later than five years	6	-
Total gross payments	<u>16</u>	<u>7</u>
Impact of finance expenses	<u>(1)</u>	<u>(2)</u>
Carrying amount of liability	<u>15</u>	<u>5</u>

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 IAS 17 while the current year are based on IFRS 16.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15 Trade and other receivables

	Current		Non-current	
	2019	2018	2019	2018
	£m	£m	£m	£m
Trade receivables	31	29	-	-
Provision for bad and doubtful debts	-	-	-	-
	<u>31</u>	<u>29</u>	<u>-</u>	<u>-</u>
Other receivables	19	19	-	-
Amount due from Xerox Corporation and subsidiaries	425	167	25	25
Amounts due from Xerox Limited Group undertakings	109	89	100	106
Prepayments	4	5	-	-
	<u>588</u>	<u>309</u>	<u>125</u>	<u>131</u>

Trade receivables disclosed above are measured at amortised cost.

In respect of Xerox Limited Group undertakings and Xerox Corporation and subsidiaries, amounts are unsecured and interest is charged based on commercial rates on rolling monthly or quarterly borrowings and payment terms.

The amounts shown for Xerox Limited Group undertakings represents the aggregate balances across the subsidiaries of Xerox Limited. There are facilities in Europe which allow the on-going sale to a third party without recourse of certain accounts receivables. The Company sold £306m (2018: £304m) of accounts receivable under these facilities. The associated fees were £2m in 2019 (2018: £2m). At the end of 2019 £126m (2018: £103m) remained uncollected from the third parties in connection with these accounts receivable.

Inter-company receivables of £125m (2018: £131m) fall due after more than one year. These amounts are unsecured and interest is charged based on commercial rates on semi-annual or annual borrowings and payment terms. All loans are repayable within 5 years except Xerox Brazil £12.6m loan which has a fixed interest rate and is due to mature in February 2022.

#### 16 Investments

	2019	2018
	£m	£m
Investments in subsidiaries	1,256	1,452
Investments in associates	9	1,157
	<u>1,265</u>	<u>2,609</u>

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 16 Investments (continued)

The directors believe that the carrying value of the investments is supported by their underlying net assets. In 2015 a write down on the Company's investment in Brazil of £49m was taken as the net asset values fell below the carrying value, this was mainly due to currency movement. A further £18m and £17m impairment was taken during 2017 and 2018 respectively to support the net asset movement in Brazil. In 2019 the Company contributed an additional £43m to Brazil; this investment was also written down. In 2019 the Company also wrote down investments in Canada, Turkey and Newfield IT by £179m, £11m and £6m respectively where net asset values were below carrying value.

In November 2019 the Company sold its non-controlling 25% equity interest in Fuji Xerox Co., Limited to Fujifilm Holdings Corporation for approximately £1.7bn. The resulting gain on sale was £731m.

	Subsidiaries £m	Associates £m	Total £m
<b>Cost</b>			
At 1 January 2018	1,527	1,090	2,617
Additions	9	-	9
Equity in income	-	67	67
At 1 January 2019	1,536	1,157	2,693
Additions	43	-	43
Equity in income	-	50	50
Disposals	-	(1,198)	(1,198)
At 31 December 2019	1,579	9	1,588
<b>Cumulative impairment</b>			
At 1 January 2018	(67)	-	(67)
Impairment losses	(17)	-	(17)
At 1 January 2019	(84)	-	(84)
Impairment losses	(239)	-	(239)
At 31 December 2019	(323)	-	(323)
<b>Carrying Amount</b>			
At 31 December 2019	1,256	9	1,265
At 31 December 2018	1,452	1,157	2,609
Associate equity in income movements were:			
Earnings		117	
Dividends		(59)	
Movement in reserves		(8)	
		50	

During the year dividends were received from Xerox India Limited, £5m (2018: £nil) and Fuji Xerox Co., Limited, £54m (2018: £18m).

