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XEROX (UK) LIMITED

Annual report for the year ended 31 December 2022

Registered number: 00330754

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COMPANIES HOUSE

Directors and advisers

Directors

D.S. Cassidy
D. Dyas
C.A Shephard
R.S. Pitceathly

Company secretary

C. Walsh

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CONTENTS

REPORTS

FINANCIAL STATEMENTS

XEROX (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their strategic report for Xerox (UK) Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2022.

1. RESULTS AND FINANCIAL POSITION

The group loss for the financial year was £13.1m (2021: £138.5m loss), which will be transferred to reserves. The profit/(loss) attributable from discontinued operations was £nil (2021:loss £88.6m). A tax credit of £0.2m (2021: charge of £0.6m) is included in the statement of comprehensive income.

The group had total assets of £328.5m (2021: £313.3m) and net assets of £160.2m (2021: £173.3m) as at 31 December 2022.

2. BUSINESS REVIEW

Revenue and profit
Group revenue for the year was £364.1m (2021: £305.6m). The revenue attributable from discontinued operations was £nil (2021: £27.6m). Revenue in the group arose from the management document services, service agreements and the sale of goods. In July 2022 the company acquired Go Inspire Group Ltd (GIGL), a UK-based print and digital marketing and communication services provider to grow its digital services presence in the UK for a consideration of £39.9m. For the 6 months following the acquisition of GIGL they contributed £45.8m of revenues to the group. Excluding GIGL the group revenue increased during the year. In addition revenues of £109.3m (2021: £87.3m) from our investments in Altodigital Networks Limited, Arena Group, ITEC Connect Limited and Concept were included in 2022. Group loss on ordinary activities before taxation from continuing operations was £13.3m (2021: £49.3m loss).

Key Performance Indicators of the Group inclusive of discontinued operations

	2022 Continuing Operations	**2022 Discontinued Operations**	2021 Continuing Operations	2021 Discontinued Operations
Revenue	**£364.1m**	-	£305.6m	£27.6m
Gross profit	**£54.0m**	-	£53.5m	£16.7m
Gross profit margin %	**14.8%**	-	17.5%	60.5%
Operating (loss)/profit	**(£11.3m)**	-	(£47.6m)	£13.8m
Operating expenses as % revenue	**17.9%**	-	33.1%	10.6%
Headcount	**1,650**	-	1,518	-
Staff turnover	**12.8%**	-	10.9%	-
Total equity	**£160.2m**	-	£173.3m	-

<u>Revenue</u>
The increase in revenue was mainly due to the Go Inspire acquisition and continued post Covid recovery in our Document Management Services income.

<u>Gross profit and gross profit margin %</u>
Gross profit has increased during 2022 (2021: increased) due to the inclusion of Go Inspire. The *Gross margin has decreased due to the impact of inflationary cost pressures on all cost lines.* Gross margin is the ratio of gross profit before operating expenses to revenue expressed as a percentage.

<u>Operating loss</u>
Operating loss during the year has decreased which was mainly due to a £41.7m goodwill impairment which was attributable to the continuing operations included in the 2021 financial statements. In addition, the inclusion of Go Inspire in 2022 gave rise to an additional £3.9m operating profit.

2. BUSINESS REVIEW (CONTINUED)

Operating expenses as % revenue
Operating expenses as % of revenue has decreased during 2022 (2021: increased) which was mainly due to a £41.7m goodwill impairment which was attributable to the continuing operations included in the 2021 financial statements.

Headcount
The increase in headcount in 2022 (2021: decrease) is mainly due to the acquisition of Go Inspire Ltd in July 2022. Further detail of headcount can be found in note 5(b).

Staff turnover
Staff turnover increased in 2022 to 12.8% (311 heads) (2021: 10.9%, 237 heads). This is the number of employees who resigned over the year expressed as a percentage of headcount.

Total Equity
During the year, the Group did not propose a dividend (2021: £67.8m). The movement in total shareholders' funds is set out in the Consolidated and Company Statements of Changes in Equity on pages 23 and 24.

Principal risks and uncertainties
The key business risks and uncertainties affecting the Group relate to competition from technology advances, employee retention, the challenging economic market and the success of implementing the 2022 strategy.

To manage and mitigate these risks, the Group offers a broad portfolio of document technology and solutions, continues to focus on cost control and the development of an improved working environment through continued training and development. Prices, material costs and demand for the Group's products are influenced strongly by the United Kingdom's economic growth. Prices and costs can vary due to currency fluctuations and the uncertainties in the challenging economic environment which could have an adverse impact on revenue, earnings and cash flows. Current high inflation levels in the UK could also have an adverse impact on the Group's results.

