Xerox Investments Europe B.V., Amsterdam
Annual Report
For the year ended 31 December 2020

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XEROX INVESTMENTS EUROPE B.V.

Directors' Rcport, Annual Accounts and Other Information for the year ended 31 December 2020

Directors as at 31 December 2020

Board of Directors	*J.H.Mancini*
	R.K.P. Martens (Resigned 25th February 2021)
	S.J.M.G. Poels
	W.N.J. van Bezooijen (Appointed 25th February 2021)
Commercial Registry	*Utrecht, Chamber of Commerce*
Registered Number	*33302868*
Registered Office	Rijnzathe 12
	3454 PV De Meern
	The Netherlands
Registered Independent Auditors	*PricewaterhouseCoopers Accountants N.V.*
	Utrecht

XEROX INVESTMENTS EUROPE B.V. DIRECTORS' REPORT

1. *ANNUAL ACCOUNTS AND STRUCTURE*

The Directors present the Annual Accounts of Xerox Investments Europe B.V. registered number 33302868 and its subsidiaries (the "Group") for the year ended 31 December 2020. Xerox Investments Europe B.V. (hereinafter referred to as the "Company") is the ultimate European holding company that is indirectly owned by Xerox Holdings Corporation of the USA (hereinafter referred to as "Xerox", the "Corporation" or "XC"), through its subsidiary Xerox Corporation. The Group promotes the full range of Xerox products and services, working with the Corporation to deliver our revenue growth initiatives, which are: i) gain share in print, ii) expand services, iii) grow software, iv) target the critical small and medium-sized business (SMB) market, v) enhance the digital experience and vi) drive innovation and new growth businesses.

2. *BUSINESS SUMMARY REVIEW*

Xerox Holdings Corporation (Xerox Group)

Xerox is a workplace technology company, building and integrating software and hardware for enterprises large and small. The annual revenue is $7.0b (USD) and operating cash flow from continuing operations is $550m (USD). As customers seek to manage information across digital and physical platforms, XC delivers a seamless, secure and sustainable experience. Whether inventing the copier, the Ethernet, the laser printer or more, Xerox has long defined the modern work experience and continues to do so with investments in artificial intelligence (AI), sensors and services for Internet of Things (IoT), digital packaging, 3D printing and Clean Technologies (clean tech). Geographically, XC's footprint spans approximately 160 countries and allows XC to deliver technology and solutions to customers of all sizes, regardless of complexity or number of customer locations.

Xerox's four strategic initiatives, summarized below, remain at the core of how Xerox operate and deliver results for all stakeholders.

(i) Optimize Operations for Simplicity
- Continuously improve our operating model for greater efficiency
- Invest further in robotic process automation, augmented reality and analytics to drive efficiencies
- Reduce complexity and simplify billing and offerings

(ii) Drive revenue
- Scale IT Services in the SMB
- Grow Xerox Financial Services (XFS) as a global payment solutions business
- Expand software offerings in enterprise content management and customer experience

(iii) Re-energize the Innovation Engine
- Deliver revenue growth from 3D printing and IoT
- Launch a $250m corporate venture capital fund
- Embed Palo Alto Research Center's (PARC) AI technology into new and existing software offerings

(iv) Focus on cash flow and increasing capital returns
- Maximize annual free cash flow[1] generation
- Deploy excess capital for strategic mergers & acquisitions (M&A)
- Opportunistic share repurchases

(1) Free cash flow is defined as Operating cash flow from continuing operations less capital expenditures.

For further information about Xerox Holdings Corporation please refer to the Xerox Investor Relations website at www.xerox.com.

Xerox Investments Europe Group turnover and results

Impact of COVID-19

The COVID-19 pandemic and the measures taken to prevent its spread impacted our business and presented significant challenges throughout 2020. To reduce the transmission of COVID-19, governments, worldwide, implemented a wide range of restrictions on business and individual activities, including closures or limitations on the operations of businesses along with restrictions on travel and other actions to promote or enforce physical distancing. The pandemic has significantly impacted how our customers use our products and services, how they interact with us, and how our employees work and provide services to our customers. The pandemic has also presented unprecedented business challenges, and we have experienced impacts related to the COVID-19 pandemic, primarily related to impacts of travel restrictions, site access and quarantine requirements, and the impacts of remote work and adjusted work schedules. In response to the COVID-19 pandemic, we have prioritized the health and safety of our employees, customers and partners to support their needs in the current hybrid environment so work can be done flawlessly migrating between the workplace and the home-office. The COVID-19 pandemic significantly impacted our results of operations during 2020 and we expect that there will continue to be effects through 2021.

General

Reported revenue for the year to 31 December 2020 of €2,384m from operations decreased by 23.5% year on year. Revenues from the sales of goods at €899m decreased by 27.1% compared to 2019. Service revenue including facilities management declined 22.0% from 2019 to €1,326m; these declines in revenue were largely due to lower sales of equipment and supplies, as well as lower print volumes at customer sites, as a result of impacts from the COVID-19 pandemic. Gross margins decreased 3.2% to 26.7% with a higher proportion sales being in the lower-margin Entry segment, partially offset by cost savings from our Project Own It transformation actions, as well as other cost reductions to mitigate the impact of the pandemic. The Group's main trading currencies are GBP and Euro, and year on year the GBP and Euro have strengthened by 3.7%, and 8.9% against the USD. Lower operating gross margins were experienced in all of the geographies of the Group and across all revenue streams mainly as a result of the impacts from the COVID-19 pandemic. Selling and general expenses and administrative expenses at €754m is a reduction of €115m from previous year, reflecting a decrease in general administrative expenses of €101m and a decrease in selling expenses of €14m. These reductions were driven by ongoing productivity initiatives and the impact of government assistance relating to COVID-19. Selling expenses included a bad debt provision that was €34m higher compared to 2019 as a result of the increase in the bad debt provision in the first quarter of 2020, which reflects the estimated impact on our customer base and related outstanding receivables portfolio as a result of the economic disruption caused by the COVID-19 pandemic.

Reported operating loss was €117m (2019: €62m profit), after charging intangible amortisation of €36m (2019: €53m). Excluding the effect of intangible amortisation the underlying operational result for 2020 was a loss of €81m (2019: €115m profit). The decrease in operating profit of €179m was primarily a result of lower revenues that were partially offset by lower costs of sales and total costs (Selling and general expenses and Amortization of intangible assets).

In 2019, the Group sold its indirect 25% equity interest in Fuji Xerox (FX) to Fuji Holdings Corporation, with a gain from disposal of €860m. There were no significant disposals in 2020.

Cash generated from operations over the year was €91m (2019: €277m) primarily as a result of lower operating profit in 2020. The net cash generated from investing activities in 2020 was a use of €185m (2019: €1,976m increase) and included the acquisition of four entities in the U.K. and Canada. Financing activities resulted in a cash outflow of €216m (2019: €2,072m). The change in investing and financing activities year on year was driven primarily by the sale of our indirect investment in FX in 2019. This resulted in a net decrease in cash for the Group of €320m (2019: €177m increase).

Manufacturing Operations

The Group have manufacturing operations in Dundalk, Ireland; Venray, Netherlands; and Ontario, Canada. We conduct sustainable manufacturing in all of these facilities. In addition, we work with various manufacturing and distribution partners. This diversification of suppliers brings flexibility and cost efficiency to our manufacturing and supply chain, a critical component in our strategic initiative to optimize operations for simplicity.

During 2020, as part of business simplification and efficiency, a project was initiated to move away from the Singapore Trading model and move to direct purchasing by Xerox Limited. Previously, inventorial material was purchased from vendors by the related party Singapore entities and then sold to XIEBV's subsidiary, Xerox Limited via intercompany sales. In 2020, this transitioned to a process whereby Xerox Limited placed purchase orders directly with vendors, resulting in reduced ongoing system support costs.

Additionally, logistics operations for spare parts and supplies were outsourced to Syncreon, a third-party service provider, with inventorial material located in a newly-built dedicated Syncreon facility, located in Venray, Netherlands.

There was a reduction of activity levels at both the Dundalk manufacturing plant in Ireland and in equipment, spares and supplies shipments from the supply chain, due primarily to the impacts of the Covid-19 pandemic.

In all areas, there was a continuing drive to reduce cost and improve efficiency in all aspects of the operations, including optimisation of production, supply chain and administrational processes through the use of continual improvement tools.

Customer Financing Activities

The long-term viability and profitability of the Group's financing activities is dependent, in part, on the ability to borrow and the cost of borrowing in the credit markets, which, in turn, is determined by Xerox Holdings Corporation's credit ratings.

The Group's ability to continue to offer customer financing is largely dependent upon our ability to obtain funding at a reasonable cost either directly from the capital markets or via Xerox Holdings Corporation. If the Group was to be unable to continue to offer customer financing, it could have a material adverse impact on its operational results and financial condition.

The Group finances a large portion of our direct channel customer purchases of Xerox equipment through bundled lease agreements. Xerox provides lease financing to end-user customers who purchase Xerox equipment through our indirect channels. We compete with other third-party leasing companies with respect to the lease financing provided to these end-user customers. In both instances, financing facilitates customer acquisition of Xerox technology and enhances our value proposition, while providing Xerox a reasonable return on our investment in this business. Additionally, because we primarily finance our own products and have a long history of providing financing to our customers, we are able to minimize much of the risk normally associated with a finance business.

Investments and Group Structure

The Group's internal structure is aligned to the Group's organisation of geographic regions, business Groups and shared services. The legal structure of the Group is mainly based on regions.

Xerox continues to focus on further penetrating the SMB market through organic and inorganic growth, which includes the acquisitions of local areas resellers and partners (including muliti-brand dealers). During 2020, the Group acquired 100% of share capital in four entities for a cash value of €181m, and included, one acquisition in Canada and three acquisitions in the U.K. Details are set out in note 34. These investments provided €86m of additional revenue in 2020.

Principal Risks and Uncertainties

Generally, the Group is risk averse and has a policy to avoid speculation in currency and other markets. The Company has a process of analysing and monitoring the root causes of variations against the plan and forecast as well as the year on year changes, leading to timely corrective actions where appropriate and feasible.

(i) Strategy

The Group is in the process of addressing many business challenges, including the COVID-19 pandemic, such as dynamic and accelerating market trends, and changes in the competitive landscape. If the Group is unsuccessful at addressing such business challenges, the Group's business and results of operations may be adversely affected and the ability to invest in and grow our business could be limited.

Mitigation: The Group systematically evaluates competition and the needs of customers and partners to maintain a leadership position and make the portfolio and distribution investments to further penetrate growth areas of the market.

If the Group fails to successfully develop new products, technologies and service offerings and protect intellectual property rights, the Group may be unable to retain current customers and gain new customers. The business could then have a decline in revenues and adverse operating results.

Mitigation: The Group makes significant long-term investments and commits significant resources into developing new high technology products and solutions. Additionally the Group relies on 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. In addition, our strategy requires us to expand into adjacent markets with new products, services and technology such as Digital Packaging and Print, AI Workflow Assistants for Knowledge Workers, 3d Printing/Digital Manufacturing, IT Services and software.

The Group derives revenue and profit from commercial and government contracts. There is a potential risk of contracts not being awarded after incurring a substantial cost, and managerial time and effort. There may be expense and delays due to protests from competitors, terminations, reduction, or modification to the contracts awarded. These factors would have a negative impact on the Group's business, financial condition, results of operations and cash flow.

Mitigation: The Group is very disciplined in determining which contracts it chooses to bid on, applying careful evaluations of the risks and rewards and proceedings only on those contracts where there is a reasonable probability of securing the desired economic benefits.

The Group has outsourced a significant portion of its manufacturing operations and is increasingly relying on third-party manufacturers, subcontractors and external suppliers, such as Fuji Xerox. It could have adverse impact on results of operations and financial position if they fail to meet their obligations.

Mitigation: The Group closely monitors performance within its third-party manufacturers, subcontractors and external suppliers. Alternative third-party suppliers are also monitored to identify other opportunities for supply. The Group has a process where` all significant third-party contracts must be submitted to competitive tendering every 3 to 5 years.

(ii) Operating activities

Following the United Kingdom's (U.K.) withdrawal from the European Union (E.U.) on the 31st January 2020, on the 24th December 2020, the European Commission reached a trade agreement with the U.K. on the terms of its future cooperation with the E.U. (Trade and Cooperation Agreement or TCA). The TCA offers U.K. and E.U. companies preferential access to each other's markets, ensuring imported goods will be free of tariffs and quotas. However, economic relations between the U.K. and the E.U. will now be on more restricted terms than existed previously. At this time, we cannot predict the impact that the TCA and any future agreements will have on Group's business, suppliers and customers. The revenue in the U.K. is 16.32% of the total revenue of the Group.

Mitigations: The Government of the United Kingdom is continuously negotiating trade deals with the E.U. as well as other countries throughout the globe. The Group has a project team in place to monitor these developments and minimise disruption caused by Brexit. We hedge foreign currency denominated assets, liabilities and anticipated transactions by derivative contracts, which are intended to mitigate or reduce transactional level volatility in the foreign operations. However, it may not completely avoid the volatility. Most hedging activity does not extend beyond 12 months but it creates space in which the options available to the Group can be assessed. The Group exercises strict control over its working capital, with particular emphasis on receivables, and conducts regular reviews over the adequacy of its risk provisions. During the year the Group acquired four entities to further its market share of the market in SMB areas.

The Group is subject to breaches of security systems cyber-attacks and service interruptions which could expose the Group to liability, litigation, and regulatory action and damage to our reputation.

Mitigation: The Group has implemented security systems with the intent of maintaining and protecting the Group's own, and its customers', clients' and suppliers' confidential information, including information related to identifiable individuals, against unauthorised access or disclosure. The Information Security team is constantly working on keeping up to date on new viruses, working with third party IT security service providers.

(iii) COVID-19

The COVID-19 pandemic and resulting measures taken by various governments to contain the virus negatively affected our business in 2020. During 2021 our business has continued to be impacted by the pandemic. The main risks that result from the ongoing situation with COVID-19 are:

- Reduced revenue and profitability: The Group's financial results may continue be impacted if businesses hold off or delay purchases until there is a more certain path to economic recovery.
- Collectability of receivables: the changed macroeconomic environment as a result of the COVID-19 pandemic crisis could still result in an increased level of bad debts and impact write-off trends.

- Financing and liquidity: our ability to maintain sufficient liquidity may be constrained by the crisis. The Group's financing is largely dependent on the financing arrangements of its parent, Xerox Corporation.