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16 Investments (continued)

At the date of disposal of the Company's 25% stake Fuji Xerox Co., Ltd. held current assets of £3,780m, non-current assets of £3,073m, current liabilities of £1,536m and non-current liabilities of £411m. Year-to-date revenue was £6,025m and net income was £465m. Other comprehensive loss was £449m.

### 17 Inventories

	2019	2018
	£m	£m
Raw materials	3	3
Work in progress	2	1
Finished goods	78	108
	<u>83</u>	<u>112</u>

Inventories recognised as an expense during the year was £788m (2018 - £843m). There is no significant difference between the replacement cost of work in progress and finished goods and their carrying amounts. Inventories are stated after provisions for impairment of £6.0m (2018: £8.3m).

### 18 Trade and other payables

	2019	2018
	£m	£m
Trade payables	51	46
Amount due to Xerox Corporation and subsidiaries	131	122
Amounts due to Xerox Limited Group undertakings	188	116
Lease liabilities 1 (note 14)	2	-
Accruals	96	95
	<u>468</u>	<u>379</u>

In respect of Xerox Limited Group undertakings and Xerox Corporation and subsidiaries, amounts are unsecured and interest is charged based on commercial rates on rolling monthly or quarterly borrowings and payment terms. The amounts shown for Xerox Limited Group undertakings represents the aggregate balances across the subsidiaries of Xerox Limited.

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 lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 19 Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Amounts falling due after more than one year and less than five years:		
Lease liabilities (note 14)	<u>8</u>	<u>-</u>
Amounts falling due after more than five years:		
Lease liabilities (note 14)	<u>5</u>	<u>-</u>
Total	<u><u>13</u></u>	<u><u>-</u></u>

#### 20 Deferred tax assets / (liabilities)

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

	ACAs £m	Tax losses £m	Other £m	Retirement benefit obligations £m	Total £m
Deferred tax asset at 1 January 2018	14	3	2	(10)	9
<b>Deferred tax movements in prior year</b>					
Movement in the year	7	13	(27)	(3)	(10)
Charge to other comprehensive income	-	-	(2)	(12)	(14)
Deferred tax liability at 31 December 2018	<u>21</u>	<u>16</u>	<u>(27)</u>	<u>(25)</u>	<u>(15)</u>
<b>Deferred tax movements in current year</b>					
Movement in the year	5	(14)	3	(9)	(15)
Charge to other comprehensive income	-	-	1	(14)	(13)
Deferred tax liability at 31 December 2019	<u><u>26</u></u>	<u><u>2</u></u>	<u><u>(23)</u></u>	<u><u>(48)</u></u>	<u><u>(43)</u></u>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £m	2018 £m
Deferred tax liabilities	(43)	(15)
Deferred tax assets	-	-
	<u>(43)</u>	<u>(15)</u>

### 21 Other provisions

	2019 £m	2018 £m
Restructuring	3	4
Other	2	2
	<u>5</u>	<u>6</u>

	Restructuring £m	Other £m	Total £m
At 1 January 2019	4	2	6
Additional provision in the year	4	1	5
Utilisation of provision	(5)	(1)	(6)
	<u>3</u>	<u>2</u>	<u>5</u>

Restructuring is part of the ongoing Xerox Corporate restructuring programmes undertaken since 2002. "Other" relates principally to warranty and recourse provisions.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 22 Share-based payment transactions

##### Xerox Limited & Subsidiaries employees

Employee stock options and holdings in Xerox Corporation are set out below:

	Number of share options	Number of share options
	2019	2018
At 1 January	29,863	-
Granted	-	29,863
Cancelled	(2,976)	-
Exercised	(5,625)	-
Outstanding at 31 December	<u>21,262</u>	<u>29,863</u>

The Board approved the granting of Stock Options (SOs) as part of the 2018 plan design. Xerox had not issued any SOs since 2004. Compensation expense associated with SOs is based upon the grant date fair value determined by utilising the Black-Scholes (BS) option-pricing model and is recognised on a straight-line basis over the vesting period, based on management's estimate of the number of SOs expected to vest. The 2018 SOs have a contractual term of 10 years from the date of grant and vest as follows: 25% after one year of service, 25% after two years of service, and 50% after three years of service from the date of grant. Similar to RSUs, SOs awarded to employees who are retirement-eligible at the date of grant, become retirement-eligible during the vesting period, or are terminated not-for-cause (e.g. as part of a restructuring action), vest based on service provided from the date of grant to the date of separation. No SOs were granted in 2019.