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

In July 2022, Xerox Corporation, as borrower, and its parent company, Xerox Holdings Corporation, entered into a new Credit Agreement with several participating lending banks. The new Credit Agreement provided Xerox Corporation with a $500 Revolving Credit Facility and has a maturity date of July 7, 2024. This new facility replaced our prior $1.5 billion Credit Facility. In December 2022, Xerox Corporation amended the Revolving Credit Facility to reduce the aggregate amount of the commitment under the Credit Agreement to $250m.

Our $250 million Credit Facility contains quarterly financial maintenance covenants (a maximum total net leverage ratio and a minimum interest coverage ratio). Certain of the financial covenants contained in the Credit Facility also apply to some of our other debt agreements. The Credit Facility is supported by guarantees from Xerox Corporation and the subsidiary guarantors, and by security interests in substantially all of our U.S. assets, subject to certain exceptions. The Credit Facility also imposes significant operating and financial restrictions on the U.S and may limit our ability to engage in acts that may be in our best interest, including restrictions on our ability to: pay dividends, make other distributions in respect of, or repurchase or redeem capital stock; incur additional indebtedness and guarantee indebtedness; prepay, redeem, or repurchase certain debt; make loans, investments, and other restricted payments; sell or otherwise dispose of assets; incur liens; enter into agreements restricting our subsidiaries' ability to pay dividends; consolidate, merge, or sell all or substantially all of our assets; make strategic acquisitions or investments; or enter into joint ventures.

As of December 31, 2022, there were no borrowings or letters of credit outstanding under our $250 million Credit Facility and we were in full compliance with the covenants and other provisions of the Credit Facility.

2. BUSINESS REVIEW (CONTINUED)

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

The global COVID-19 pandemic has accelerated the transformation of the workplace into a more flexible, hybrid environment. In response, the Group continues to invest in innovation to bolster and diversify our portfolio of offerings for hybrid workplace environments, including investments in Digital Services such as Capture & Content and Customer Engagement Services, which enable work to flow seamlessly between the office and home. The hybrid work environment has increased Small to Medium sized Business (SMB) needs for IT Services, an area in which the Group is well positioned to succeed given the direct SMB sales presence. Organic and inorganic growth in digital and IT services, along with continued market share gains in equipment sales, are central to our objective of stabilizing and growing our Print and Services business for the long-term.

S172 Companies Act 2006 statement

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

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

the need to act fairly between shareholders of the Group.

As a subsidiary trading entity we recognise that business strategy and the majority of decisions and policies affecting the Group and our stakeholder groups are made at Xerox Holdings Corporation level and cascaded through the management structures of the Group. Directors of the Group implement these decisions and policies whilst ensuring that they continue to promote the success of the Group. The board is represented in the Xerox Group's management and decision-making processes through membership of senior leadership team. This ensures that the board is actively involved in maintaining control of the Group's direction. At board meetings the impacts of principal decisions and the ongoing duty of directors to promote the success of the Group are matters that are specifically discussed and documented in board minutes and resolutions. This is in addition to existing fiduciary and statutory responsibilities of the board.

Significant events for the Group during the year, which were also principal decisions, included:

- The war in Ukraine where, at the onset of the conflict, the Company stopped all shipments to Russia and Belarus, and is complying with all applicable government-issue sanctions.
- The conclusion of the 2022 triennial review of the Xerox Final Salary Pension Scheme with close involvement of the Directors along with the trustees. The aim of this process is to review the financial position of the Scheme relative to its statutory funding objective and to determine the appropriate level of future contributions. Directors must consider and balance the consequences to the Company, to its employees and to its pensioners when agreeing future pension scheme funding levels.

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

Customers – The geographical market of the Group is Europe, the Middle East and Africa. The board maintains close relationships with these customers to understand their requirements. These interactions directly influence the Group's decision-making in respect of demand planning and product ordering.

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

2. BUSINESS REVIEW (CONTINUED)

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

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

Environment – Xerox is committed to reducing its environmental footprint, conserving natural resources and lowering the energy intensity of our operations. The Group is aligned with these initiatives and goals. Refer to Streamlined Energy and Carbon Reporting section within the Directors' Report for further information.

Information regarding Xerox Group's stakeholder engagement may also be found in the 2022 Corporate Social Responsibility Report [www.xerox.com/en-us/about/corporate-social-responsibility].