- Going concern: business closures and office building capacity restrictions have impacted our customers' purchasing decisions and caused delayed installations and lower printing volumes. Whilst the lasting economic impact of this crisis is uncertain, we do not believe that the impact of the COVID-19 virus will have a material adverse effect on our financial condition or liquidity.

- Supply chain: increasing demand and global shortages of certain materials and components may limit our ability to supply certain products to our customers. We are working with our global suppliers and transportation partners to mitigate the impact to the Group and to our clients.

- Impairment of assets: to date no assets have been written-down as a result of the pandemic. We have provided for additional bad debt risk as described above.

- Internal controls: although a significant number of employees have been working from home for a large part of 2020, our internal controls testing and review process has continued to operate effectively without interruption.

The ultimate Parent company Xerox Holdings Corporation has confirmed that they will continue to support the Group.

The Group and Xerox Holdings Corporation have a strong balance sheet and sufficient liquidity, including access to undrawn $ 1.8 billion (€1.6billion) revolver as well as to receivables securitisation and capital markets. Due to our Project Own It transformation and cost savings, we have built a leaner and more flexible cost structure, and have also focused our efforts on incremental actions to prioritize and preserve cash as we continue to manage through the pandemic. These actions include the reduction of discretionary spend such as near-term targeted marketing programs and the use of contract employees as well as compensation incentives consistent with lower sales and operating results. In addition, we have made use of temporary government assistance measures and furlough programs in various countries which resulted in savings of €51m in employee costs.

(iv) Market risk

The Group is exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. The Group has in place risk management processes that seek to limit the adverse effects on its financial performance by monitoring levels of debt, liquidity, and exchange rate risk and the related financial costs.

Mitigation: The Treasury Operations department works closely with its counterpart in Xerox Corporation, using forward exchange contracts to manage currency risk for dividends receivable from non-Euro subsidiaries and associates, and for payments to related parties in Japanese Yen and US Dollars in respect of goods and services purchased and technology related royalties. The Group policy with regard to financial derivative instruments is to deal only with counterparties having a minimum investment grade or better credit ratings.

Credit Risk
There is a risk that we may incur losses if customers are unable to meet their obligations to us.

Mitigation: To overcome its credit risks, the Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit risk is managed through the continuous monitoring of exposures.

Solvency and Liquidity Risk
The Group's interest rate risks primarily relate to interest charged on interest bearing assets and liabilities with other affiliates, which is based on commercial rates.

Mitigation: Xerox Holdings Corporation separately manages all significant relationships with the external debt market.

Consideration of risks relating to financial instruments is made in notes 5 and 6 of the financial statements. The Group's treasury function operates appropriate controls to mitigate the risks arising as a result of such instruments.

Financial Reporting Risks
The Group's accounting functions are well advanced against the migration plans, and substantially stabilised with Centres of Excellence in Uxbridge, Sofia, Manila and India.

(v) Laws and Regulations
The business, results of operations and financial condition may be negatively impacted by legal and regulatory matters. The Group has various contingent liabilities that are not reflected on the balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings. Further details of contingent liabilities are included in Note 26 of the financial statements.

Mitigation: The Group, through its legal department, monitors legislative developments in countries in which we operate. We have an ongoing process to respond to any legal disputes raised against us as well as determining when it is appropriate to take legal actions to protect the Group's interest.

The Group operates in Europe, the Middle East, Africa, India and parts of North and South America. Changes in tax laws could adversely affect the Group's results. The international tax environment continues to change because of both coordinated actions by governments and unilateral measures designed by individual countries.

Mitigation: The Group's tax department monitors changes to international tax laws and seeks advice from 3rd party consultants as and when required.

In relation to all the risks and uncertainties identified above none of them had a significant impact on the Group in the past year.

3. *CONTINUING DEVELOPMENTS*

The COVID-19 outbreak and resulting measures taken by various governments to contain the virus significantly affected our business in 2020. During the first half of 2021, our business was still experiencing impacts from the pandemic, and the ongoing recovery in the near-term may be uneven and affected by the emergence of new variants of the virus and the resurgence of elevated case numbers in various countries and regions. However, we are seeing a gradual recovery of our revenues as businesses have gained confidence in the progress to control the pandemic and resumed investments in new printing technology and services, and we have seen a positive correlation between the roll-out of vaccinations, the return of employees to the office, and the gradual recovery of our page-volume driven Post sale revenues. We expect that measures to control the pandemic and expand economic activity will result in a moderate economic improvement in 2021. We also expect to continue our actions to mitigate the effects of the pandemic on our business operations and financial performance.

We experienced a decline in full year revenues for 2020 compared to 2019 of 24%. In the first half of 2021 revenue improved to be 28% higher than the comparable period in the prior year.

Gross profit (GP) declined by 32% in the full year of 2020. In the first six months of 2021 GP was higher by 1% year-over-year.

Selling and general expenses were 13% lower in the 2020 full year when compared with 2019, despite an additional allowance for doubtful credit losses related to COVID-19. In the first half of 2021, selling and general expenses were 17% lower than in the first six months of 2020.

We see positive trends in demand for our products and services and a strong correlation between return-to-office trends and print volumes, as rising vaccination rates result in greater levels of in-office work. Our current forecasts assume a continuing gradual recovery during the third and fourth quarters. We also continue to focus our efforts on incremental actions to prioritize and preserve cash as we manage through the pandemic.

The Group believes it will have sufficient liquidity to meet all obligations over the next 12 months. During 2021 the Group has maintained positive cash balances; the parent, Xerox Holdings Corporation, has also committed to provide such support, assistance and resources as needed for the same period. The future cash flow expectations of Xerox Holdings Corporation have been considered in reaching this conclusion.

We believe that by continuing to implement our strategy of driving revenue, optimising our operations and re-energising the innovation engine the Group will, in the long term, see an increasing proportion of its revenue coming from areas such as software and services offerings and 3D printing with lesser reliance on traditional office printing.

(i) Financing

The Group's financing is largely dependent on the financing arrangements of Xerox Corporation. As at 31 December 2020, Xerox Corporation reported cash and cash equivalents of $2.7 billion (2019: $2.8 billion). Xerox Corporation manages its financing arrangements on a global basis; accordingly, the Group's funding requirements are dependent on the above credit facilities.

The Group had a third party liability of €82 million for leases in the financial year (2019: €79m). Cash was €280 million (2019: €600 million).

Furthermore, the Group has sufficient current receivables which will be converted into cash over the next twelve months to meet all current liabilities which will require cash settlements for the same period. Consequently, the directors believe the Group is able to meet all of its obligations as they fall due. The current ratio was 2.2:1 in 2020 (2.5:1 in 2019).

(ii) Research and technology

Xerox Holdings Corporation's worldwide research and technology development focuses on five key areas: research and technology, product development and engineering support, intellectual property management, business development for licensing and new business opportunities, and business unit operations. It also develops technology and business concepts to enable growth opportunities in new markets.

4. SUBSEQUENT EVENTS

In 2021 restructuring plans have been approved covering 221 heads (2020: 293) across all international operations at a cost of $23.5m (2020: $28.3m).

In April 2021, Xerox acquired an office equipment dealer in Canada for approximately $30m. This acquisition is part of Xerox's strategy of focusing on further penetrating the SMB market through acquisitions of local area resellers and partners (including multi-brand dealers). The Group is currently assessing the purchase price allocation but expect the majority to be allocated to intangible assets and goodwill.

5. GROUP RESOURCES AND EMPLOYEES

The Group Resources function is aligned to support the Group's organisation of geographic regions, business groups and shared services. International centres of competence cover the key areas of Human Resources Strategy, Programmes, Total Pay, and Education and Learning. In particular, the function focuses on developing high potential employees and ensuring senior management are fully equipped to manage our changing environment with the behaviours and attitudes expected of Xerox executives.

It is Xerox's policy to create a working environment that reflects the changing make-up of talent and diversity in the communities in which it operates, and where people are judged solely on their ability, competency and performance.

Group Resources aims to add value to the business through enabling management to capitalise on the diverse talents and abilities of all employees, to maximise each individual's potential to achieve the corporate goals, and also to provide a working environment that is free from unfair and unlawful discrimination and harassment.

During the year the Group's average number of employees was 12,115, down by 414 from 2019 (revised), mainly as a result of the Group's restructuring program.

6. CORPORATE GOVERNANCE

The Group has not applied a specific external governance framework. The Group has elected to follow the corporate governance procedures, processes and policies adopted by its ultimate parent, Xerox Holdings

Corporation. This covers areas such as remuneration, strategy and validation of internal controls. The Group's governance arrangements are set out below:

Shareholder – The Group is a wholly owned indirect subsidiary of Xerox Holdings Corporation. The management structures of the Corporation enable clear communication between the Group and its parent. *Strategy and business model* – The Group is guided by the Xerox Holdings Corporation for its strategy and direction.

Stakeholders - The Group 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.

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 Group 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 Group. There are no separate Board committees.

Board skills - The Group's board includes experienced directors who are also senior executives within the Xerox Group's overall management and decision-making structure.

Ethical behaviours – The Xerox Code of Business Conduct serves as the foundation of the Group'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.

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.

7. DIRECTORS

The Company is fully compliant with the 2012 'Wet Bestuur en Toezicht" law.

The Directors who were in office during the year were:
J.H. Mancini
R.K.P. Martens
S.J.M.G. Poels

De Meern,
29th September 2021
The Board of Directors,

J.H. Mancini
Member of the Board of Directors

W.N.J. van Bezooijen
Member of the Board of Directors

S.J.M.G. Poels
Member of the Board of Directors

XEROX INVESTMENTS EUROPE B.V.

Financial Statements

Consolidated financial statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020
(after proposed appropriation of result)

	Notes	31st December 2020 €m	31st December 2019 €m
Assets			
Fixed Assets			
Intangible fixed assets	7	184	59
Tangible fixed assets	8	227	265
Financial fixed assets	9	1,376	1,429
Right-of-use assets	10	79	75
Total fixed assets		1,866	1,828
Current assets			
Inventories	11	274	243
Receivables	12	957	1,165
Cash and cash equivalent	13	280	600
Total current assets		1,511	2,008
		3,377	3,836
Group Equity and liabilities			
Shareholder's equity	14	1,856	2,175
Non-controlling interest	15	4	7
Total Group Equity		1,860	2,182
Provisions	16	728	760
Other non-current liabilities	17	92	89
Current liabilities	18	697	805
		3,377	3,836

XEROX INVESTMENTS EUROPE B.V.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 €m	€m	2019 €m	€m
Net turnover	19	2,384		3,117	
Cost of sales	20	(1,747)		(2,186)	
Gross profit			637		931
Selling expenses	21	(297)		(311)	
General management expenses	21	(457)		(558)	
Total costs			(754)		(869)
Operating result			(117)		62
Gain on disposal	22		1		860
Financial income	23		22		26
Results before tax			(94)		948
Tax on result	24	7		(37)	
Result from participations	9(i)	2		136	
		9		99	
Result after tax			(85)		1,047
Result non-controlling interest	15	-		(3)	
Result after tax			(85)		1,044

XEROX INVESTMENTS EUROPE B.V.

Consolidated cash flow statement for the year ended 31 December 2020

	Note	2020 €m	€m	2019 €m	€m
Cash flows from operating activities					
Operating (loss) / profit			(117)		62
Adjustments for					
Amortisation of goodwill and intangibles	7	34		53	
Depreciation	8	91		108	
Depreciation on right-of-use assets	10	29		45	
			154		206
Movements in working capital					
(Increase) / Decrease in inventories		(19)		26	
Decrease in receivables		167		24	
(Increase) / Decrease in creditors		(67)		22	
Decrease in finance lease receivables		63		72	
Increase in other assets		(90)		(135)	
Cash flow from working capital			54		9
Cash generated from operations			91		277
Interest received	23	22		(26)	
Taxes paid		(10)		26	
			12		-
Net cash generated from operating activities			103		277
Cash flow from Investing activities					
Investment in fixed assets	8	(8)		(13)	
Investment in capitalised software	7	(2)		(3)	
Proceeds from sale of fixed assets	8	1		-	
Acquisition of group companies	34	(176)		-	
Proceeds from the disposal of associate		-		1,991	
Net cash (used in) / generated from investing activities			(185)		1,975
Cash flow from financing activities					
Movement in short term debt to parent company		(4)		(44)	
Payment of leases	10	(31)		(34)	
Dividends to Non-Controlling Interests	15	(3)		(3)	
Distributions to Parent Company	41	(178)		(1,991)	
Cash flow (used in) financing activities			(216)		(2,072)
Net cash flows			(298)		180
Exchange loss			(22)		(3)
Net (decrease) / increase in cash at banks and in hand			(320)		177

The movement in cash at banks and in hand can be broken down as follows:

	Note		2020 €m		2019 €m
Balance as at 1 January	13		600		423
Movements during the financial year			(320)		177
Balance as at 31 December	13		280		600

XEROX INVESTMENTS EUROPE B.V.

Statement of total result of the Group for the year ended 31 December 2020

	2020		2019	
	€m	€m	€m	€m
Consolidated net result after taxation		(85)		1,044
Revaluation of financial assets valued at market value through equity	(2)		(5)	
Currency translation differences foreign subsidiaries & other	(127)		(284)	
Pension revaluations charged in equity	72		107	
Other	(1)		-	
Total of direct movements in Group equity		(58)		(182)
Total result of the Group		(143)		862

Notes to the consolidated balance sheet and income statement

1. General Information

1.1. General
Xerox Investments Europe B.V. (hereinafter referred to as "the Company") has its statutory seat in Amsterdam (Chamber of Commerce number: 33302868), The Netherlands. The Company and its subsidiaries, outlined in note 35, are referred to as "the Group".

The Group's parent company is Xerox Corporation which is incorporated in the United States of America. Copies of the Xerox Corporation Annual Report and Accounts may be obtained from The Investor Relations Department, Xerox Holdings Corporation, Norwalk World Headquarters, 201 Merritt 7, Norwalk, Connecticut 06851, USA (www.xerox.com).

Xerox Corporation's Annual Report (Form 10-K) has been filed with the Securities and Exchange Commission (**www.sec.gov**).

1.2. Activities
The business of the Group and its associates is to offer an array of innovative document solutions, services and systems - including colour and black-and-white printers, multifunction devices and digital copiers - designed for offices and production-printing environments, as well as offering associated supplies, software and support. The business of the Group also covers leasing, research, development, manufacture and maintenance of document systems, solutions and services.