The weighted average share price at the date of exercise for stock options exercised during the year was US\$36.47.

Stock options by year of expiry:

	Number of share options	Number of share options
Year of expiry	2019	2018
2028	21,262	29,863
Total	<u>21,262</u>	<u>29,863</u>



# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 22 Share-based payment transactions (continued)

In addition to the above are Restricted Stock Units (RSUs). RSUs are a promise given to an employee to receive a pre-specified number of shares on a pre-specified date subject to certain conditions being met.

Compensation expense for RSUs is based upon the grant date market price and is recognised on a straight-line basis over the vesting period, based on management's estimate of the number of shares expected to vest. The 2019 grant vests as follows: 25% after one year of service, 25% after two years of service and 50% after three years of service from the date of grant. Prior to the 2018 grant, RSUs vested on a three-year cliff basis from the date of grant. Shares awarded to employees who are retirement eligible at the date of grant, become retirement-eligible during the vesting period, or are terminated not-for-cause (e.g. as part of a restructuring initiative), vest based on service provided from the date of grant to the date of separation.

Xerox Limited receives a charge for the share based payments from Xerox Corporation.

#### Restrictive Stock Units

The following are movements in RSUs in the year:

	Number of RSUs 2019	Number of RSUs 2018
Outstanding at 1 January	259,105	848,146
Granted	182,967	91,691
Transferred from/(to) other group companies	50,675	(581,300)
Cancelled	(21,025)	(40,617)
Exercised / Vested	(39,932)	(58,815)
Outstanding at 31 December	<u>431,790</u>	<u>259,105</u>

#### RSUs by year of vesting:

	2019	2018
2019	-	90,830
2020	182,845	105,596
2021	111,108	62,679
2022	<u>137,837</u>	<u>-</u>
Outstanding at 31 December	<u>431,790</u>	<u>259,105</u>

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 23 Ordinary shares

	2019	2018
	£m	£m
<b>Ordinary share capital</b>		
<b>Authorised</b>		
7.6m (2018: 7.6m) New 'A' Shares at £1 each	7.60	7.60
7.6m (2018: 7.6m) New 'B' Shares at £1 each	7.60	7.60
7.8m (2018: 7.8m) 'C' Shares at £1 each	7.80	7.80
7.6m (2018: 7.6m) 'D' Shares at £1 each	7.60	7.60
	<u>30.60</u>	<u>30.60</u>
<b>Allotted and fully paid</b>		
7.4m (2018: 7.4m) New 'A' Shares at £1 each	7.40	7.40
7.4m (2018: 7.4m) New 'B' Shares at £1 each	7.40	7.40
7.6m (2018: 7.6m) 'C' Shares at £1 each	7.60	7.60
7.6m (2018: 7.6m) 'D' Shares at £1 each	7.60	7.60
	<u>30.00</u>	<u>30.00</u>

All classes of shares are non-redeemable and are equity shares. The rights of each class are as follows:

Class A and B shareholders each receive 5% of total dividends and are entitled to repayment of capital and premium on winding up, together with 5% of surplus assets in priority to C and D shareholders. They have no voting rights.

Class C shareholders receive a proportion, determined by the directors, of the remaining 90% of total dividends and are entitled to repayment of capital and premium on winding up, together with a proportion of surplus assets as may be agreed, or otherwise in the proportion 2/3 to Class C shareholders and 1/3 to Class D shareholders. They have 21 votes for every block of 20 shares held.