By order of the board

C. Shephard
Director
Date: 29th September 2023

XEROX (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their consolidated annual report and the audited consolidated financial statements for Xerox (UK) Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2022.

1. PRINCIPAL ACTIVITIES

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

2. FUTURE DEVELOPMENTS

The Group is guided by Xerox Holdings Corporation Group (Xerox / Xerox Group) for future developments and direction. Xerox is a workplace technology company, building and integrating software and hardware for enterprises large and small. As customers seek to manage information and document workflows across digital and physical platforms, Xerox 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), augmented reality (AR)-driven service experiences, robotic process automation (RPA) and other technologies that enable Xerox to deliver essential products and services to address productivity challenges of a hybrid workplace and distributed workforce.

Xerox's long-term strategic objective is to grow the share of customer's technology spending as well as the Total Addressable Market (TAM) through expanded penetration of existing solutions and the development of new, data-driven solutions. Xerox's globally recognizable brand, deep understanding of clients' industries and businesses and client trust have afforded a path to win in IT and digital services –markets where the company already has leading solutions and where it is actively investing to develop more. The top 2023 priorities are Customer Success, Profitability and Shareholder Returns; these priorities are to form the foundation for how Xerox will deliver sustainable growth in profits over the long-term.

- Customer Success: Xerox will take measures to make it easier to do business with Xerox by employing a holistic, client-centric approach to delivering essential products and services that address the productivity challenges of a hybrid workplace and distributed workforce. The COVID-19 pandemic has accelerated the transformation of the workplace into a more flexible, hybrid environment. In response, Xerox continues to invest in innovation to bolster and diversify the portfolio of offerings for hybrid workplace environments, including investments in Workflow Central and Digital Services such as Capture & Content and Customer Engagement Services, which enable work to flow seamlessly between the office and home. By focusing sales efforts in providing solutions closely aligned to clients' needs, rather than products, Xerox believes revenue will grow while improving customer outcomes.

- Focus on Profitability: Xerox plans to implement a more flexible cost base and operating model to expand margins and direct investments towards margin-accretive growth opportunities with nearer-term returns. Project Own It delivered approximately $2.2 billion of gross cost savings from 2018 to 2022, and the behaviours and processes instilled by this program remain a priority. Xerox will focus on making it easier to do business with the Company, by investing in processes that drive incremental organizational efficiencies and enable the types of collaboration required to offer holistic solutions for clients.

- Shareholder Returns: Xerox will manage the business with the aim of optimizing free cash flow generation and return at least 50% of free cashflow to shareholders. The Company is expected to focus on driving higher profits, but will also remain focused on generating more cash flow per profit dollar. In 2022.

3. DIVIDEND

The directors did not propose a dividend for the year ended 31 December 2022 (2021: £67.8m).

4. CHARITABLE CONTRIBUTIONS

Xerox (UK) Trust is a private limited company limited by guarantee and is registered with the Charity Commission (no: 284698). It contributes to charitable causes and provides funding to small charities for a total spend of £14.9k (2021: £15.2k).

5. SUPPLIER PAYMENT POLICY

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

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

Trade creditors of the company at the year end were equivalent to 62 days (2021: 78 days) purchases, based on the average daily amount invoiced by suppliers during the year.

6. DIRECTORS

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

A. Arthurton (resigned 7th October 2022)

D.S. Cassidy

D. Dyas

J. Hesselgrove Ward (resigned 31st October 2022)

C. A. Shephard (appointed 7th October 2022)

R. S. Pitceathly

7. COMPANY SECRETARY

R.S. Pitceathly (resigned 9th January 2023)

C. Walsh (appointed 9th January 2023)

8. FINANCIAL RISK MANAGEMENT

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

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

(i) Price risk

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

8. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

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

(iii) Liquidity risk

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

(iv) Interest rate cash flow risk

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

(v) Foreign currency risk

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

9. EMPLOYEES

Diversity and Inclusion

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

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

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

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

Engagement with Employees

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

9. EMPLOYEES (CONTINUED)

Employment of disabled persons

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

Health and safety

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

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

10. ENGAGEMENT WITH OTHER STAKEHOLDERS

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

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

The Group and its directors work with pension trustees to ensure stability of the Xerox Final Salary scheme for the benefit of pensioners, deferred pensioners and employee members. After considering the potential impact of the sale of XFS subsidiaries, the Company engaged with its pensions covenant advisor and the trustees to mitigate any potential adverse impact to the scheme. This was achieved by securing a parental guarantee.