Document systems, solutions and services encompasses a wide range of colour and monochrome Production and Office products, categorised by primary function capability including printing, copying, faxing and scanning. Production includes advanced digital printers and copiers for high volume printing and publishing solutions, while Office includes multi-functional machines, printers, copiers and fax. Document technology products and solutions support customer work processes, providing an efficient, cost effective printing and communications infrastructure. Managed Print Services optimize customer use of document systems in small businesses or global enterprises.

1.3.1 Going Concern
These annual accounts have been prepared on a going concern basis. In preparing these financial statements, the Directors have assessed that the Group will continue in operational existence for the foreseeable future.

1.3.2 Implication of COVID-19 on our business
In response to the COVID-19 pandemic, we continue to prioritise the health and safety of our employees, customers and partners and support their needs so they can perform their work flawlessly, whether in the office or a remote location. However, we have seen a gradual recovery of our revenues as businesses have gained confidence in the progress to control the pandemic and resumed investments in new printing technology, and we saw a positive correlation between the roll-out of vaccinations, the return of employees to the office, and the gradual recovery of page-volume driven post-sale revenues. Xerox Corporation expects that measures to control the pandemic and expand economic activity will result in a moderate economic improvement in 2021. However, in the near term, the recovery may be uneven and affected by the emergence of new variants of the COVID-19 virus which could result in a resurgence of cases in various countries and regions.

Although still below 2019 levels and despite many customer offices remaining closed, the Group's revenues have steadily recovered since the significant decline seen in the second quarter of 2020. A large part of this recovery has been driven by increased demand from small and medium sized businesses (SMB) which have recovered more rapidly with the progress of vaccinations and the control of the pandemic, whereas Enterprise customers are experiencing a slower pace of return to large office buildings.

The ultimate Parent company Xerox Holdings Corporation has confirmed that they will continue to support the Group. The Group and Xerox Holdings Corporation have a strong balance sheet and sufficient liquidity, including access to undrawn $ 1.8 billion (€1.5billion) revolver as well as to receivables securitisation and capital markets. Due to our Project Own It transformation and cost savings, we have built a leaner and more flexible cost structure, and have also focused our efforts on incremental actions to prioritize and preserve cash as we continue to manage through the pandemic. These actions include the reduction of discretionary spend such as near-term targeted marketing programs and the use of contract employees as well as compensation incentives consistent with lower sales and operating results.

With the available cash balances within the group and the confirmed support of our ultimate parent company, Xerox Holdings Corporation, we believe we have sufficient liquidity to continue to manage the business through the economic disruption caused by this crisis:

(i) A majority of our business is contractually based and our bundled services contracts, on average, include not only a variable component linked to print volumes, but also a fixed minimum, which provides us with a continuing stream of operating cash flow.

(ii) The XIEBV group held cash equivalents of €229 million at 30 June 2021. The Xerox group also had cash equivalents of $2,124(€1,801) million available at 30 June 2021.

(iii) The XIEBV group has access through its subsidiary Xerox XF Holdings (Ireland) Limited to an undrawn €550m credit facility from Xerox Corporation until 30 November 2022. The Xerox group also has access to an undrawn $1.8(€1.5) billion Credit Facility that matures in August 2022.

(iv) We have focused our efforts on incremental actions to prioritize and preserve cash as we manage through this crisis. These actions include the reduction of discretionary spend such as near-term targeted marketing programs, the use of contract employees and compensation incentives consistent with lower sales and operating results, as well as the use of available temporary government assistance measures and furlough programs.

Whilst the duration and ongoing economic impact of this crisis is still uncertain, we do not believe, however, that the impact of the COVID-19 virus will have a material adverse effect on our financial condition or liquidity.

1.4. Group structure

The Company's major directly wholly owned subsidiaries are Xerox Holdings (Ireland) Limited, Xerox UK Holdings Limited, Xerox Middle East Investments Limited, Xerox Israel Limited, and Veenman B.V.

The Group obtains the majority of its revenues from its trading activities in Western Europe, through its indirect subsidiary Xerox Limited.

Xerox UK Holdings Limited, via its indirect subsidiary Xerox Manufacturing (Nederland) B.V. operates manufacturing plant in the Netherlands. Xerox Limited also acts as a holding company for Xerox Holdings Corporation's interests in Europe and parts of Africa and Asia.

Xerox Investments Europe B.V. is owned by Xerox corporation. The ultimate parent company of this Group is Xerox Holdings Corporation in New York, U.S.A. The financial statements of Xerox Investments Europe B.V. are included in the consolidated financial statements of Xerox Holdings Corporation.

1.5. Business combinations / acquisition and disposal of group companies

Identifiable assets acquired and liabilities assumed in a business combination are recognised in the consolidated financial statements from the acquisition date, being the moment that control can be exercised over the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals and deferred income.

Entities continue to be consolidated until they are sold; they are deconsolidated from the date that control ceases and if they become classified as discontinued operations. Acquired and disposed group companies continue to be consolidated until they are sold; they are deconsolidated from the date that control ceases and if they are classified as groups held-for-disposal.

Common control

Where companies are acquired from related parties, the predecessor accounting basis is applied to capture the net assets of the acquired companies at the carrying values used in the consolidated reporting of the mutual parent company. Where the purchase value differs from the net asset carrying value thus derived, the difference is recognised in equity.

Third party acquisitions

Where companies are acquired from third parties, purchase accounting is applied and the excess of the purchase consideration over the fair value of the net assets acquired is treated as goodwill.

1.6. Consolidation principles

The consolidation includes the financial data of Xerox Investments Europe B.V ("the Company") and its Group companies ("the Group"). Group companies are those holdings with which the Company forms a financial and organisational entity and in which the Company exercises direct or indirect control. Group companies are consolidated in full, after the elimination of intra-group transactions and the profits thereon. The share of third parties in the Group result and equity is stated separately as a non-controlling interest. Participating interests over which no control can be exercised will be accounted for as set out in note 3.4.

Results of companies or groups acquired are included in the Consolidated Profit and Loss Account from the date of acquisition. Since the profit and loss account of the Company is included in the consolidated financial statements, an abridged profit and loss account has been disclosed in the Company financial statements in accordance with Section 402, Book 2 of the Dutch Civil Code.

The accounting policies of Group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing Group accounting policies. The consolidated companies are listed in note 35 and all subsidiaries are consolidated.

1.7. Related-party transactions

All Group companies mentioned in note 1.4 above and listed in note 35(vii) and the associates mentioned in note 3.4 below are considered to be related parties.

Intercompany transactions within the Group are eliminated in the consolidation. The parent company Xerox Corporation also qualifies as a related party.

Transactions with the related parties include sales and purchases of goods and services and are priced at arms'-length and in accordance with established agreements and guidelines.

In addition, statutory directors, other key management of Xerox Investments Europe B.V., or the ultimate parent company and close relatives are regarded as related parties.

1.8. Statement of cash flows

The statement of cash flows has been prepared applying the indirect method. The cash and cash equivalents in the statement consists of cash at banks and in hand. Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the statement of cash flows. Income and expenses in respect of interest, dividends received and taxation on profits are included in the cash flow from operating activities. Dividends paid have been included in the cash flow used in financing activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the statement of cash flows.

1.9. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates are used for, but not limited to: allocation of revenues and fair values in multiple element arrangements; accounting for residual values; economic lives of leased assets; allowance for doubtful accounts; inventory valuation; restructuring charges; finance lease receivable provision; depreciable lives of assets; useful lives of intangible assets and goodwill; and pension assumptions.

The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Group's operating environment changes. Actual results could differ from those estimates.

If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including assumptions related to the uncertainties, is disclosed in the notes to the relevant financial statement items.

2. Accounting principles used in preparing the financial statements

2.1. General

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards for Annual Reporting as issued by the Dutch Accounting Standards Board.

The financial statements are denominated in Euros, except where noted.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and the statement of cash flows include references to the notes.

2.2. Prior-year comparison

The principles of valuation and determination of results remain unchanged compared to prior year. Prior year comparative figures may be restated where there has been a significant change in accounting policy – usually in relation to newly applicable revised, or newly issued, accounting standards. Such restatements will also occur if a material error is discovered and is adjusted in the first financial statements that have not yet been approved following the financial statements in which the material misstatement has been made. If the recalculated equity at the end of the financial year in which the material error was made differs from the original reported equity, the difference is treated as a direct change in equity at the beginning of the financial year in which the adjustment takes place.

2.3. Functional Currency

Items included in the annual accounts of Group companies are measured using the currency of the primary economic environment in which the respective company operates (the functional currency). Non-functional currency transactions in the reporting period are translated into functional currency of the individual Group company at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in non-functional currencies are translated into functional currency at the exchange rates prevailing at the balance sheet date. Exchange gains and losses arising from the settlement of such transactions and from re-measurement to balance sheet date exchange rates are recognised in the profit and loss account except when deferred in equity as qualifying hedges. The financial statements are presented in Euros, which is the functional and presentation currency of the Company, except where noted.

2.4. Translation of foreign currencies

On consolidation, balance sheets of individual subsidiaries that are denominated in foreign currencies are translated into Euros at the closing exchange rates for the reporting period. Profit and loss items are translated at the average exchange rates for the reporting period. Translation differences, which principally represent the gain or loss arising on net assets denominated in foreign currencies as a result of changes in exchange rates during the period, are charged against or added directly to equity, within the currency translation reserve. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the profit and loss account, except when deferred in equity as qualifying hedges.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates (or approximated rates) prevailing at the dates of the transactions which created the assets.

2.5. Criteria for no longer recognizing assets & liabilities

An asset or liability included in the balance sheet remains recognized in the balance sheet when a transaction does not lead to a significant change in the economic reality with regard to this balance sheet item. For such transactions no results are recorded. An important change in the economic reality is assessed on the basis of the economic benefits and risks that are likely to occur in practice. For example, if the legal transfer of the debtor portfolio does not lead to a significant change in the actual expected risk of bad debt, the debtor portfolio remains on the balance sheet.

An asset or liability item included in the balance sheet is derecognized from the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks related to the asset or liability item being transferred to a third party.

3. Accounting principles for the Balance sheet

3.1. Intangible assets

Intangible assets are stated at historical cost less amortisation. Allowance is made for any impairment losses expected; a loss qualifies as an impairment loss if the carrying amount of the asset (or of the cash-generating unit to which it belongs) exceeds its recoverable amount. All amortisation is on a straight-line basis.

Goodwill

Goodwill, which is determined at the time of acquisition as the amount paid in excess of the Group's share in the net assets of the companies or groups acquired, is capitalised and is amortised over a period of 7 to 20 years dependent upon the specific circumstances pertaining to the acquisition. The most recent acquisitions are amortised over a period of 7 to 10 years, reflecting the regeneration of business income from the acquired assets.

Other Intangible assets

Other purchased intangible assets, such as the installed customer base, trademarks and copyrights, customer contract assets, and non-compete agreements are amortised over a life appropriate to the nature of the asset acquired. Please refer to note 3.5 below for details on determining whether an intangible asset is impaired.

Capitalised software is amortised over 3 to 7 years.

3.2. Tangible fixed assets

These are carried at historic cost including expenses directly attributable to acquiring the items and adjusted for 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:

Freehold land	not depreciated
Freehold buildings	50 years
Leasehold land and buildings	shorter of remaining lease term and expected useful life of the asset
Dilapidations costs on leased assets	over the term of the lease under which the dilapidations costs arise.
Plant and machinery & tooling	5-12 years
Fixtures, fittings and equipment	3-15 years
Rental equipment	2-5 years

A provision is set up for the expected restoration obligation after the use of an asset (decommissioning costs) see provisions – others which includes dilapidations cost. This amount is recognised as an on-going cost of using the asset over its useful life. A provision is set up for future major repair costs for the buildings. This amount is recognised as an ongoing cost of using the asset over its life.

The Group reviews the recoverability of long-lived assets, including buildings, equipment, internal use software and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Group's ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The primary measure of fair value is based on discounted cash flows.

Interest costs associated with funding the construction of an asset are expensed as incurred and are not capitalised. No material grants have been received in respect of property, plant and equipment. Expected impairments to property, plant and equipment are reflected in the value of these assets at the balance sheet date as set out in note 3.5.

3.3. Leases

The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:
(i) fixed lease payments (including in-substance fixed payments), less any lease incentives;
(ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
(iii) the amount expected to be payable by the lessee under residual value guarantees;
(iv) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
(v) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in current and other non-current liabilities 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 Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

(i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(ii) the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise 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 Group did not make any such adjustments during the periods presented.

Right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

The right-of-use of assets are presented as a separate line in the statement of financial position.

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

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

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied this practical expedient to real estate lease of offices and warehouses only.

3.4. Financial assets

Associates

Group companies and other associates in which the Company exercises significant influence, generally accompanying a shareholding of 20% or more of the voting rights, are stated at net asset value.

Net asset value has been calculated, where possible, on the basis of the Group's accounting policies and principles. Associates with an equity deficit are carried at nil. A provision is formed if and when the company is fully or partially liable for the debts of the associate, or has the firm intention to allow the associate to pay its debts.

Associates acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the Group's accounting policies and principles, taking into account the initial valuation.

Associates in which no significant influence can be exercised are recognised at cost. If an asset qualifies as impaired, it is measured at its impaired value; any write offs are disclosed in the profit and loss account.

Financial leases

For assets leased to customers, under financial lease arrangements, the net investment in leases, i.e. the present value of remaining minimum lease payments (adjusted for residuals and interest), is included within financial assets (long term receivable) and current assets – accounts receivable (short-term receivable). Interest income and termination results are accounted for in the periods to which they relate.

Other receivables

Other receivables presented under financial assets include issued loans and other receivables as well as purchased loans that will be held to their maturity date. These receivables are initially measured at fair value and subsequently carried at amortised cost. If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loan issuing the effective interest method. Also, transaction costs are included in the initial valuation and recognised through profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and explained in the income statement.

3.5. Impairment of non-current assets

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is directly expensed in the profit and loss account.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the profit and loss account.

The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. The amount of the reversal shall be recognised in profit or loss.

3.6. *Derivative financial instruments*
The measurement of these financial instruments, which are publicly traded over the counter or on recognised exchanges, is initially at fair value, with transaction costs recognised in the profit and loss account. Subsequently, their fair value is re-measured, and all gains and losses from changes therein are recognised in the profit and loss account, unless designated in a hedge accounting relationship.