Class D shareholders receive a proportion, determined by the directors, of the remaining 90% of total dividends and are entitled to repayment of capital and premium on winding up (less £3.7m), together with a proportion of surplus assets as may be agreed, or otherwise in the proportion 2/3 to Class C shareholders and 1/3 to Class D shareholders. They have 20 votes for every block of 20 shares held.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 24 Auditors' remuneration

	2019 £m	2018 £m
Fees payable to the Company's auditors and its associates:		
<b>For audit services</b>		
Audit of the Company's financial statements	1	1
	<u>1</u>	<u>1</u>

Amount paid to the auditors of the Company for audits of its subsidiaries are included in the consolidated financial statements of Xerox Investments Europe B.V., which are publicly available. Non audit services for tax was £417k for 2019 and £494k for 2018.

#### 25 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2019 Number 00s	2018 Number 00s
Administrative and sales	6	8
	<u>6</u>	<u>8</u>

Their aggregate payroll costs were as follows:

	2019 £m	2018 £m
<b>Employment costs</b>		
Wages and salaries	56	71
Social security costs	7	9
Other pension costs (Note 13)	4	32
Cost of employee share scheme	4	2
	<u>71</u>	<u>114</u>

The Company accrues for the liability for all the outstanding share based payments at the end of each year under IFRS 2 'Share based payments'.

The recharges for such costs are received by the Company in US Dollars from Xerox Corporation.

# **XEROX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **26 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Aggregate emoluments	<u>2</u>	<u>2</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2018 - 1). Xerox Limited paid the above aggregate emoluments in respect of 4 directors (2018 - 4). None of the directors (2018 - nil) was paid by Xerox Corporation and there was no recharge to the Company. The amounts shown above includes contributions made to defined benefits schemes of £13,250 (2018: £19,498).

One director received compensation for loss of office of £0.2m in the year (2018: nil).

Two directors exercised stock options during the year (2018: none). The highest paid director did not exercise any stock options in the year.

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
The highest paid director	<u>0.80</u>	<u>0.70</u>

The accrued pension at the end of the year for the highest paid director was £nil (2018: £nil).

#### **27 Contingent liabilities**

There are contingent liabilities amounting to £66.92m (2018: £134.9m) of which all was in respect of legal disputes.