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

11. GOING CONCERN

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

The Group participates in the Xerox Holdings Corporation centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors have obtained written confirmation of support from the Group's ultimate parent, Xerox Holdings Corporation and on the basis of this support consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future being at least twelve months after the approval of the financial statements. Thus the Company and Group continue to adopt the going concern basis in preparing the Group's annual financial statements. In forming this conclusion management has also considered possible downside scenarios such as current high inflation levels and the Russia/Ukraine conflict.

12. ACQUISITION AND INVESTMENT

In July 2022 Xerox announced it had acquired Go Inspire, a UK-based print and digital marketing and communication services provider to grow its digital services presence in the UK for a consideration of £39.9m. Go Inspire serves customers throughout Europe, the Middle East and Africa (EMEA).

13. ENVIRONMENT

In the field of environmental protection, Xerox (UK) Limited and its subsidiaries are not in breach of any rules or regulations. The Group strives to operate in such a way as to minimize the environmental impact of its operations. The Group operates under the following environmental protection principles:

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

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

Streamlined Energy and Carbon Reporting

Our SECR disclosure presents our carbon footprint across Scopes 1, 2 and 3 together with an appropriate intensity ratio and energy use.

	2022	2021
Scope 1 (tons CO2e)	**1,364**	1,522
Scope 2 (tons CO2e)	**472**	1,162
Scope 3 (tons CO2e)	**2,019**	2,193
Carbon Intensity ratio		
Scope 1 intensity (ton CO2e/£million)	**3.7**	4.6
Scope 2 intensity (ton CO2e)/£million)	**1.3**	3.5
Scope 3 intensity (ton CO2e)/£million)	**5.5**	6.6
Energy use (Scope 1 + 2 MWh)	**7,147**	9,005

The UK geography Scope 1 emissions decreased due to a decrease inactivity from the service vehicle fleets.

Xerox UK climate plan

Please see the Xerox CSR Goals and Progress Summary updated in 2023 for a detailed breakdown of the Xerox Group's environmental targets and metrics. Progress against these targets is reported annually.
[www.xerox.com/downloads/dl/usa/en/c/corporate-social-responsibility-progress-summary.pdf]

The Company shares in the Group's aim of achieving net zero emissions no later than 2040. Please see Xerox's Net Zero roadmap for details on this plan:
[https://www.xerox.com/downloads/usa/en/x/xerox-2040-net-zero-roadmap.pdf]

Xerox has also published a UK Carbon Reduction Plan focused on the UK geography. This plan was updated in 2023 and provides the Company's strategy reducing energy use and carbon emissions.

[https://www.xerox.com/downloads/usa/en/x/Xerox-UK-Carbon-Reduction-Plan.pdf]

Greenhouse Gas Inventory: Xerox tracks GHG emissions under the international guidelines of the Greenhouse Gas Protocol, developed by the World Resources Institute and the World Business Council for Sustainable Development. Scope 3 emissions reported in this disclosure include Categories 6 Employee Business Travel and 7 Employee commuting. Given the highly integrated nature of the Group's operations within the United Kingdom, we have allocated the assessed emissions and energy usage for the country between U.K. Group entities on the basis of revenue generated in the UK geography.

13. ENVIRONMENT (CONTINUED)

Scope 3 emissions for the Group's operations have been calculated on a total basis, and the emissions and energy usage for the Company has been estimated on the basis of revenue. Corporate Scope 3 emissions reported include employee commute and business travel. The assumptions and methodology are as follows

Employee Business Travel (air) - Includes emissions from Xerox worldwide employee business and corporate air travel. Emissions are calculated directly by Xerox's global travel services providers based on flight mileage records and emission factors. Short-term car rental data and emission estimates are collected from the specific car rental vendor and included in Scopes 1 and 2 inventory (i.e., Hertz, Enterprise, National).

Employee commuting – The following average secondary activity data were used to estimate average commuting distance per year per employee per mode of transport for 2022:

- Average modal split of typical commuters (91.2% car, 0.6% bike, 3.8% bus, 3.1% foot, 0.1% motorcycle and 1.2% rail) based on US DoT Bureau of Transportation Statistics Table 1-41: Principal Means of Transportation to Work, 2019 and 2020 data adjusted to exclude work from home. - https://www.bts.gov/content/principal-means-transportation-works
- Average daily commuting distances of typical employees (15 miles) US DoT Bureau of Transportation Statistics 2003 publication regarding commuting https://www.bts.gov/archive/publications/omnistats/volume_03_issue_04/entire
- Average number of weeks worked per year.
- Average annual percent of days worked from home (47%).