3.7. *Current assets – inventory*
Raw materials and consumables are valued at the lower of cost (including, where appropriate, expenditure directly incurred in bringing stocks to their present location and condition), and net realisable value. Finished goods and work in progress are valued at the lower of manufacturing cost (including, where appropriate, indirect costs attributable to the production of the stocks) and net realisable value. Net realisable value is the estimated selling price achievable in the ordinary course of business, less applicable variable selling expenses. Net realisable value determinations make allowance for the obsolescence of inventories. All inventories are measured using the first in first out method.

3.8. *Current assets – trade debtors*
Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a receivable is uncollectable, it is written off against the bad debt reserve for receivables.

3.9. *Cash*
Cash comprises (a) unrestricted and available-on-demand cash, and (b) restricted and unavailable cash. Cash and cash equivalents are stated at nominal value.

3.10. *Provisions*
Provisions reflect the recognition of legally enforceable or constructive obligations existing at the balance sheet date, for which settlement is probable and which will require an outflow of resources to effect settlement that can be reliably estimated. Provisions are measured on the basis of the best estimates of the amounts required to settle the obligations at the balance sheet date. Provisions are stated at the present value of the expected settlement expenditure unless stated otherwise. Provisions are amended by corrections to these accounting estimates as further facts become available or as the obligation is settled. Amounts due from third parties in respect of provisions are recognised as separate assets and only when they are virtually certain to be received.

Deferred income tax assets and liabilities
Deferred tax is provided for timing differences arising when items of income and expenditure are included in financial accounts in periods which differ from those in which they are included in tax computations; these are calculated using the balance sheet liability method. Liabilities are provided in full; assets, including future benefits of tax loss carry-forwards, are recognised to the extent that it is reasonable to assume that they will be recovered.

Restructuring provisions
Restructuring relates to costs directly attributable to restructuring in progress. The restructuring provision is formed at the moment when detailed plans to restructure the Group are formalised and approved.

Pensions and retiree medical benefits
The Group operates various pension plans consisting of both defined benefit pension schemes and defined contribution schemes, some of which are state sponsored. The pension costs in the accounts are reported under ASC 715-30 Compensation – Retirement Benefits – Defined Benefit Plans - Pensions. This is consistent with the ultimate parent company. The use of US GAAP treatment is allowed under generally accepted accounting principles in the Netherlands, as applied to the defined benefit schemes for purposes of these Group accounts.

The majority of the defined benefit schemes are self-administered and the schemes' assets are held independently of the Group's finances. Payments made to the funds are based on actuarial calculations. This involves making estimates of existing and future costs and spreading these over the periods during which the services have been or will be rendered. The interest costs arising from discounting the liabilities to present value are included in the pension expense, and is based on the current interest rates of high quality corporate bonds in each of the geographies where the Group has final salary pension plans.

The Group also has various unfunded pension schemes. Provision is made in the balance sheet for present and future obligations not placed under independent pension funds; the accounting treatment of these schemes also follows generally accepted accounting principles in the Netherlands.

For each of the pension plans the relevant Group subsidiary carries a provision which recognises:
- The obligation to provide additional payments or recovery premiums due to a low coverage ratio of the pension fund.
- Additional pension entitlements arising from promised salary increases and other inflation adjustments where a final pension is applicable.
- Unconditional indexation that is not yet funded.
- Disadvantages of individual value of transfers at the expense of the Group.
- Obligations to employees that are not insured through a pension fund.

Dilapidations costs
This charge represents conditional asset retirement obligations associated with leased facilities where the Group is required to remove certain leasehold improvements and restore the facility to its original condition at lease termination. On a prospective basis, these charges will be recognized rateably over the lease term.

3.11. Non-current liabilities
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.
Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

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

3.13. Hedge Accounting
During 2020, the Group continued to enter into cash flow hedges of forecasted Yen and USD purchases. Typically the Group's dealings in derivatives are short term with the majority of impacts flowing into the income statement during the year. As at December 31, 2020 the value of realised and unrealised cash flow hedges, relating to forecast purchases and awaiting reclassification from Equity were €3m Liability pre-tax effects (2019: €0.9m Liability). Provided the hedge is effective unrealised changes in the fair value of the hedging instrument are initially recognised in equity and classified as other comprehensive income. They are transferred to the income statement when the hedged transaction affects the income statement. The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in the income statement. There were no designated net investment hedges in 2020 (2019: nil). The relationship between the hedging instruments and the hedged item(s) are documented at the inception of the hedge relationship and throughout the life of the hedge relationship. This assessment that such hedges are highly effective at offsetting changes in fair values of hedged cash flows is tested at inception and throughout the life of the hedge relationship. The Company shall discontinue prospectively the cash flow hedge accounting if (i) the hedging instrument expires or is sold, terminated or exercised, (ii) the hedge no longer meets the criteria for hedge accounting.

4. Accounting policies for the Profit and loss account
Profit or loss is determined as the difference between the realisable value of goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognised in the period in which they are realised, and expenses are recognised in the period they are incurred.

4.1 Revenue recognition
In the normal course of business, the Group generates revenue through the sale and rental of equipment, service, and supplies and income associated with the financing of equipment sales. Revenue is recognised when earned. More specifically, revenue related to sales of our products and services is recognised as follows:

Equipment: Revenues from the sale of equipment including those from financial leases are recognised at the time of sale or at the inception of the lease, as appropriate. For equipment sales which require us to install the product at the customer location, revenue is recognised when the equipment has been delivered to and installed at the customer location and customer acceptance has been received. Sales of customer installable and retail products are recognised upon shipment or receipt by the customer according to the customer's shipping terms.

Revenues from equipment under other leases and similar arrangements are accounted for by the operating lease method and are recognised as earned over the lease term, which is generally on a straight-line basis.

Service (repairs and maintenance of installed equipment): Service revenues are derived primarily from maintenance contracts on our equipment sold to customers and are recognised over the term of the contracts. A substantial portion of our products is sold with full-service maintenance agreements for which the customer typically pays a base service fee plus a variable amount based on usage.

Supplies: Supplies revenue generally is recognised upon shipment or utilisation by customer in accordance with sales terms.
Bundled Lease Arrangements: The Group sells most of its products and services under bundled lease arrangements, which contain multiple deliverable elements. These arrangements typically include equipment, service and supplies, and financing components for which the customer pays a single negotiated price for all elements. Revenues under these arrangements are allocated based upon estimated fair values of each element.

The Group recognised revenue under IFRS 15, Revenue from Contracts with Customers using the modified retrospective method of adoption. For more information see note 19 (Revenue).

Revenue consists of revenue earned in the period from the sale and rental of document processing equipment, the provision of document solutions, the sale of paper and supplies, the provision of service and maintenance, and receipts and interest income from the leasing operations. Amounts are less discounts and similar incentives and are net of value added tax.

Interest and other income from financial leases and credit sales agreements from leasing operations are an integral part of the marketing strategy of the Group and, as permitted by the Netherlands Civil Code, fall within the Group's supply of goods and services. Accordingly, leasing income has been included within revenues.

4.2. Cost of revenue

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

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

Salaries, wages, and employer social security contributions are recognised in the profit and loss account. Please refer to Note 4.4 below, for further detail.

4.3. Selling, General and administrative expenses

Selling expenses, and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold. Please refer to Note 4.4 below, for further detail.

4.4. Employee costs and benefits

(i) General

Employee costs (wages, salaries, social security contributions, pension costs, and share based payments) are not presented as a separate item in the income statement. These costs are included in cost of sales, general and administrative, and selling expenses.

(ii) Short-term employee costs and government subsidies

Salaries, wages, and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Operating subsidies are recorded as income in the income statement in the year in which the subsidised costs were incurred or income was lost or when there was a subsidised operating deficit. Income is recognised when it is probable that it will be received.

(iii) Pensions

The Group applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result. Please also refer to under Note 28 for pensions for further information.

(iv) Share based payments
Cost of recharges applicable to the Group's employees are charged to the income statement.

4.5. Research and development
Research and development is undertaken by the Group in Europe and by its ultimate parent company, Xerox Holdings Corporation, throughout the rest of the world. All expenditure on research and development is charged directly to the profit and loss account as incurred. The Group is also charged a royalty for the benefit it derives from the use of the Xerox brand and technological developments. Although Dutch accounting standards can require the capitalisation of development costs, no such R&D costs are capitalised by the Group because the qualifying criteria are not met.

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

4.7. Tax
Tax is calculated on the result before tax in the income statement, taking into account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Differences between fiscal accounting principles and the accounting principles and policies applied by the Group are taken into account.

4.8. Share in result of Associates
The share in the after-tax results of associates valued at net asset value is determined in proportion to the respective holdings owned by the Group.

4.9. Internal Use Software
Direct costs incurred during the application development stage and the implementation stage for developing, purchasing or otherwise acquiring software for internal use are capitalised with intangible assets and are amortised over the estimated useful lives of the software, generally three to seven years. All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives are expensed as incurred as the criteria for recognition as an asset are not met.

4.10. Amortisation and depreciation
Intangible assets, including goodwill, are amortised and property, plant and equipment are depreciated over their estimated useful lives from the point of their being brought into use. Future depreciation and amortisation is adjusted if there is a change in estimated future useful lives of the assets. Gains and losses on sales of property, plant and equipment are included in depreciation.

4.11. Discontinued Operations
In circumstances where the senior management of the Group has made the strategic decision to exit a discrete part of the Group's business, disclosure of the particulars of the transaction are made in a separate note to the accounts as permitted under Dutch GAAP.

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

4.13. 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.

5. Financial instruments and risk management

Treasury policy

Global treasury policy is to identify and mitigate the impact of financial risk on the cash flows of the Group from foreign currency 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 seeks to minimise the volatility and uncertainty of underlying cash flows at their source, thereby affording Xerox Investment Europe B.V. the desired economic protection for its financial activities.

Foreign currency contracts are recorded on the balance sheet at fair value. These derivatives are used for the purposes of economic hedging of risk. The Company does not enter into derivative contracts for trading purposes.

Global treasury activities are regularly reviewed by senior management through formal Risk Management Reviews of liquidity and currency risk. 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, these are treated as undesignated foreign currency hedges.

6. Treasury

The Group 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 foreign exchange contracts and currency options are used to minimise on going currency risks, arising from holding both foreign currency monetary assets and liabilities. Translation currency exposures of non-monetary assets and liabilities are not hedged.

The absolute contract value and mark to market of the currency instruments at the balance sheet date were €0.6 billion and €2.9m Liability respectively (2019: €0.6 billion and €2.6m Liability).

(ii) Interest Rate and Cash Flow Risk

The Group has no significant interest bearing asset 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.
In addition, the Group incurs risk to the fair value of fixed interest loans and receivables due to changes in market rates of interest. With regard to the receivables, no financial derivatives for hedging of the interest rate have been contracted.

(iii) Credit Risk

As a result of the use of derivative instruments, the Group is exposed to the risk that counterparties to derivative contracts will be unable to meet their contractual obligations. To mitigate the counterparty credit risk, the Group has a policy of only entering into contracts with selected major financial institutions based upon their overall credit profile. The Group established policies and procedures for mitigating credit risk on principal transactions include reviewing and establishing limits for credit exposure and continually assessing the credit worthiness of counterparties.

(iv) Price risk

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

(v) Liquidity risk

The Company is funded through inter-company arrangements.

7. *Intangible fixed assets*

	Goodwill €m	Capitalised Software €m	Other Intangible €m	**2020** Total €m
Balance as at 1 January 2020				
Historical costs	127	605	45	777
Cumulative impairment losses and amortisation	(101)	(577)	(40)	**(718)**
Book value	**26**	**28**	**5**	**59**
Movements				
Additions	-	3	-	**3**
Disposals	-	(1)	(20)	**(21)**
New consolidations	95	-	70	**165**
Currency Changes	(5)	(27)	(2)	**(34)**
Amortisation	(17)	(11)	(6)	**(34)**
Amortisation of disposals	-	1	20	**21**
Amortisation of currency changes	-	24	1	**25**
Balance	**73**	**(11)**	**63**	**125**
Balance as at 31 December 2020				
Historical costs	217	580	93	**890**
Cumulative impairment losses and amortisation	(118)	(563)	(25)	**(706)**
Book value	**99**	**17**	**68**	**184**

€95m of the new consolidations represents the goodwill relevant to entities acquired during the financial year; €9m: Digitex Canada Inc, €23m: Arena Group Holding Limited, €43m: Altodigital Network Limited, and €20m: ITEC Connect Limited.

€70m in other intangibles for new acquisitions relate to €10m: Digitex Canada Inc, €17m: Arena Group Holding Limited, €25m: Altodigital Network Limited, and €18m: ITEC Connect Limited.

Please refer to Note 34 for further information.

8. Tangible Fixed Assets

	Land and Buildings	Plant and Machinery & tooling	Fixtures, fittings, & equipment	Rental equipment	**Total**
	€m	€m	€m	€m	€m
Balance as at 1 January 2020					
Acquisition cost	180	218	123	542	**1,063**
Cumulative impairments and depreciation	(95)	(206)	(98)	(399)	**(798)**
Book value	**85**	**12**	**25**	**143**	**265**
Movements					
Additions	4	1	4	4	**13**
New consolidations	3	2	7	2	**14**
Disposals	(16)	(9)	(18)	-	**(43)**
Transfers to inventory	-	-	(7)	(17)	**(24)**
Transfers in balance sheet accounts	(1)	2	(1)	(2)	**(2)**
Depreciation	(7)	(4)	(13)	(67)	**(91)**
Depreciation on disposals	16	9	17	1	**43**
Depreciation on transfers to inventory	-	-	9	59	**68**
Depreciation on transfers within balance sheet accounts	-	(1)	1	3	**3**
Transfers (To)/From other units	(4)	4	(5)	-	**(5)**
Exchange rates	(2)	(3)	(2)	(7)	**(14)**
Balance	(7)	1	(8)	(24)	(38)
Balance as at 31 December 2020					
Acquisition costs	162	211	98	503	974
Cumulative impairments and depreciation	(84)	(198)	(81)	(384)	(747)
Book value	**78**	**13**	**17**	**119**	**227**

There were no impairments of tangible assets due to restructuring or other circumstances to trigger impairment reviews during the year.