No provision is made for these as the likelihood of the liability crystallizing is considered less than probable.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 28 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Company	Registered Office Address	Country of Incorporation (or residence)	Direct/Indirect ownership of	Proportion of interest (%)
Continua Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	United Kingdom	Direct	100.00
Limited Liability Company Xerox (C.I.S.)	Godovikova Street, 9 building 10, floor 2, office rooms № 1-11 and 13-36, Moscow	Russia	Direct	100.00
New Field Information Technology Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	United Kingdom	Direct	100.00
The Xerox (UK) Trust	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	England	Direct	100.00
Xerox AS	Lysaker Torg 35, P.O. Box 452, 1327 Lysaker, Norway	Norway	Direct	100.00
Xerox Austria GmbH	Vorgartenstraße 206c, A - 1020 Wien	Austria	Direct	100.00
Xerox Leasing GmbH	Vorgartenstraße 206c, A - 1020 Wien	Austria	Indirect	100.00
Xerox Bulgaria EOOD	29 Atanas Dukov Str., fl. 3 Sofia, 1407, Bulgaria	Bulgaria	Direct	100.00
Xerox Büro Araçları Servis ve Ticaret Ltd. Şti	Huzur Mahallesi Candere Caddesi Dış Kapi No: 114 B, İç Kapi No: 196 Sarıyer İstanbul, Turkey	Turkey	Direct	100.00
Xerox Business Services Bulgaria EOOD	Capital Fort Building – 18th Floor, 90 Tsarigradsko Shose Blvd., Sofia, 1784, Bulgaria	Bulgaria	Direct	100.00
Xerox Canada Inc.	20 York Mills Road, Suite 500, Toronto, ON M2P 2C2 Canada	Ontario	Direct	100.00
Xerox (Barbados) SRL	c/o Chancery Chambers, Chancery House, High Street, Bridgetown, Barbados, West Indies	Barbados	Indirect	88.27
Xerox Canada Ltd.	20 York Mills Road, Suite 500, Toronto, ON M2P 2C2 Canada	Canada	Indirect	100.00
LaserNetworks Inc.	20 York Mills Road, Suite 500, Toronto, ON M2P 2C2 Canada	Ontario	Indirect	100.00
Xerox Financial Services Canada Ltd.	20 York Mills Road, Suite 500, Toronto, ON M2P 2C2 Canada	Ontario	Indirect	100.00
Xerox Capital (Europe) Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	United Kingdom	Direct	100.00
Concept Group Limited	Concept House, Fairbairn Road, Livingston, West Lothian, EH54 6TS	Scotland	Indirect	100.00
Xerox IBS NLLimited	The Hangar, 6 Heron Road, Airport Road West, Belfast, BT3 9LE	Northern Ireland	Indirect	100.00
Xerox IBS Limited	Ballycoolin Business Park, Blanchardstown, Dublin 15	Ireland	Indirect	100.00
Xerox (Ireland) Limited	Ballycoolin Business Park, Blanchardstown, Dublin 15	Ireland	Indirect	100.00
Xerox AG	Sägerstrasse 29, 8152 Glattbrugg, Switzerland	Switzerland	Indirect	100.00
Xerox A/S	Industriparken 21 A, 2750 Ballerup	Denmark	Indirect	100.00
Xerox Financial Services Denmark A/S	Industriparken 21 A, 2750 Ballerup	Denmark	Indirect	100.00
Xerox Finance AG	Sägerstrasse 29, 8152 Glattbrugg, Switzerland	Switzerland	Indirect	100.00
Xerox Manufacturing (Nederland) B.V.	Sint Jansweg 15, 5928 RC Venlo, Netherlands	Netherlands	Indirect	100.00
Xerox (Nederland) BV	Rijnzathe 12, 3454 PV De Meern, Netherlands	Netherlands	Indirect	100.00
Xerox Financial Services B.V.	Rijnzathe 12, 3454 PV De Meern, Netherlands	Netherlands	Indirect	100.00
Xerox Sverige AB	Kronborgsgården 1, 3 tr., 164 46 Kista, Sweden	Sweden	Indirect	100.00
Xerox (UK) Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	United Kingdom	Indirect	100.00
Xerox Finance Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	United Kingdom	Indirect	100.00
XEROX CZECH REPUBLIC s.r.o.	Vyskocilova 1461/2a, Praha 4, Hlavní Město Praha, 14000 Czech Republic	Czech Republic	Direct	100.00
Xerox Espana, S.A.U.	Avenida de Aragón, 330 Parque Empresarial de las Mercedes, Edificio 6, 28022 Madrid, España	Spain	Direct	100.00
Xerox Renting S.A.U.	Avenida de Aragón, 330 Parque Empresarial de las Mercedes, Edificio 6, 28022 Madrid, España	Spain	Indirect	100.00
Xerox Financial Services Belux NV	Wezenbeekestraat 5, 1930, Zaventem	Belgium	Direct	100.00
Xerox Financial Services Norway AS	Lysaker Torg 35, P.O. Box 452, 1327 Lysaker, Norway	Norway	Direct	100.00
Xerox Financial Services Sverige AB	Kronborgsgården 1, 3 tr., 164 46 Kista, Sweden	Sweden	Direct	100.00

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 28 Subsidiaries (continued)