Primary data regarding number of Xerox employees is obtained from Xerox HR and CO2e emissions are calculated using emission factors (kg/vehicle-km or kg/passenger-km) for each transport mode *sourced from Table 10 of the Climate Leaders Emission Factors for Greenhouse Gas Inventories – April* 2021. Average person-days worked from home for 2022 was obtained by our personnel tracking system developed to monitor COVID19 related metrics. This data is not available for previous years.

The current methodology uses US-based factors and assumption applied to Xerox's workforce globally. Due to differences in global transit systems, commuting estimates may differ from Xerox estimates compared to regional estimation methodologies.

14. STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Group has not applied a specific external governance framework. As a subsidiary trading entity it has elected to follow the corporate governance procedures, processes and policies adopted by its ultimate parent, Xerox Holdings Corporation. This covers areas such as remuneration, strategy and validation of internal controls. The Group's purpose and strategy are aligned with those of the Xerox Group as outlined on page 8 of the Directors' Report.

Shareholders – 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 ultimate parent.

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

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, whose demand for products and services drives growth; its suppliers, who have a significant impact on the quality, price and environmental impact of the products sold by the Group; and its employees, whose contribution, performance and commitment is critical to the effectiveness of the organisation. For details of significant events in the year, please refer to the S172 statement.

14. STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (CONTINUED)

Risk management – the Xerox Group devotes considerable resources toward Enterprise Risk Management (ERM), anticipating and mitigating risks to the financial and operational health of the business. ERM follows a clearly defined business strategy that is shared by the Company and aligned with strategic and organizational goals. The ERM process is based on the COSO II (Committee of Sponsoring Organizations of the Treadway Commission) framework. Principal risks and uncertainties are set out on page 5 of the Strategic Report.

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

Board skills - The Group's board includes experienced directors who are also senior executives within the Xerox Group's overall management and decision-making structure. The composition of the board is consistent with the Group's purpose, values and delivery of strategy. Its members have had experience as Xerox regional general managers, senior finance executives and company secretary. As the senior leaders of Xerox Group's EMEA region, which provides most of the Company's sales activity, they are uniquely placed to oversee delivery of the Group's strategy and goals. The board does not establish specific goals with respect to diversity.

Directors' responsibilities – as outlined in the S172 statement, the directors have a fiduciary responsibility to act in the best interests of the Group and to ensure its compliance with statutory requirements. Other decisions affecting the Group, including strategy, are cascaded through the management structures of the Group.

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.

Remuneration – Executive remuneration is set at Xerox Group level, overseen by the Compensation Committee of the Xerox Board. Pay for performance programmes are designed to align executive compensation with business strategy and maintain focus on financial results. They include a significant long-term incentive element.

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

15. POST BALANCE SHEET EVENTS

In January 2023 the Group announced that Advanced UK, a UK-based hardware and managed print services provider, and long-standing Xerox Platinum partner, is now part of Xerox Business Solutions (XBS) UK. Xerox continually looks for strategic investment opportunities to ensure they always bring the best of Xerox to our clients, and this acquisition strengthens our XBS offering in the UK. Our client-centric approach enables us to grow through added-value solutions with existing and new clients. Through Advanced UK, we will be able to bring our Print and IT Services portfolios to a new client base of mid-market and corporate enterprises.

On September 28th Xerox entered into a stock purchase agreement to repurchase all shares of Xerox common stock from one of our major shareholders, Carl C. Icahn and his affiliates. We purchased approximately 34.25m shares at $15.84 per share, which was the closing price on September 27th, at a total cost of approximately $542.5m. To fund this, on September 28th, Xerox Holdings Corp and Xerox Corp entered into a 5yr Bridge Loan for $555m, sufficient to cover the purchase and associated fees.

As part of the security package for the Loan, certain subsidiaries in Canada and the UK, including Xerox (UK) Ltd, were required to stand as Guarantors. At a Board meeting held on 28th September, the Directors of Xerox (UK) Ltd approved a resolution to do so.

Our intention is that the Bridge Loan will not run to its final maturity date and that it will be refinanced via a public bond issuance before Nov 30, 2023.

16. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:

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

By order of the board

C. Shephard

Director
Date: 29th September 2023

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Cash Flows Statements, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to corporate tax and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to manipulate revenue (and profit) and management bias in making accounting estimates. Audit procedures performed by the engagement team included:

- *Enquiring of the management and those charged with governance* as to the Group's *and* Company's policies and procedures to prevent and detect fraud and inspection of regulatory correspondence, to identify actual and potential breaches of laws and regulations. These enquiries were corroborated with *the review of board minutes provided by management;*
- Challenging and testing the reasonableness of assumptions and judgements made by management in making significant accounting estimates, in particular in relation to the assessment of impairment of goodwill and intangible assets and in assessing the recoverability of investments in subsidiaries;
- Identifying and testing journal entries that meet certain risk criteria, in particular journal entries posted with unusual account combinations to revenue and to expenses;
- Enquiring of the management and general legal counsel and review of litigation reports relating to material litigation and compliance matters; and
- Incorporating an element of unpredictability in our testing over significant risk areas.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Christopher Boreham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

12 October 2023

Xerox (UK) Limited and Subsidiary Undertakings

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

		2022	2021
Continuing operations	Note	**£m**	£m
Revenue	4	**364.1**	305.6
Cost of sales		**(310.1)**	(252.1)
Gross Profit		**54.0**	53.5
Distribution costs		**(29.6)**	(28.7)
Administrative expenses		**(28.6)**	(65.2)
Other expense		**(7.1)**	(7.2)
Operating Loss		**(11.3)**	(47.6)
Finance charges	6	**(2.0)**	(1.7)
Loss on Ordinary Activities Before Taxation	7	**(13.3)**	(49.3)
Tax on loss on ordinary activities	8	**0.2**	(0.6)
Loss from continuing operations		**(13.1)**	(49.9)
Loss from discontinued operations	27	**-**	(88.6)
Loss for the year	19	**(13.1)**	(138.5)

The Company's loss after tax for the financial year was £0.6m (2021: loss after tax of £38.1m)

The notes on pages 25 to 71 form part of these financial statements.

Xerox (UK) Limited and Subsidiary Undertakings

Consolidated and Company Balance Sheets as at 31 December 2022

		Group As at 31 December		Company As at 31 December	
		2022	2021	**2022**	2021
	Note	**£m**	£m	**£m**	£m
Assets					
Non-current Assets					
Property, plant and equipment	9	**7.0**	7.0	**2.5**	2.3
Right-of-use assets	10	**17.5**	4.4	**0.4**	1.2
Intangible assets	11	**100.0**	70.2	**1.4**	1.4
Investments	12	**-**	-	**103.2**	63.3
Deferred income tax asset	13	**-**	-	**0.9**	1.4
Trade and other receivables	14 (a)	**3.7**	5.2	**3.7**	5.2
		128.2	86.8	**112.1**	74.8
Current Assets					
Inventories	15	**34.1**	35.0	**15.8**	16.6
Trade and other receivables	14 (b)	**159.6**	189.5	**113.9**	161.3
Cash and cash equivalents		**6.6**	2.0	**-**	-
		200.3	226.5	**129.7**	177.9
Total Assets		**328.5**	313.3	**241.8**	252.7
Equity and liabilities					
Equity					
Share capital	17	**1.5**	1.5	**1.5**	1.5
Capital contribution reserve		**22.6**	22.6	**27.4**	27.4
Retained earnings	19	**136.1**	149.2	**128.3**	128.9
Total Equity		**160.2**	173.3	**157.2**	157.8

Xerox (UK) Limited and Subsidiary Undertakings

Consolidated and Company Balance Sheets as at 31 December 2022

		Group		Company	
		As at 31 December		As at 31 December	
		2022	2021	**2022**	2021
	Note	**£m**	£m	**£m**	£m
Liabilities					
Non-current Liabilities					
Trade and other payables	20 (a)	**13.4**	2.2	**0.2**	0.3
		13.4	2.2	**0.2**	0.3
Current Liabilities					
Trade and other payables	20 (b)	**136.2**	122.4	**79.3**	89.6
Deferred income tax liabilities	13	**12.2**	9.0	**-**	-
Provisions for other liabilities and charges	23	**6.5**	6.4	**5.1**	5.0
		154.9	137.8	**84.4**	94.6
Total Liabilities		**168.3**	140.0	**84.6**	94.9
Total Equity and Liabilities		**328.5**	313.3	**241.8**	252.7

The financial statements on pages 19 to 71 were approved by the board of directors on 29th September 2023 and were signed on its behalf by:

C. Shephard
Director

Company number: 00330754

Xerox (UK) Limited and Subsidiary Undertakings

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	Note	Share Capital	Capital Contribution Reserve	Retained Earnings	Total Equity
		£m	£m	£m	£m
Balance as at 1 January 2020		**1.5**	**-**	**355.5**	**357.0**
Loss for the financial year		-	-	(138.5)	(138.5)
Capital Contribution Reserve		-	22.6	-	22.6
Dividends		-	-	(67.8)	(67.8)
Balance as at 31 December 2021	17, 19	1.5	22.6	149.2	173.3
Balance as at 1 January 2022		**1.5**	**22.6**	**149.2**	**173.3**
Loss for the financial year		-	-	(13.1)	(13.1)
Balance as at 31 December 2022		**1.5**	**22.6**	**136.1**	**160.2**

The notes on pages 25 to 71 form an integral part of these financial statements.