9. *Financial fixed assets*

	Associates at net asset value (i) €m	Financial leases (ii) €m	Deferred tax assets (iii) €m	Pensions prepayment (iv) €m	Other (v) €m	**Total** €m
Balance as at 1 January 2020	28	863	105	401	32	**1,429**
Additions	-	351	-	-	-	**351**
Share of profit of associates	2	-	-	-	-	**2**
Revaluation	(2)	(6)	-	-	-	**(8)**
Currency translation effect	(1)	-	-	-	-	**(1)**
Dividend	(2)	-	-	-	-	**(2)**
Disposals and terminations	-	(269)	-	-	-	**(269)**
Transfers to short term receivables	-	(196)	-	-	-	**(196)**
All other	-	-	(29)	99	-	**70**
Balance as at 31 December 2020	25	743	76	500	32	**1,376**

(i) *Associates at net asset value*

	2020 Total €m	**2019 Total** €m
At 1 January	**28**	**1,272**
Share of profit of associates	2	136
Revaluation	(2)	1
Currency	(1)	62
Pensions	-	(8)
Dividend	(2)	(67)
Disposals	-	(1,368)
At 31 December	25	28

During 2019, Xerox Holdings Corporation sold it's 25% equity interest in Fuji Xerox to Fuji Holdings Corporation. Please refer to Note 35(vii) for details of the remaining associates.

(ii) *Finance lease*

	2020 Total €m	**2019** Total €m
At 1 January	**863**	**888**
New lease amounts receivable	351	466
Transfer to short-term lease receivables	(196)	(217)
Disposals and terminations	(269)	(293)
Exchange rate changes	(6)	19
At 31 December	**743**	**863**
Gross lease receivables	1,307	1,489
Unearned income	(129)	(155)
Allowance for doubtful accounts	(44)	(26)
Current portion of finance receivables not billed	(391)	(445)
Amounts due after one year net at 31 December	**743**	**863**

Contract maturities in €m

	2021	2022	2023	2024	2025	Thereafter	Total
Gross finance receivables	475	363	255	148	60	6	**1,307**
Net finance receivables	391	324	228	132	53	6	**1,134**

A total of €364m (2019: €412m) was billed during the year in respect of financial leases. Note 19 on revenue shows €77m (2019: €86m) of lease interest recognised in revenue, the difference is primarily the equipment related element in the lease rentals relating to equipment recognised as sales upon inception of the sales type lease contracts.

The European Central Leasing Group in the UK direct the terms and conditions of leasing contracts across the group. In 2020 the yield on the new business that the company had written had an average yield of 5.95% to 8.70% (2019: 6.14% to 9.24%) - over a term of 48 to 58 months. Majority of our companies receive payments on a quarterly basis, whilst a small number of entities receive on a monthly and quarterly scale. The fair value of finance leases is determined from a net present value calculation using the lease yield.

(iii) Deferred tax assets

	2020 Total €m	2019 Total €m
Deductible temporary differences	49	84
Deductible losses	27	21
Total Receivable at 31 December	76	105

It is expected that €2.5m of the deferred tax assets will be settled within 1 year.

(iv) Pension prepayment

	2020 Total €m	2019 Total €m
At 1 January	401	244
Service cost	(7)	(7)
Interest cost	(86)	(119)
Contributions	64	75
Return on assets	503	509
Actuarial loss	(353)	(318)
Amendments	(3)	-
Curtailments	-	2
Transfer to pension liability	-	3
Translation	(19)	12
At 31 December	500	401

(v) Other

	2020 Total €m	2019 Total €m
Marketable Securities	3	3
Advances	12	13
Recoverable pensions contribution	1	1
Derivative Assets	1	1
Other receivables	15	14
Total Other at 31 December	32	32

Marketable securities are typically cash time deposits, there is no material difference between the carrying value and the fair value of these assets.

Recoverable pensions reflects the surplus funds held by an administrator of a Danish defined benefit scheme which cannot be re paid upon the request from Xerox. It can be paid back on the initiative from Xerox Pensions Administrator.

Net Derivative Liability balances represent the fair value of derivative financial instruments hedging the exposure related to transactions in foreign currencies. The net movement in financial instruments is summarised below:

	2020 Total €m	2019 Total €m
At 1st January	(3)	7
Credit/(Debit) to the Profit and Loss account	7	(3)
Fair value movement (charged)credited to Equity(OCI)	(2)	4
Net settlements	(5)	(11)
Total Other at 31 December	**(3)**	**(3)**

The closing balance of €(3m) net liability(2019: €-3m) consists of €1m (2019: €1m) derivatives assets and €(4m) (2019: €4m) derivative liabilities, which is included as part of other liabilities (note 18). The fair value of derivative assets can be determined from quoted market prices.

10. Leases

The Group 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

	31st December 2020 Total €m	31st December 2019 Total €m
Right-of-use-assets		
Buildings	70	63
Equipment	1	-
Vehicles	8	12
	79	75
Lease liabilities		
Current	19	21
Non-current	62	58
	81	79

Additions to the right-of-use assets during the 2020 financial year were €42.0m (2019: €28.8m).

The amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 Total €m	2019 Total €m
Depreciation charge of right-of-use-assets		
Buildings	22	37
Vehicles	7	8
	29	45
Interest expense	4	8
Expense relating to short-term leases	-	1

The total cash outflow for leases in 2020 was €31m (2019: €34m).

Future minimum lease payments are as follows:

	2020 Total €m	2019 Total €m
Not later than one year	24	26
Later than one year and not later than five years	50	51
Later than five years	19	14
Total gross payments	**93**	**91**
Impact of Finance Expenses	**(12)**	**(13)**
Lease Liability	**81**	**78**

11. Inventories

	2020 Total €m	2019 Total €m
Finished goods equipment	50	46
Spares, consumables and paper	203	170
Raw materials and consumables	13	11
Work in progress	8	16
Total Inventory at 31 December	**274**	**243**

The inventory values shown above are at net realisable value. This is net of reserves of €19m (2019: €16m) for excess and cancelled inventory as well as obsolescence. Work in progress relates to many individual machines and other products at various stages of assembly. Upon completion these machines are transferred into Finished Goods inventory at standard carrying value which is re-set quarterly. Finished Goods inventory value by product family is adjusted by capitalising variances to the standard cost in line with Inventory Turnover periods – variances are not allocated to individual machines. There was no material activity in writing down inventory to net realisable value.

12. Receivables

	2020 €m	2019 €m
Financial leases (note 9 (ii))	391	445
Trade accounts receivable	251	338
Accrued income	85	128
Receivables from related associates	19	22
Prepayments	20	22
Other receivables	67	78
Customer contract assets	36	45
Income tax receivable	10	29
Deferred tax	78	58
Short term receivables at 31 December	957	1,165

Receivables from associates are unsecured, interest free and are generally receivable upon 30 days payment term. Customer contract assets are deferred costs and incentives which will be recognised in profit and loss over the duration of the services contracts. The Group has a facility enabling the sale without recourse to a third-party on an on-going basis of certain accounts receivables. During 2020 and 2019, approximately €291m and €356m respectively were sold under this facility. Fees associated with the facility in 2020 and 2019 were €2m, respectively. As at 31 December 2020, €110m remained uncollected by the third-party (2019: €147m).

The fair value of the receivables approximates the book value due to their short-term nature, and any provisions for bad debts being recognised where necessary. Trade debtors are disclosed after netting off a bad debt provision of €17m (2019: €14m).

Accrued income of €85m (2019: €128m) relates mainly to services and maintenance revenue earned, but not yet billed to customers.

13. Cash and cash equivalent

The reported cash of €280m (2019: €600m) is all available-on-demand and unrestricted, except for €34m (2019: €49m), which is restricted and not available. The restricted cash reflects payments due to certain national governments for payroll deductions which must be set aside in escrow until they are paid. The restricted cash balance also represents amounts collected on behalf of factoring agencies which has not yet been remitted to them.

14. Shareholder's equity

For information on shareholder's equity, see the Xerox Investments Europe B.V. Company financial statements, note 41.

15. Non-controlling Interest

	2020 €m	2019 €m
Balance as at 1 January	7	7
New consolidation	-	-
Profit for the financial year	-	3
Dividend	(3)	(3)
Balance as at 31 December	4	7

There have been no significant changes to non-controlling interests during the year. Note 35(ii) provides a list of entities who have a non-controlling interest in the Group.

16. *Provisions*

	Restructuring €m	Pensions €m	Other Post retirement benefits €m	Deferred Tax €m	Other €m	Total €m
Balance as at 1 January 2020	60	498	116	52	34	760
Additions	63	(1)	3	-	6	71
Utilised	(52)	-	-	-	(1)	(53)
Withdrawal	(3)	(28)	(4)	(3)	(12)	(50)
Balance as at 31 December 2020	**68**	**469**	**115**	**49**	**27**	**728**

An amount of €607m (2019: €661m) of the provisions can be classified as non-current.

The restructuring provision relates to headcount reduction actions in the business to improve operational efficiency and has been calculated using the number of heads and their salaries.

Pensions reflects the funded status on defined benefit pension plans. Other Post retirement benefits relates to the continuing provision of medical benefits for retired employees of Xerox Canada. All employees of the Group's Canadian companies are eligible for this benefit. See note 28 for pension assumptions.

Deferred taxes arise primarily due to timing differences on leases and to tax effecting the pension accounting in equity, offset by other timing differences arising from goodwill and trading activity. "Other" relates principally to warranty and recourse provisions, to the EC Directive on the recovery and recycling of products from electrical manufacturers, and to the anticipated dilapidations costs claimable against group companies regarding various leased premises.

Other provisions include legal disputes which primarily relates to legal cases in Brazil between Xerox, former employees and the Brazilian government. The net decrease is primarily due to reversal of provisions due to favourable case decisions.

17. *Other non-current liabilities*

	Lease €m	Real estate obligations €m	Pension provisions €m	Income tax €m	**Total** €m
Book Value as at 1 January 2020	57	6	11	15	89
Additions	32	-	-	-	32
Remeasurements	(2)	-	-	-	(2)
Terminations	(6)	-	-	-	(6)
Reclasses to current liabilities	(19)	-	-	-	(19)
Other non-current liabilities	1	(2)	-	(1)	(2)
Book Value as at 31 December 2020	63	4	11	14	92
Of which:					
Duration <1 year (see Note 18)	19	1	-	3	23
Duration ≥1 years≤ 5 years	47	3	5	3	58
Duration> 5 years	16	1	6	11	34
	82	5	11	17	115

The Group's Canadian subsidiary, in their capacity as a lessee deals with real estate and have disclosed a value of €1m as a non-current real estate liability which will mature in 2-5 years. A further €3m of the real estate obligation (deferred income from sale) relates to the sale and lease back agreement made by Xerox Manufacturing (Netherland) B.V. in July 2018, of which €2m (2019: €3m) will mature within 2-5 years and €1m: (2019: €2m) thereafter.

€10m of the pension provisions relates to the long-term disability allowance for Canada.

	2020	2019
	€m	€m
Payable at 1 January	15	14
Payable for financial year	(1)	3
Total	14	17
Paid in in the current year	-	(2)
Payable as at 31 December	14	15

18. Current liabilities

	2020	2019
	€m	€m
Leases	19	22
Debts to suppliers and trade creditors	283	196
Accounts payable to group companies	72	175
Tax and social insurance	66	79
Corporate taxes	3	5
Other liabilities, accruals and deferred income	254	328
	697	805

All current liabilities fall due within one year and their fair value approximates their book value. Leases relate to bank and institutional borrowings. At the year end the Group had a bank overdraft of €Nil (2019: Nil) and lease liability of €19m (2019: €21m) from the adoption of IFRS 16.

Accounts payable to group companies relates to €Nil (2019: €6m) in bonds, €11m (2019: €15m) un-billed inter-company recharges, and €61m (2019: €153m) intercompany trading activities. All amounts owing to Xerox Corporation and subsidiaries are unsecured, interest free and repayable on demand.

Other liabilities include €250m (2019: €325) accruals and deferred income.

Corporation tax payable within one year is as follows:

	2020	2019
	€m	€m
Payable at 1 January	5	7
Payable for financial year	14	38
Total	19	45
Paid in 2019	(5)	(32)
Other balance sheet transfers	(11)	(8)
Payable as at 31 December	3	5

19. Revenue

	2020	2019
Geographical distribution	€m	€m
Europe	1,847	2,418
Americas	387	539
Asia	55	68
Other areas	95	92
Total revenues	2,384	3,117
Product/service distribution		
Sale of goods	899	1,234
Services including facilities management	1,326	1,699
Rental income	67	80
Lease interest	77	86
Other	15	18
Total revenues 31 December	2,384	3,117

The cost of inventory in the year was €1.5b (2019: €1.5b).

20. *Amortisation/depreciation and impairment on intangible and tangible Fixed assets*

Cost of revenue, selling expenses and general and administrative expenses include amortisation, depreciation and impairment of assets. These can be broken down as follows:

	Note	2020 €m	2019 €m
Amortisation of intangible assets	7	36	53
Depreciation of property, plant & equipment	8	91	108
Depreciation on right-of-use-assets	10	29	45
At 31 December		156	206

21. *Other Expenses*

(i) Short-term employee benefits

The employee benefits expense is included in cost of revenue and selling expenses, and general and administrative expenses depending on the activities of the employees in question:

	2020 €m	2019 (Restated) €m
Salaries and wages	466	549
Costs with respect to share (option) plans	8	13
Social security contributions	91	99
Pension contributions	30	2
At 31 December	595	663

The cost in 2019 has been restated to reflect payroll costs of our Canadian subsidiary, with an increase in salaries & wages: €98m, social security costs: €3m, and pension cost: €8m. The new acquisitions in the U.K. and Canada during 2020 have increased the payroll cost by a total of €37m, where salaries & wages: €32m, social security costs: €4m, and pensions: €1m.

The group received furlough savings of €51m during the year, of which €21m related to its subsidiaries in the EMEA, and €30m in Canada. The cost of salaries and wages of €466m presented above is net of this saving.

(ii) Selling and general & administrative expenses

	2020 €m	2019 €m
Admin expenses		
Intangible amortisation	23	34
Restructuring and re-organisation costs	67	103
Pension costs	(15)	(33)
Xerox Corporation charges	116	134
Research and development costs in Europe	2	16
Administrative expenses	262	302
Exchange gains & losses, and other	2	2
At 31 December	457	558
Selling expenses excluding bad debt provision		
Selling expenses excluding bad debt provision	255	303
Bad debt provision	42	8
At 31 December	297	311
Total Expense	754	869

22. *Gain on disposal of associate*

There are no disposals of Group entities during the year (2019: €860m gain - disposal of equity interest in Fuji Xerox Co. Limited).