Company	Registered Office Address	Country of Incorporation (or residence)	Direct/ Indirect	Proportion of ownership interest (%)
Xerox Hellas AEE	127 Syngrou Avenue, 11745 ATHENS	Greece	Direct	100.00
Printserve AE	124 Stratigou Dagli Str, ATHENS, 111 45, Greece	Greece	Associate	38.00
Copygraff S.A.	Vrioulon 40 & Dlou, 551 32 Kalamaria, Thessaloniki, Greece	Greece	Associate	20.12
Xerox Holding Deutschland GmbH	Hammer Landstrasse 91, 41460 Neuss, Germany	Germany	Direct	100.00
Xerox GmbH	Hammer Landstrasse 91, 41460 Neuss, Germany	Germany	Indirect	100.00
Xerox Dienstleistungsgesellschaft GmbH	Hammer Landstrasse 91, 41460 Neuss, Germany	Germany	Indirect	100.00
Xerox Leasing Deutschland GmbH*	Hammer Landstrasse 91, 41460 Neuss, Germany	Germany	Indirect	100.00
Xerox Reprographische Services GmbH	Hammer Landstrasse 91, 41460 Neuss, Germany	Germany	Indirect	100.00
Xerox Hungary Trading Limited	1138 Budapest, Madarasz Viktor u. 47-49, 2/B ep., 6. Em., Hungary	Hungary	Direct	100.00
Xerox India Limited	5th Floor, Block One, Vatika Business Park, Sector 49, Sohna Road, Gurgaon - 122018, Haryana, India	India	Associate	96.66
Xerox Kazakhstan Limited Liability Partnership	38, Dostyk street, Business Centre "Ken Dala" floor 7, Almaty, Kazakhstan, 050010	Kazakhstan	Direct	100.00
Xerox N.V.	Wezembeekstraat 5, B-1930 Zaventem, Belgium	Belgium	Direct	100.00
Euro Burotic S.A.	Rue Auguste Pccard 40, 6041 Gosselies, Belgium	Belgium	Associate	26.00
Xerox Luxembourg SA	4 Rue D'Arlon Windhof 8386 Koerich, Luxembourg	Luxembourg	Indirect	99.00
Xerox Oy	P.O. Box 5 Hevosenkenkä, 3, Panarama Tower, 7.krs. Finland	Finland	Direct	100.00
Xerox Financial Services Finland Oy*	P.O. Box 5 Hevosenkenkä, 3, Panarama Tower, 7.krs. Finland	Finland	Indirect	100.00
Xerox Pensions Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Direct	100.00
Xerox Polska Sp. z o. o	Ul. Lopuszanska 95, Warszawa, Poland	Poland	Direct	100.00
Xerox Portugal Equipamentos de Escritorio, Limitada	Av. Infante D. Henrique, crossroad with Av. Marechal Gomes da Costa, Xerox Building, parish of Marvila, Municipality of Lisbon, Portugal	Portugal	Direct	74.00
CREDITEX - Aluguer de Equipamentos S.A.	Av. Infante D. Henrique, crossroad with Av. Marechal Gomes da Costa, Xerox Building, parish of Marvila, Municipality of Lisbon, Portugal	Portugal	Indirect	100.00
Xerox (Romania) Echipamente si Servicii S.A.	5-7 Dimitrie Pompeiu Blvd., Hermes Business Campus, 2nd floor, the 2nd district, Bucharest, postal code 020335	Romania	Direct	100.00
Xerox S.A.S.	33 Rue des Vanesses, Immeuble Exelmans, 93420 Villepinte, France	France	Direct	100.00
Affiliated Computer Services Holdings (France) S.A.S.	Immeuble Exelmans, 33, rue des Vanesses, 93420 VILLEPENTE	France	Indirect	100.00
Impika SAS	135, Rue du Origeable – ZI Les Paluds, 13400 Aubagne, Marseille, France	France	Indirect	100.00
Xerox Financial Services SAS*	60 Avenue Charles de Gaulle, Neuilly Sur Seine, 92200, France	France	Indirect	100.00
Xerox Technology Services SAS	12, rue des Vanesses, 93420 VILLEPENTE	France	Indirect	100.00
Xerox Serviços e Participações Ltda	Rua Professor Alvaro Rodrigues, 352, Botafogo – Rio de Janeiro, CEP: 22280-040 – Brazil	Brazil	Direct	100.00
Xerox Comércio e Indústria Ltda	Rua Professor Alvaro Rodrigues, 352, Botafogo – Rio de Janeiro, CEP: 22280-040 – Brazil	Brazil	Indirect	100.00
Xerox Shared Services Romania SRL	2nd floor, zone Xerox No. 1 Palat Str., Moldova Center Building, Iasi, Romania	Romania	Direct	95.00
Xerox Slovenia d.o.o.	Bravnicarjeva Ulica 13, Ljubljana, Slovenia	Slovenia	Direct	100.00
Xerox S.p.A.	Viale Tommaso Edison 110, Sesto San Giovanni, Milano, 20099 Italy	Italy	Direct	100.00
Xerox Italia Rental Services Srl*	Viale Tommaso Edison 110, Sesto San Giovanni, Milano, 20099 Italy	Italy	Indirect	100.00
Xerox Telebusiness GmbH	Hammer Landstrasse 91, 41460 Neuss, Germany	Germany	Direct	100.00
Xerox (Ukraine) Ltd LLC	of.4-204, entrance B, 4th Building, 9 S.Bandery Avenue, Kyiv, Ukraine, 4073	Ukraine	Direct	99.00