Xerox (UK) Limited and Subsidiary Undertakings

Company Statement of Changes in Equity for the year ended 31 December 2022

	Note	Share Capital £m	Capital Contribution Reserve £m	Retained Earnings £m	Total Equity £m
Balance as at 1 January 2020		**1.5**	**-**	**234.8**	**236.3**
Loss for the financial year		-	-	(38.1)	(38.1)
Capital Contribution Reserve		-	27.4	-	27.4
Dividends		-	-	(67.8)	(67.8)
Balance as at 31 December 2021	17, 19	1.5	27.4	128.9	157.8
Balance as at 1 January 2022		**1.5**	**27.4**	**128.9**	**157.8**
Loss for the financial year		-	-	(0.6)	(0.6)
Balance as at 31 December 2022		**1.5**	**27.4**	**128.3**	**157.2**

The notes on pages 25 to 71 form an integral part of these financial statements.

Xerox (UK) Limited and Subsidiary Undertakings
Consolidated and Company Cash Flows statements for the year ended 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Note(s)	**£m**	£m	**£m**	£m
Loss before tax on continuing operations		**(13.3)**	(49.3)	**(0.6)**	(38.7)
Loss before tax on discontinued operations		**-**	(135.4)	**-**	-
Adjustments for:					
Depreciation and amortisation	9,10 &11	**12.4**	22.1	**1.5**	1.9
Provision/(Release) of allowance for doubtful accounts		**0.4**	0.8	**-**	(0.1)
Net loss /(gain) on sales of businesses and assets		**-**	127.5	**-**	(67.8)
Deferred tax expense (benefit)		**-**	-	**0.6**	-
Restructuring and other charges		**7.6**	2.5	**6.6**	2.4
Investment impairment		**-**	-	**-**	106.2
Cash payments for restructurings		**(3.4)**	(3.2)	**(2.7)**	(3.0)
Goodwill impairment		**-**	60.9	**-**	-
Decrease/(Increase) in inventories	15	**0.9**	2.6	**0.3**	3.2
(Increase)/Decrease in AR and billed portion of finance receivables		**(2.4)**	(5.9)	**2.0**	(5.4)
Increase in equipment on operating leases		**(0.1)**	(13.9)	**-**	-
Increase in finance receivables		**-**	(2.3)	**-**	-
(Increase)/Decrease in other current and long-term assets		**(3.8)**	10.6	**(4.0)**	16.6
Decrease in accounts payable and accrued compensation		**(26.8)**	(14.1)	**(32.3)**	(11.8)
Increase in other current and long-term liabilities		**1.4**	0.5	**23.5**	2.7
Other, net		**1.9**	6.2	**3.3**	0.7
Cash flows from operating activities					
Cash generated from operations		**(25.0)**	9.6	**(1.8)**	6.9
Interest paid	6	**(2.0)**	(6.4)	**(2.9)**	(1.6)
Interest received	6	**-**	2.3	**1.5**	-
Net cash generated from/(used in) operating activities		**(27.0)**	5.5	**(3.2)**	5.3
Cash flows from investing activities					
Purchase of property, plant and equipment		**(1.1)**	(0.6)	**(0.1)**	(0.3)
Acquisition of subsidiaries, net of cash acquired	28	**(35.4)**	-	**(39.9)**	-
Proceeds from sale of property, plant and equipment		**-**	(1.0)	**-**	-
Purchase of intangible assets		**(0.1)**	(0.7)	**-**	-
Net cash used in investing activities		**(36.6)**	(2.3)	**(40.0)**	(0.3)
Cash flow from financing activities					
Repayment of borrowings		**45.2**	(7.4)	**38.7**	(6.2)
Other financing proceeds (payments)		**0.7**	-	**-**	-
Principal elements of lease payments	10	**22.3**	4.1	**4.5**	0.9
Net cash generated (used in)/from financing activities		**68.2**	(3.3)	**43.2**	(5.3)
Net Increase/(decrease) in cash and cash equivalents		**4.6**	(0.1)	**0**	(0.3)
Cash and cash equivalents at beginning of year		**2.0**	2.1	**0**	0.3
Cash and cash equivalents at end of the year		**6.6**	2.0	**-**	-