23. *Financial income*

	2020	2019
	€m	€m
Interest and similar income	10	13
Interest income from group companies	12	13
At 31 December	**22**	**26**

24. *Tax on result*

The tax on the result, amounting to €-7m, can be specified as follows:

	2020	2019
	€m	€m
Result before tax	(94)	948
Deferred corporate income tax	(23)	4
Corporate income tax current financial year	14	26
Corporate income tax previous financial year	2	7
Tax on result	**(7)**	**37**
Effective tax rate	7.61%	3.92%
Applicable tax rate	25.00%	25.00%

A reconciliation of Dutch statutory income tax rate to the consolidated effective income tax rate was as follows:

	2020	2019
	%	%
Dutch statutory rate	25.00	25.00
Foreign rate differential adjusted for Dutch taxation	2.69	(6.05)
Disposition of interest in Fuji	-	(17.26)
Non-deductible goodwill	(4.62)	0.64
Non-deductible expense (other)	(5.58)	0.57
Audit and other tax return adjustments	0.49	0.01
Effect of law changes	7.49	0.11
Change in valuation allowance for deferred tax assets	(14.14)	0.90
Currency translation	(3.72)	-
Effective income tax rate	**7.61**	**3.92**

25. *Audit fees*

The following audit fees were expensed in the profit and loss account in the reporting period:

	2020	2019
	€m	€m
Audit of the financial statements	4	4
Other audit services	1	1
At 31 December	5	5

Other audit services of €0.3m (2019: €0.7m) relates to litigation work carried out by audit firm.

The fees listed above relate only to the procedures applied to the Company and its consolidated group entities by accounting firms and external independent auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta).

The figures disclosed above relate to the audit of the 2020 financial statements, regardless of whether the work was performed during the financial year, and have been disclosed on accrual basis.

26. Contingent liabilities and off-balance sheet commitments

Contingent liabilities

Our Brazilian operations have received or been the subject of numerous governmental assessments related to indirect and other taxes. The tax matters principally relate to claims for taxes on the internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. We are disputing these tax matters and intend to vigorously defend our positions. Based on the opinion of legal counsel and current reserves for those matters deemed probable of loss, we do not believe that the ultimate resolution of these matters will materially impact our results of operations, financial position or cash flows.

As 31 December 2020, the total amounts related to the unreserved portion of the tax contingencies, inclusive of related interest, amounted to approximately €289m with a decrease of approximately €106m from the prior year, primarily related to closed cases. With respect to the unreserved balance the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. In connection with the above proceedings, customary local regulations may require us to make escrow cash deposits or post other security of up to half of the total amount in dispute. As of December 31, 2020, the group had €32m (2019: €45m) of escrow cash deposits for the tax matters group is disputing and additional letters of credit and surety bonds of €63m (2019: €81) and €91m (2019: €120m), respectively, which include associated indexation. There were no liens on Brazilian assets at 31 December 2020. Generally, any escrowed amounts would be refundable and any liens on assets would be removed to the extent the matters are resolved in the Group's favour. We are also involved in certain disputes with contract and former employees. Exposures related to labour matters are not material to the financial statements as of 31 December 2020. The Group routinely assess all these matters as to probability of ultimately incurring a liability against our Brazilian operations and record our best estimate of the ultimate loss in situations where the group assess the likelihood of an ultimate loss as probable.

In 1997, the Group purchased the entire share capital of the Rank Organisation Limited now XRO Limited. The Rank Organisation Limited and its subsidiary companies had a number of outstanding contingent liabilities, including guarantees, when it was acquired by the Group. Xerox Overseas Holdings Limited has been provided with an unlimited indemnity by The Rank Group Plc in respect of any loss arising from these contingent liabilities and guarantees.

Xerox Capital (Europe) Limited continues as a named borrower under the Credit Facility (discussed further in the Director's Report), which is also guaranteed by Xerox Corporation. Xerox UK Holdings Limited and Xerox Overseas Holdings Limited have each provided a guarantee in respect of Xerox Capital (Europe) Limited.

In December 2020, Xerox Limited received a discovery assessment from HM Revenue and Customs which challenges the company's transfer pricing arrangements in the years 2014 through 2016 and indicates additional corporation tax payable of €43.4m (£39.2m) plus potential additional interest and penalties. Having sought expert external advice, the Directors of Xerox Limited are of the opinion that they have appropriately interpreted and complied with all relevant tax legislation and have submitted an appeal against this assessment. No amounts have therefore been provided in respect of this assessment in the financial statements.

There are contingent liabilities amounting to €100m (2019: €119m) of which €71m (2019: €79m) is in respect of legal disputes and €29m (2019: €40m) for liens and guarantees provided.

For corporate income tax purposes, XIEBV. was the parent company of the Dutch fiscal unity and Xerox Nederland B.V., Xerox Financial Services B.V., Xerox Manufacturing (Nederland) B.V., Veenman B.V., Veenman Financial Services B.V., were part of that fiscal unity. Pursuant to the Collection of State Taxes Act, the XIEBV and its Dutch subsidiaries are severally and jointly liable for the tax payable by the combination.

In the financial statements of each subsidiary, tax expenses are calculated on the basis of the commercial result realised by that subsidiary, modified by any tax credits or benefits provided by other group members. Tax balances are settled through intercompany account transfers.

The Group determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. Should developments in any of these areas cause a change in our determination as to an unfavourable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Off-balance sheet commitments

At 31 December 2020, the Group had €3m in outstanding capital commitments (2019 : €3m).

Xerox Investments Europe B.V. has issued various guarantees in relation to the liabilities of subsidiaries included in these consolidated accounts. The guarantees are principally under Section 403,1 sub f of Book 2 of the Netherlands Civil Code or section 479C of the UK Companies Act 2006. Details of the individual subsidiaries covered by the guarantees are given in Note 44.

27. Related party transactions

(i) Principal related parties of Xerox Investment Europe B.V. and subsidiaries

Related Party	Relationship
Xerox Holdings Corporation	Ultimate parent company
Xerox Corporation	Parent company
Xerox pension funds	Various pension funds

(ii) Transactions with the related parties include sales and purchases of goods and services and are priced at arms'-length and in accordance with established agreements and guidelines. The recent changes in Dutch reporting regulations mean that only significant transactions with related parties outside of usual day to day business need to be disclosed. We will therefore only provide such information in future when these circumstances arise.

28. Pensions

In the financial statements, provisions are recognised for unfunded liabilities as at the balance sheet date under an administration agreement(s) and unfunded commitments to employees as at the balance sheet date.

Contributions to defined contribution schemes are charged to the profit and loss account as incurred. The market performance impacts in 2020 showed a recovery in the value of the assets held by pension plans; there was a small increase in pension liabilities due to changes in interest rates and inflation. These impacts and the related unrecognised gains and losses they have created are recognised in the other comprehensive income impact of pensions, previously referred to as minimum pension liability, reflected in equity.

Expected Long Term Rate of Return

A "building block" approach is employed in determining the long-term rate of return for plan assets. Historical markets are studied and long-term relationships between equities and non-current income securities are assessed. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established giving consideration to investment diversification and rebalancing. Peer data and historical returns are reviewed periodically to assess reasonableness and appropriateness.

The provisions are based on actuarial calculations, of which the most important actuarial principles are:

-Application of a weighted average discount rate of 1.3% (2019:1.8%), and,
-Use of mortality tables used are based upon market conditions in various jurisdictions where employees benefit from final salary pension scheme.

	2020	2019
Change in Benefit Obligation	€m	€m
Balance as at 1 January 2020	**5,796**	**5,250**
Service cost	17	21
Interest cost	99	136
Plan participants' contributions	3	3
Plan amendments	3	-
Actuarial (gain) / loss	385	422
Currency exchange rate changes	(232)	214
Curtailments	(1)	(2)
Balance sheet transfers	(5)	(2)
Actual Expenses	-	(5)
Benefits paid/settlements	(244)	(241)
Balance as at 31 December 2020	**5,821**	**5,796**

The Group applies ASC 715-30 Compensation – Retirement Benefits – Defined Benefit Plans - Pensions in common with our parent company, Xerox Corporation. The Group sponsors numerous defined benefit and defined contribution pension schemes throughout its subsidiaries. Substantially all of the defined benefit schemes are self-administered and their assets are held independently of the Company's finances. The measurement date for our defined benefit schemes is 31 December. Information regarding its pension plans is presented below and includes the impact of the companies acquired or contributed to the group in the year, as well as those companies leaving the group up to the point of their departure:

Pension Benefits

	2020	2019
Change in fair value of plan assets	€m	€m
Balance as at 1 January 2020	**5,698**	**5,007**
Actual return on plan assets	559	606
Employer contribution	91	103
Plan participants' contributions	3	3
Currency exchange rate changes	(250)	227
Settlements	(18)	(13)
Balance sheet transfers	-	(2)
Actual Expenses	-	(5)
Benefits paid	(231)	(228)
Balance as at 31 December 2020	**5,852**	**5,698**

Funded Status (including under-funded and non-funded plans)

	2020	2019
	€m	€m
Benefit obligation, 31 December	(5,821)	(5,796)
Plan assets, 31 December	5,852	5,698
Funded status	**31**	**(98)**

Amounts recognized in the Consolidated Balance Sheet consists of:

	2020	2019
	€m	€m
Prepaid benefit cost (note 9)	500	401
Accrued benefit liability (note 16)	(469)	(499)
Net amount recognised	**31**	**(98)**

The accumulated benefit obligation for all defined benefit pension plans which are unfunded or non-funded was €1,727million and €1,681 million at 31 December 2020 and 2019, respectively. Information for pension plans with an accumulated benefit obligation in excess of plan assets is presented below:

	2020	2019
Unfunded or non-funded plans	€m	€m
Aggregate projected benefit obligation	1,802	1,751
Aggregate accumulated benefit obligation	1,727	1,681
Aggregate fair value of plan assets	1,363	1,270

For the GB Final Salary Pension Plan, a deficit recovery plan was agreed in 2016, between the Pension Trustees and the sponsoring employers, requiring deficit reduction contributions of €60m (£53m) per year until 2023. In 2019, the deficit recovery plan has been re-examined but to date no agreement has been reached with the GB Final Salary Plan trustees and the issue has been referred to the UK Pension Regulator. The 2016 recovery plan remains in effect until the 2019 pensions covenant review is concluded and a new payment schedule agreed. The deficit reduction contributions made to date are reflected in the funded status of the GB Final Pension Plan captured in these accounts.

Pension (benefits) / costs amounted in total to €(1)m (2019: €(14)m). Of this total, €(14)m (2019: €(33)m) was recognised as other miscellaneous income, €2m (2019: €2m) as cost of sales, €8m (2019: €10m) as selling expenses and €5m (2019:€6m) as general and administrative expenses. Non-service costs have been re-classified as Other expenses, net following the requirements of ASU2017-07.

Any changes to future pension premiums will not have a significant impact on the Group.

29. Retiree Medical Benefits

	2020	2019
Change in Benefit Obligation	€m	€m
Balance as at 1 January	116	102
Interest cost	3	4
Actuarial gain	7	7
Currency exchange rate changes	(7)	7
Benefits paid/settlements	(4)	(4)
Balance as at 31 December	115	116

The Group applies ASC 715-30 Compensation – Retirement Benefits – Defined Benefit Plans - Pensions in common with our parent company, Xerox Corporation. The retiree medical benefits detailed relate primarily to the Group's Canadian subsidiaries.

The Retiree Medical Benefits benefit obligation is non funded. Cash contributions are made to cover the benefits paid in the year.

Accumulated other comprehensive income analysis (pre-tax):

	2020	2019
	€m	**€m**
Net actuarial loss	23	18
Prior service credit	(11)	(14)
Accumulated other comprehensive loss	12	4

30. Average number of employees

		2020	2019 (Revised)
		000s	000s
Sales & Service:	Netherlands	1	1
	Europe	7	8
	Americas	3	3
	Asia	-	-
	Other	1	1
Total at 31 December		12	13

During 2020, 12,115 employees were employed on full-time basis (2019 revised:12,529), out of which 623 (2019: 765) were employed in the Netherlands.

The headcount of 10,018 reported in 2019 has been restated to include the 2,511 heads in our Canadian subsidiary which was not previously included.

The total heads in 2020 includes 862 heads relating to new acquisitions in the U.K. and Canada.

31. Share based payments

Xerox has a long-term incentive plan whereby eligible employees may be granted stock options (SOs), restricted stock units (RSUs) and performance shares (PSUs). Xerox grant RSUs and PSUs to officers, selected executives and middle managers, and SOs to officers and selected executives only. Each of these awards is subject to settlement with newly issued shares of Xerox Corporation's common stock and entitles the holder to one ordinary share.

31.1 Stock options (SO)

The Xerox Holdings Corporation Board approved the granting of SOs as part of the 2018 plan design. Compensation expense associated with SOs is based upon the grant date fair value determined by utilizing the Black-Scholes (BS) option-pricing model and is recognized 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.

During the financial year, the group did not grant options (2019: Nil) to directors or the employees.

The movements in share options outstanding in 2020 can be specified as follows:

Employees	**Numbers**
Outstanding at 1 January 2020	150,287
Transfers	(6,518)
Cancelled	(10,283)
Outstanding at 31 December 2020	133,486

No share options were exercised during the year.

Directors	**J Mancini**	**Total**
Outstanding at 31 December 2020 and 2019	12,349	12,349

The weighted average assumptions used in the balance sheet option pricing model relative to SO awards were as follows:

	2018 Award
Expected term	6.13 years
Expected volatility	27.25%
Expected dividend yield	3.25%
Risk-free interest rate	2.63%
Weighted average fair value	$5,71

31.2 Restricted stock units (RSU's)

Compensation expense for RSUs is based upon the grant-date market price and is recognized on a straight-line basis over the vesting period, based on management's estimate of the number of shares expected to vest. Beginning with the 2018 grant, RSU's vest on a graded schedule 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 action), vest based on service provided from the date of grant to the date of separation.

PSU awards granted in 2020 and 2019 were comprised of a performance-based component that included a Revenue and Free Cash Flow metric and a market-based component that included an Absolute Share Price metric. The metrics are weighted as follows: 25% Revenue, 25% Free Cash Flow and 50% Absolute Share Price. Accordingly, each PSU grant was one-half performance-based (Revenue and Free Cash Flow) and one-half market-based (Absolute Share Price). The measures are independent of each other and depending on the achievement of these metrics, a recipient of a PSU award is entitled to receive a number of shares equal to a percentage, ranging from 0% to 200% of the PSU award granted. The 2020 and 2019 PSUs retained the three-year cliff vesting from the date of grant.