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 28 Subsidiaries (continued)

Company	Registered Office Address	Country of Incorporation (or residence)	Direct/ Indirect	Proportion of ownership interest (%)
<b><u>Dormant</u></b>				
Continua Sanctum Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Indirect	100.00
Bessemer Trust Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Indirect	100.00
Xerox Distributor Operations Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Direct	100.00
Xerox Exports Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Direct	100.00
Xerox Professional Services Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Direct	100.00
<b><u>In liquidation/Receivership</u></b>				
Text Comm Limited	New battle Industrial Estate, Dalkeith, Midlothian, Scotland EH22 4DB	United Kingdom	Associate	49.00
Document Solutions SA	60 Karaiskaki e Venizelou, 153 41 Agia Paraskevi Greece	Greece	Associate	38.00
<b><u>Dissolved/Liquidated</u></b>				
Xerox Property Services Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	England	Indirect	100.00
Xerox Management Services N.V.	Wezembeekstraat 5, 1930, Zaventem	Belgium	Indirect	100.00
Xerox Office Supplies SAU	Avenida de Aragon 330, Edificio 6, 28022, Madrid, Espana	Spain	Indirect	100.00
Xerox Canada Finance Inc	20 York Mills Road, Suite 500, Toronto, Ontario, M2P 2C2	Canada	Indirect	100.00
Xerox Finance (Luxembourg) SARL	12, rue Leon Thyges, Luxembourg, L-2636, Luxembourg	Luxembourg	Indirect	100.00
ACS Worldwide Lending Limited	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex. UB8 1DH	United Kingdom	Indirect	100.00
Xerox Fabricacion S.A.U	Avenida de Aragón 330, Edificio 6, 28022, Madrid, España	Spain	Indirect	100.00
Xerox Global Services GmbH	Vorgartenstraße 206c, A - 1020 Wien	Austria	Indirect	100.00

Subsidiaries marked \* are involved solely with the leasing of document processing equipment. The principal activities of the remaining subsidiaries are the development, manufacture, marketing, maintenance and leasing of document processing equipment or associated office supplies. Voting rights held are equal to the percentage of share capital owned.

Impairment reviews are performed by the directors when there has been an indication of an impairment. During 2019 an additional £43m impairment has been made to the value of investment in subsidiaries based on net asset value in Brazil (see note 16). Investments in Newfield IT, Turkey and Canada were also written down by £6m, £11m and £179m respectively based on net asset values.

#### 29 Associates

The Company owns 46% of the share capital of Xerox India Limited. Other companies in the group hold controlling interests in Xerox India Limited.

In November 2019 the Company sold its 25% holding of Fuji Xerox Co., Limited registered in Japan to Fujifilm Holdings Corporation, (see note 16).

In the year the Company received dividends totalling £54m (2018: £18m) from Fuji Xerox Co., Limited and £5m from Xerox India Limited.

No impairment has been made to the value of investment in associates based on the net asset value of the associate as at 31 December 2019.

# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 30 Related party transactions

#### Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	2019 £m	2018 £m
Sales of goods to Xerox Corporation and its subsidiaries	67	71
Sales of services to Xerox Corporation and its subsidiaries	-	-
	<u>67</u>	<u>71</u>
Purchases of goods from Xerox Corporation and its subsidiaries	197	232
Purchases of services from Xerox Corporation and its subsidiaries	3	6
	<u>200</u>	<u>238</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties		Amounts owed from related parties	
	2019 £m	2018 £m	2019 £m	2018 £m
XC Global Trading BV	88	87	7	-
NAGL US Operations	8	11	-	-
Xerox (Europe) Limited Dundalk	7	7	-	-
Xerox Overseas Holdings Limited	-	-	18	17
RRXIL LIMITED	-	-	2	-
XXFH Treasury Ops	-	-	367	121
Xerox Israel Ltd	-	-	7	8
Veenman Financial Services B.V.	-	-	29	29
Xerox Egypt SAE	-	-	4	-
Xerox Products (UK) Limited	-	-	3	7
Xerox Equipment Limited	13	9	-	-
Other related parties	15	8	13	10
	<u>131</u>	<u>122</u>	<u>450</u>	<u>192</u>



# XEROX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 31 Dividends

	2019 per share	2018 per share	2019 £m	2018 £m
Amounts recognised as distributions to equity holders:				
<b>'A' Shares</b>				
Final dividend paid	<u>11.60</u>	<u>0.59</u>	<u>86</u>	<u>4</u>
<b>B' Shares</b>				
Final dividend paid	<u>11.60</u>	<u>0.59</u>	<u>86</u>	<u>4</u>
<b>'C' Shares</b>				
Final dividend paid	<u>135.53</u>	<u>6.86</u>	<u>1,030</u>	<u>53</u>
<b>'D' Shares</b>				
Final dividend paid	<u>67.77</u>	<u>3.43</u>	<u>515</u>	<u>26</u>
<b>Total dividends paid</b>				
Final dividends paid			1,717	87
Interim dividends paid			<u>-</u>	<u>-</u>
			<u>1,717</u>	<u>87</u>

The directors do not recommend payment of a final dividend.

#### 32 Controlling party

The ultimate UK parent company of Xerox Limited is Xerox UK Holdings Limited, registered in England.

The ultimate parent undertaking, controlling party and the largest group in which the results of Xerox Limited are consolidated is that of Xerox Holdings Corporation, which is incorporated in the United States of America. Copies of the Xerox Corporation annual report and financial statements may be obtained from The Investor Relations Department, Xerox Corporation, 201 Merritt 7, Norwalk, CT 06851-1056, U.S.A.; World Wide Web <http://www.xerox.com>.

The smallest group in which the results of Xerox Limited are consolidated is that of Xerox Investments Europe B.V., which is registered in The Netherlands. Copies of the Xerox Investments Europe B.V. annual report and financial statements may be obtained from Xerox Investments Europe B.V., Rijnzathe 12, 3454 PV De Meern, The Netherlands.

The immediate parent of the Company is Xerox Overseas Holdings Limited, registered in England, Registered Number 3275267. The registered office for the parent is Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH.

**XEROX LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**33 Events after the reporting period**

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

At the time of approving these financial statements the outbreak of Coronavirus has been declared a global pandemic. This has had a significant impact on all trade in the territories in which the Company operates and has already begun to have an effect on the level of business carried on by the Company. The Company will continue to follow the various national institutes' policies and advice and in parallel will do its utmost to continue our operations in the best and safest way possible without jeopardizing the health of its people.

While the Company continues to implement actions to mitigate the effect of this crisis on its business and operations, the uncertainty around the duration and economic impact of this crisis, makes it difficult for the Company to predict the full impact on its business operations and financial performance.

Economic and political issues in Turkey have led to a decline of approximately 30% in the value of the Turkish Lira against Sterling during 2020. This may further impact the value of the Company's investment in its Turkish subsidiary.

**34 Effect of adoption of IFRS 16 – Leases**

As indicated in notes 3 and 14, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 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. The new accounting policies are disclosed in note 1.19.

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

- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities:

	<b>£m</b>
Operating lease commitments disclosed as at 31 December 2018	7
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(2)
Lease liability recognised as at 1 January 2019	<u>5</u>