In November 2020, the Xerox Holdings Corporation Board approved grants of RSUs to employees who had received grants of PSUs in 2019 and/or 2020 that included performance and market metrics that have been permanently adversely impacted by the COVID-19 pandemic. These grants of RSUs were made in December 2020. The grant-date value of the new RSUs for each recipient was approximately 50% of the grant-date value of the recipient's 2020 and/or 2019 PSUs. These RSU grants are not intended to take the place of the Company's 2021 regular annual equity incentive programs.

During the financial year, 587,069 RSU's were granted, of which 558,110 to employees and 28,959 to the directors. The cost of €8.4m (2019: €13.5) has been charged into the profit and loss account during the year.

The movements in RSU's outstanding in 2020 for employees and directors can be specified as follows:

Employees	**Numbers**
Outstanding at 1 January 2020	1,173,660
Granted	558,110
Transfers	(145,932)
Cancelled	(79,030)
Vested/Exercised	(628,707)
Outstanding at 31 December 2020	**878,101**

Directors	**J Mancini**	**R Martens**	**S Poels**	**Total**
Outstanding at 1 January 2020	48,509	1,339	431	50,279
Granted	26,679	107	2,173	28,959
Released / Cancelled	(21,835)	(567)	(311)	(22,713)
Outstanding at 31 December 2020	**53,353**	**879**	**2,293**	**56,525**

During the year, 79,030 RSU's were vested at a weighted average grant price of $34.40.

The detailed accounting impacts in equity relating to accruals for share based payments are recorded in Xerox Holdings Corporation as it is Xerox shares which are used. As the costs associated with providing the compensation crystallise they are recharged to the subsidiary whose employees received the benefits. The group does not hedge SO and RSUs.

32. Estimated Fair Value of Financial Assets and Liabilities at cost

The fair value of long-term debt is based upon quoted market interest rates at the balance sheet date, using those interest rates against the interest flows under the debt in issue to calculate the current value, which could be supported by those flows. However, only those loans, which are or have previously been longer term in nature and carry fixed interest rates, would be reported. The fair value of other financial assets and liabilities approximates their book value unless otherwise stated.

33. Financial Instruments

Financial instruments at fair value

The table below shows financial instruments stating their fair value as at 31 December 2020 and changes in value recognised directly either through equity or through profit or loss.

	Fair value as at 31 December 2020	Recognized through Equity OCI	Recognized through (Gain)Loss	Recognized through Deferred Tax	Recognized through Cost of sales (Gain)Loss
	€m	€m	€m	€m	€m
Derivative financial instruments					
Forward exchange contracts	(3.0)	2.0	(7.0)	1.0	(1.0)
	(3.0)	2.0	(7.0)	1.0	(1.0)

Derivative financial instruments

Forward exchange contracts are used to hedge foreign currency balances and anticipated cash flows. Hedges of anticipated cash flows have been designated under cash flow hedge accounting rules. The gains and losses from the re-measurement of these derivatives are taken to equity and released to cost of sales when the earnings are impacted by the hedged purchases. The ineffective portion of any gains or losses is taken to the Income Statement.

Derivatives that are non-designated hedges are accounted for by taking their "mark-to-market" movements directly through the Income Statement.
All derivatives will mature in less than one year.

34. Business combination

In 2020, Xerox completed three acquisitions in the U.K., and one in Canada. These acquisitions support the Group's strategy to expand Xerox's presence in the SMB market internationally.

The UK acquisitions, Arena Group, Altodigital Networks and ITEC Connect are leaders in managed print services and have IT services capability, an area we are rapidly expanding into with new offerings. They provide sales, services and supplies and service large customer bases that are complementary to our own. They are in a position to bring the Group's growing portfolio of workplace technology solutions to new customers looking for a modern work experience. The integration of these three companies will strengthen the Group's presence in the SMB market and support our growth objectives in the UK.

Digitex, our Canadian acquisition's primary business operations include the sale and service of multi-function printers, copiers, large format and production devices throughout Western Canada. In addition, it offers flexible Managed IT Services including help desk support, server maintenance, security, storage and back-up solutions. Digitex has a team of experienced professional and takes a consultative approach to ensure customers get the greatest value from technology.

34.A) Summary

	Arena Group Holdings Ltd		Altodigital Networks Ltd		ITEC Connect Ltd		Digitex Canada Inc.	
Date of purchase	28 January 2020		11 March 2020		18 March 2020		28 February 2020	
Country of incorporation	U.K.		U.K.		U.K.		Canada	
Ownership interest held by the group	100%		100%		100%		100%	
Purchase consideration:	**£m**	**€m**	**£m**	**€m**	**£m**	**€m**	**CADm**	**€m**
Cash paid	38	45	68	76	36	40	29	20

The assets and liabilities recognized as a result of the acquisition are as follows:

	€m	€m	€m	€m
Net identifiable assets acquired	21	32	19	10
Add: goodwill	24	44	21	10
Net assets acquired	45	76	40	20

The disclosure above has applied the acquisition method of accounting. The values of goodwill are based on translation at acquisition dates and are to be amortised over a period of 120 months.

34.B) Purchase consideration – cash outflow

	Arena Group Holdings Ltd		Altodigital Networks Ltd		ITEC Connect Ltd		Digitex Canada Inc.	
	£m	**€m**	**£m**	**€m**	**£m**	**€m**	**CADm**	**€m**
Outflow of cash to acquire subsidiary, net of cash acquired								
Cash paid on purchase consideration	38	45	68	76	36	40	29	20
Less balances acquired: Cash paid		3		1		1		-
Net outflow of cash - investing activities		42		75		39		20

35. Principal Subsidiaries and Associates at 31 December 2020

All entities listed in (i) to (v) below are included in the consolidated financial statements of XIEBV.

(i) Subsidiaries of Xerox Investments Europe B.V.

	Country of incorporation	Registered office	Percentage of ordinary share capital owned directly by XIE B.V. (%)	Percentage of ordinary share capital owned indirectly by XIE B.V. (%)
Xerox UK Holdings Limited	England	Uxbridge	100	-
Xerox Holdings (Ireland) Limited	Ireland	Dublin	100	-
Xerox Israel Limited	Israel	Tel Aviv	100	-
Xerox Middle East Investments Limited	Bermuda	Bermuda	100	-
Xerox Middle East Investments (Bermuda)Limited	Bermuda	Bermuda	100	-
Xerox India Limited	India	Delhi	11.80	45.6
Veenman B.V.	The Netherlands	Rotterdam	100	-

100% ordinary shares owned unless stated otherwise	Country of incorporation	Registered office
(ii) Subsidiaries of Xerox UK Holdings Limited		
Xerox Austria GmbH	Austria	Vienna
Xerox Leasing GmbH	Austria	Vienna
Xerox Global Services GmbH	Austria	Vienna
Xerox (Barbados) SRL	Barbados	Bridgetown
Xerox Financial Services Belux NV	Belgium	Zaventem
Xerox N.V.	Belgium	Zaventem
Xerox Management Services N.V.	Belgium	Zaventem
Xerox XHB Limited	Bermuda	Hamilton
Xerox XIB Limited	Bermuda	Hamilton
Xerox Servicos e Participacoes Ltda	Brazil	Sao Paulo
Xerox Comercio e Industria Ltda	Brazil	Sao Paulo
Xerox Bulgaria EOOD	Bulgaria	Sofia
Xerox Business Services Bulgaria EOOD	Bulgaria	Sofia
Xerox Canada Inc.	Canada	Toronto
Xerox Canada Finance Inc.	Canada	Toronto
Xerox Financial Services Canada Ltd.	Canada	Toronto
Xerox Canada Limited	Canada	Ontario
LaserNetworks Inc.	Canada	Ontario
Digitex Canada Inc.	Canada	Alberta
Xerox Czech Republic s.r.o	Czech Republic	Prague
Xerox A/S	Denmark	Ballerup
Xerox Financial Services Danmark A/S	Denmark	Ballerup
Concept Group Limited	Scotland	Edinburgh
Continua Limited	England	Uxbridge
RRXIL Limited	England	Uxbridge
Triton Business Finance Limited	England	Uxbridge
Xerox Finance Limited	England	Uxbridge
Xerox Overseas Holdings Limited	England	Uxbridge
Xerox Limited	England	Uxbridge
Xerox Capital (Europe) Limited	England	Uxbridge
Xerox Property Services Limited	England	London
XRO Limited	England	Uxbridge
XRI Limited	England	Uxbridge
Nemo (AKS) Limited	England	Uxbridge
RRXH Limited	England	Uxbridge
RRXO Limited	England	Uxbridge
Xerox Distributor Operations Limited	England	Uxbridge
Newfield Information Technology Limited	England	Uxbridge

Xerox (UK) Limited	England	Uxbridge
ITEC Connect Limited	England	Bristol
Citrus Digital Limited	England	Bristol
Copyrite Business Solutions (Holdings) Limited	England	Bristol
Criterion IT Limited	England	Bristol
Copyrite Business Solutions Limited	England	Bristol
A B S Digital Limited	England	Bristol
Osprey Business Systems Limited	England	Bristol
Quilver Business Services Limited	England	Bristol
Mail A Doc Limited	England	Bristol
Reflex Digital Solutions (UK) Limited	England	Bristol
Stem Networks Limited	England	Bristol
Back2Business Limited	England	Bristol
Time Business Systems Limited	England	Bristol
Una-Stem Limited	England	Bristol
Arena Group Holdings Limited	England	Wakefield
Acorn Business Machines (Holmfirth) Limited	England	Wakefield
Arena Group Limited	England	Wakefield
Copytrend Limited	England	Wakefield
Docucentric Holdings Limited	England	Wakefield
Business Systems (North Wales) Limited	England	Wakefield
B 2 Business Systems Limited	England	Wakefield
Fovia (Innovation) Limited	England	Wakefield
M & S Reprographics Limited	England	Wakefield
Mitral Systems Limited	England	Wakefield
Altodigital Networks Limited	England	West Midlands
Platinum Digital Print Solutions Limited	England	West Midlands
Xerox Oy	Finland	Espoo
Xerox Financial Services Finland Oy	Finland	Espoo
Xerox S.A.S.	France	Paris
Xerox Technology Services SAS	France	Paris
Xerox Financial Services SAS	France	Neuilly sur Seine
Affiliated Computer Services Holdings (France) S.A.S.	France	Paris
Impika SAS	France	Marseilles
Xerox GmbH	Germany	Neuss
Xerox Leasing Deutschland GmbH	Germany	Neuss
Xerox Holding Deutschland GmbH	Germany	Neuss
Xerox Dienstleistungsgesellschaft GmbH	Germany	Neuss
Xerox Reprographische Services GmbH	Germany	Neuss
Xerox Telebusiness GmbH	Germany	Neuss
Xerox Hellas AEE	Greece	Athens
Xerox Hungary Trading Limited	Hungary	Budapest
Xerox (Ireland) Limited	Ireland	Dublin
Irish Business Systems Limited	Ireland	Cork
Xerox S.p.A.	Italy	Milan
Xerox Italia Rental Services s.r.l.	Italy	Milan
Xerox India Limited (45.6%)	India	Delhi
Xerox Kazakhstan Limited Liability Partnership	Khazakhstan	Astana
Xerox Luxembourg SA	Luxembourg	Luxembourg
Xerox (Netherland) BV	The Netherlands	De Meern
Xerox Manufacturing (Nederland) B.V.	The Netherlands	De Meern
Xerox Financial Services B.V.	The Netherlands	De Meern
Xerox AS	Norway	Lysaker
Xerox Financial Services Norway AS	Norway	Lysaker
Xerox IBS NI Limited	Northern Ireland	Belfast
Xerox Polska Sp .z.o.o	Poland	Warsaw
Xerox Portugal Equipamentos de Escriterio Limitada	Portugal	Lisbon
Creditex-Aluguer de Equipamentos S.A.	Portugal	Lisbon
Xerox (Romania) Echipamente Si Servicii S.A.	Romania	Bucharest
Xerox Shared Services Romania SRL	Romania	Bucharest

Limited Liability Company Xerox (C.I.S)	Russian Federation	Moscow
Xerox Slovenia d.o.o.	Slovenia	Ljubljana
Xerox España, S.A.U.	Spain	Madrid
Xerox Fabricacion S.A.U.	Spain	Madrid
Xerox Office Supplies S.A.U.	Spain	Madrid
Xerox Renting S.A.U.	Spain	Madrid
Xerox Sverige AB	Sweden	Stockholm
Xerox Financial Services Sverige AB	Sweden	Stockholm
Xerox AG	Switzerland	Zurich
Xerox Finance AG	Switzerland	Zurich
Xerox Buro Aracları Servis ve Ticaret Ltd. Sti	Turkey	Istanbul
Xerox (Ukraine) Ltd LLC	Ukraine	Kiev
(iii) Subsidiaries of Xerox Holdings (Ireland) Limited		
Xerox (Europe) Limited	Ireland	Dublin
Xerox XF Holdings (Ireland) Limited	Ireland	Dublin
Xerox Finance (Ireland) Limited	England	Uxbridge
(iv) Subsidiaries of Xerox Middle East Investments (Bermuda) Limited		
Bessemer Insurance Limited	Bermuda	Hamilton
Xerox Egypt S.A.E. (75%)	Egypt	Cairo
Xerox Maroc S.A.	Morocco	Casablanca
Xerox Products Limited (51%)	Bermuda	Hamilton
Xerox Finance Leasing S.A.E.	Egypt	Cairo
Xerox Emirates Limited Liability Company	UAE	Dubai
(v) Subsidiaries of Veenman B.V.		
Veenman Financial Services B.V.	The Netherlands	De Meern
(vii) Associates		
Xerox Emirates LLC (49 % owned)	UAE	Dubai
Printserve AE (38% owned)	Greece	Athens
Euro Buro tc S.A (26% owned)	Belgium	Brussels

Parent Company

The Company's ultimate parent company is Xerox Holdings Corporation, which is incorporated in the United States of America. Copies of the Xerox Holdings Corporation Annual Report and Accounts may be obtained from The Investor Relations Department, Xerox Holdings Corporation, Norwalk World Headquarters, 201 Merritt 7, Norwalk, Connecticut 06851, USA (www.xerox.com).

Post-Balance Sheet Events

We refer to note 48 of the accounts.

XEROX INVESTMENTS EUROPE B.V.

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020

(after appropriation of result)

	Notes	31st December 2020 €m	31st December 2019 €m
Assets			
Fixed Assets			
Intangible fixed assets	37	-	2
Financial fixed assets	38	1,962	2,306
Total fixed assets		1,962	2,308
Current assets			
Accounts receivables	39	-	1
Cash and cash equivalent	40	-	1
Total current assets		-	2
		1,962	2,310
Equity and liabilities			
Share capital	41	1,149	1,149
Share premium account	41	134	134
Currency translation reserve	41	(636)	(746)
Other legal reserves	41	24	28
Other reserves	41	1,185	1,610
Total Equity		1,856	2,175
Provisions	42	9	5
Total Current liabilities	43	97	130
		1,962	2,310

XEROX INVESTMENTS EUROPE B.V.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	€m	€m
Share of result of participations	(82)	1,047
Income from operations after corporation tax	(3)	(3)
Result after taxation	(85)	1,044

Notes to the company balance sheet and income statement

36. General Information

The Company financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The accounting policies for the Company financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with Note 3.4 to the consolidated financial statements.

For the accounting policies for the Company balance sheet and profit and loss account, reference is made to the notes to the consolidated balance sheet and profit and loss account on pages 17 to 28.

37. Intangible fixed assets

The movement in value of intangible assets consists substantially of currency translation.

	Other Intangible €m	**2020** Total €m
Balance as at 1 January 2020		
Historical costs	29	**29**
Cumulative impairment amortisation	(27)	**(27)**
Book value	**2**	**2**
Movements		
Amortisation of intangible fixed assets	(1)	**(1)**
Currency changes	(1)	**(1)**
Amortisation of currency changes	-	-
Balance	**(2)**	**(2)**
Balance as at 31 December 2020		
Historical costs	28	**28**
Cumulative impairment amortisation	(28)	**(28)**
Book value	-	-

38. Financial fixed assets

Principal companies affiliated to the Group within The Netherlands and elsewhere are shown on pages 48 to 50.

Movements in financial assets can be broken down as follows:

	Participations 2020 €m	**Participations 2019** €m
Balance as at 1 January 2020	2,306	3,451
Result from participations	(82)	1,046
Currency translation effect	(127)	(291)
Dividend	(210)	(2,011)
Defined benefits pension plans	72	107
Re-measurement of derivative cash flow hedges	(2)	(5)
Other	5	9
Balance as at 31 December 2020	**1,962**	**2,306**

39. Accounts receivable

	2020 €m	2019 €m
Current income tax receivable	-	1

40. Cash and cash equivalent

The reported cash of €Nil (2019: €1m) is available on demand and unrestricted.

41. Shareholder's equity

	Issued Share capital	Share premium	Legal reserves currency translation	Legal reserve associates	Other reserves	Retained earnings	**Total share holders' equity**
	€	€	€	€	€	€	€
Balance as at 1 January 2020	1,149	134	(746)	28	(729)	2,339	2,175
Net result for the year	-	-	-	2	-	(87)	(85)
Distribution of dividend	-	-	-	(2)	-	(176)	(178)
Pension re-measurement	-	-	-	-	72	-	72
Exchange differences	-	-	110	(4)	(233)	-	(127)
Other	-	-	-	-	(1)	-	(1)
Balance as at 31 December 2020	**1,149**	**134**	**(636)**	**24**	**(891)**	**2,076**	**1,856**

Other reserves consist of unrecognised actuarial losses on defined benefit pension plans (€738m, 2019: €810m), re-measurement of derivative cash flow hedges (€2m, 2019: €Nil), statutorily required local legal reserves in subsidiaries (€154m, 2019: €81m).

The Company's issued share capital is 11,331,950 A shares and 767,227 B shares of €94.97 each. (2019: A share capital is 11,331,950 A shares and 767,227 B shares of €94.97 each).

Rights and obligations of the Class A and B shares.

The Company's authorised share capital is divided into 20,000,000 shares with a nominal value of €94.97 each, divided into 15,000,000 class A shares and 5,000,000 class B shares.

In respect of the issue of a certain class of shares, a repayment may be made or a release may be given exclusively in respect of such shares; for such shares the repayment or release must be made pro rata to these shares. The pro rata requirement may be waived if all shareholders concerned so agree.

A dividend reserve as well as a share premium reserve, bearing the same letter as the relevant class of shares are provided for in Articles 20 and 20A of the Company's Articles of Association.

Contrary to the rule that each share entitles the holder thereof to cast one vote, six votes are conferred on the holder of class A shares and one vote is conferred on the holder of class B shares with regard to resolutions of the general meeting concerning appointment, suspension or removal of a member of the Company's management board, if all class A shares are held by one person and all class B shares are also held by one person as provided for in Article 23 of the Company's Articles of Association.

A distribution of €178m was made to the parent company in the year (2019: €1,991m).

42. Provisions for subsidiaries

	2020
	€m
Balance as at 1 January 2020	(5)
Additions	(2)
Deferred tax	(2)
Balance as at 31 December 2020	**(9)**

In the opinion of the Directors, the Company has a constructive obligation to fund the ongoing activities of its subsidiaries. An assessment has been carried out for those subsidiaries that have negative equity and the provision has been adjusted to show a closing balance of €7 million, which is the Company's share in the negative equity value of the subsidiaries and is the Directors' best estimate of the obligation. The movement in the current year is €2m (2019: €Nil).

43. Current liabilities

	2020	2019
	€m	€m
Payables to group companies	97	130

The above relates to a loan from Treasury which is payable within one year, which consists of a loan principal of €95m and an interest payment of €2m owed at end of the term. The daily interest rates vary from 1.325% to 1.565% due to change in current market rates.

44. Commitments not shown in the balance sheet

The Company has the same contingent liabilities as the Group, see note 26.

The Company has provided within the terms of section 5(c) of the Companies (Amendment) Act 1986 of Ireland irrevocable guarantees in respect of Xerox Holdings (Ireland) Limited, Xerox (Europe) Limited, Xerox XF Holdings (Ireland) Limited and Xerox (Ireland) Limited in respect of all of their liabilities for the whole of the financial year ending 31 December 2020. These guarantees do not extend to any liability or commitment, which may have arisen otherwise than in respect of that financial year or which constitute a liability or loss within the meaning of section 5(c) of the Companies (Amendment) Act, 1986 of Ireland. At 31 December 2020, the liabilities of these companies were assessed at €Nil, €210 million, €832 million and €4 million respectively (2019- €Nil, €236 million, €1,186 million and €3 million).

The Company has filed at the Trade Registry a declaration, as meant in Section 403.1 sub f of Book 2 of the Netherlands Civil Code, that it assumes joint and several liability for any liabilities arising from the legal acts of the following Dutch Group companies:

Company Name	Registered Number
Xerox (Nederland) B.V.	33085753
Xerox Financial Services B.V.	34166350
Veenman B.V.	24026942
Veenman Financial Services B.V.	33171510
Xerox Manufacturing (Nederland) B.V.	12012440

The Company has agreed to file a statutory guarantee under section 479C of the UK Companies Act 2006 for each of the subsidiary companies listed below of all outstanding liabilities to which the individual subsidiary is subject at the end of the 2020 financial year. As a consequence of the guarantee, the subsidiaries are exempt from the UK statutory requirement for their financial statements to be audited under section 479A of the UK Companies Act 2006.

Company Name	Registered Number
Xerox Finance Limited	330755
Xerox UK Holdings Limited	3545477
Xerox Overseas Holdings Limited	3275267
Arena Group Limited	02168309
Arena Group Holdings Limited	03735943
Fovia (Innovation) Limited	04259043
Acorn Business Machines (Holmfirth) Limited	06097930
Docucentric Holdings Limited	07786821
B 2 Business Systems Limited	04789382
Business Systems (North Wales) Limited	02642727
Altodigital Networks Limited	10706663
ITEC Connect Limited	02219814
Mail A Doc Limited	06301068
Criterion IT Limited	07496097
Copyrite Business Solutions Limited	03255320
Reflex Digital Solutions (UK) Limited	02434567
Stem Networks Limited	05587008

On 27 April 2000, Xerox Investments Europe B.V. entered into a financial Support Agreement with Xerox Holdings (Ireland) Limited, which in turn entered into a financial Support Agreement with Xerox (Europe) Limited to obtain financial support from Xerox Investments Europe B.V. and Xerox Holdings (Ireland) Limited respectively as necessary to enable them to pay their debts as they fall due. No claims under these Support Agreements have been made since the Agreements were signed.

45. *Directors' remuneration*

For 2020, the total remuneration received by the Company's directors paid by group companies was €0.5m (2019: €0.4m).

The directors' remuneration includes periodically paid remuneration, such as salaries, holiday allowances, car allowances, pensions, profit sharing bonus payments, restricted stock options (note 31.1), dividend equivalent payments, private health care and fiscally facilitated saving scheme to the extent that these items were charged to the Company and all subsidiaries of the Company.

46. *Average workforce analysed by type of work*

The Company had no employees during the year under review.

47. *Auditors' remuneration*

Reference is made to note 25 in the consolidated financial statements.

48. Post-Balance Sheet Events

In 2021 restructuring plans have been approved covering 221 heads (2020: 293) across all international operations at a cost of $23.5m (2020: $28.3m).

In April 2021, Xerox acquired an office equipment dealer in Canada for approximately $30m. This acquisition is part of Xerox's strategy of focusing on further penetrating the small-to-medium sized business (SMB) market through acquisitions of local area resellers and partners (including multi-brand dealers). We are currently assessing the purchase price allocation but expect the majority to be allocated to intangible assets and goodwill.

49. Proposed Appropriation of Result

Following the appropriation of result proposed by the board of directors and pursuant to article 20 of the articles of association, the loss of €85m was added to the distributable reserves.

De Meern,
29th September 2021
The Board of Directors,

J.H. Mancini
Member of the Board of Directors

W.N.J. van Bezooijen
Member of the Board of Directors

S.J.M.G. Poels
Member of the Board of Directors

OTHER INFORMATION

Extracts from Articles of Association relating to profit appropriation:

Article 20. Profits

1. A dividend reserve bearing the same letter as the relevant class of share will be kept for the benefit of the holders of those shares for each class of share. If and to the extent the profits permit this, a sum equivalent to the percentage of the relevant dividend reserve to be described below as of the end of the financial year will be deducted from the profits and supplemented to each of the dividend reserves. If a dividend reserve fluctuated in the course of the financial year, the sum to be deducted from the profits and supplemented to the reserve will be computed over the average annual reserve. In order to fix the sum to be supplemented to the dividend reserve, the dividend reserve will be increased by the sum with which the dividend reserve must be supplemented in conformity with the sixth paragraph, second sentence. The percentage referred to above is equivalent to half the rate for promissory discount notes laid down by the Dutch Central Bank ("De Nederlandsche Bank N.V."), as of the end of the relevant financial year, plus one.

2. The general meeting may resolve unanimously to supplement the profits remaining after the deduction of the sums to be supplemented to the dividend reserve pursuant to the provisions of the preceding paragraph to the distributable reserves, in whole or in part.

3. Any profits which the general meeting does not reserve pursuant to the provisions of the preceding paragraph will be added to the dividend reserve of a certain class of share pro rata to the total sum, including the share premiium, paid up on that class of share.

4. The general meeting may only resolve to cancel a dividend reserve in favour of holders of shares of that class of share, in whole or in part, at the proposal of the meeting of holders of that class of share, subject to the provisions of paragraph 7. In that case, the sum with which the cancellation is concerned will be distributed to the holders of shares of that class pro rata to the nominal sum paid up on their shareholding of that class of share.

5. The general meeting may supplement the dividend reserves of a certain class from the distributable reserves at any time. These dividend reserves will be supplemented so that each will be supplemented pro rata to the sums, including the share premium, paid up on the shares of that class, without prejudice to the provisions of the sixth paragraph, second sentence.

6. The general meeting may cancel a dividend reserve in whole or in part in order to make good any loss. If a dividend reserve has been used to make good loss, there will be no distribution of dividend other than as a result of the cancellation of a dividend reserve in the matter described in paragraph 4, nor will any sums be reserved or supplemented to another dividend reserve as long as the sum withdrawn in order to make good that loss has not been supplemented to that dividend reserve. This principle may be derogated from if the general meeting resolves to do so by a majority of votes. If sums were withdrawn for more than one dividend reserve in order to make good a loss, the sum to be supplemented, as described in the second sentence of paragraph 5, will be supplemented pro rata to the withdrawals.

7. Supplements to or distributions from the profits may be made only to a maximum of the distributable portion of the shareholders' equity.

8. Supplements to or distributions from the profits may be made only after the adoption of the annual accounts, providing evidence that they are permissible.

9. The general meeting may resolve to make distributions to the debit of a reserve which does not need to be maintained in law, with the application, mutatis mutandis, of the provisions of paragraph 7.

10. Shareholders' claims to a distribution will lapse after a period of five years.

Article 20A. Share premium reserve.

1. A reserve will be kept in the company's books for class A shares and class B shares respectively, on which the share premium payable or paid on the relevant shares is accounted for.
2. The share premium booked into the reserve kept for class A shares and class B shares respectively is not available other than by virtue of a resolution by the general meeting of shares with the approval of the meeting of holders of class A shares and class B shares respectively.

Rights and obligations of the Class A and B shares

The Company's authorised share capital is divided into 20,000,000 shares with a nominal value of €94.97 each, divided into 15,000,000 class A shares and 5,000,000 class B shares. The sole shareholder of all classes of shares is Xerox Corporation.

In respect of the issue of a certain class of shares, a repayment may be made or a release may be given exclusively in respect of such shares; for such shares the repayment or release must be made pro rata to these shares. The pro rata requirement may be waived if all shareholders concerned so agree.

A dividend reserve as well as a share premium reserve, bearing the same letter as the relevant class of shares are provided for in Articles 20 and 20A of the Company's Articles of Association.

Contrary to the rule that each share entitles the holder thereof to cast one vote, six votes are conferred on the holder of class A shares and one vote is conferred on the holder of class B shares with regard to resolutions of the general meeting concerning appointment, suspension or removal of a member of the Company's management board, if all class A shares are held by one person and all class B shares are also held by one person as provided for in Article 23 of the Company's Articles of Association.

Independent Auditors report

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Independent auditor's report

To: the general meeting of Xerox Investments Europe B.V.

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Xerox Investments Europe B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2020, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Xerox Investments Europe B.V., De Meern. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2020;
- the consolidated and company income statement for the year ended 31 December 2020; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of Xerox Investments Europe B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 29 September 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W. Bakker RA

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Appendix to our auditor's report on the financial statements 2020 of Xerox Investments Europe B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.