1. General information

Xerox (UK) Limited (the "Company") and its subsidiaries (together the "Group") sell xerographic and electronic printing equipment and the provision of service facilities and document management services in the United Kingdom.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated and company financial statements of Xerox (UK) Limited have been prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated and company financial statements have been prepared under the historical cost convention, except for share based payment.

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

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

2.2 Going Concern

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

The Group participates in the Xerox Holdings Corporation centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors have obtained written confirmation of financial support from the Group's parent, Xerox Holdings Corporation and on the basis of this support consider that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future being at least twelve 12 months after the approval of the financial statements. Thus the Company and Group continue to adopt the going concern basis in preparing the Group's annual financial statements. Management has considered possible downside scenarios such current high inflation levels and the Russia/Ukraine conflict.

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the Group's and Company's financial statements.

2.4 Use of estimate

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

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

2. Summary of significant accounting policies (continued)

2.4 Use of estimate (continued)

(i) Allowance for Doubtful Accounts

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

The group and company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. Detailed assessments of customers credit worthiness are under taken by the in-house risk management group prior to contract acceptance and by using external credit agencies. This credit worthiness is monitored on an on-going basis.

Pension Assumptions

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

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

(ii) Revenue Recognition

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

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

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

(iii) Goodwill Impairment Testing

The acquisitions during 2020, 2021 and 2022 resulted in a goodwill balance, which is subject to annual impairment testing as required under IFRS. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss accounts (notes 2.6 and 2.7). The recoverable amount is the higher between the value-in-use and the fair value less cost to sell. In accessing the value-in-use, estimates for long term growth rates and pre-tax discounts rates are considered. Refer to note 11 for further information on impairment testing.

2. Summary of significant accounting policies (continued)

2.5 Translation of foreign currencies

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

2.6 Intangible assets

(i) Goodwill

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

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

(ii) Other Intangible Assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from other assets.

Corporate Branding
This has been valued using a relief from royalty approach. Consideration has been given to the life of the brand and value over and above the customer relationships, people and distributor relationships.

Customer Relationship
This has been valued for each entity collectively using a multi-period excess earnings ("MEEM") approach, as there are no separately identified pools of customer contracts/relationships.

Non-Compete Agreements
This has been valued using a with-or-without approach.

All other intangible assets, excluding goodwill, are considered to have a finite useful life and are amortised on a straight line basis over ten years.

2. Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(iii) Software

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

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

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

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

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

2.7 Impairment of tangible and intangible assets

At each reporting end date, the Group and Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

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

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 9). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income/(expense)' in the statement of comprehensive income.

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

2.9 Fixed asset investments

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

2.10 Investment in associates and subsidiaries

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

The investments in subsidiaries are assessed annually to determine if there are any events or changes that have occurred within the entity, its industry, or the economy indicating that the carrying value of investments in subsidiaries and affiliates may be impaired.

2. Summary of significant accounting policies (continued)

2.11 Financial assets

Classification

The Group and Company classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income *(OCI) or through profit or loss); and*
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses with either be recorded in profit or loss or OCI. The Group and Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group and Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Groups business model for managing the asset and the cash flow characteristics of the asset. The Group and Company only have debt instruments which are held for collection of cash flows where those cash flow represent solely payments of principal and interest. These are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or losses and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment

The Group and Company assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.12 Inventories

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

2.13 Trade receivables

The group and company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2. Summary of significant accounting policies (continued)

2.14 Other financial assets at amortised cost

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

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

(i) Impairment of financial assets

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

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

(ii) De-recognition of financial assets

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

2.15 Cash and Cash Equivalents

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

2.16 Deferred income tax assets and liabilities

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. Summary of significant accounting policies (continued)

2.17 Current Liabilities

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

2.18 Provisions and restructuring provisions

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

2.19 Financial Liabilities

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly

discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

(ii) *De-recognition of financial liabilities*
Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

2.20 Leases

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

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

(i) fixed lease payments (including in-substance fixed payments), less any lease incentives;

(ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

(iii) the amount expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

(v) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2. Summary of significant accounting policies (continued)

The lease liability is presented in note 10 of the financial statements. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using

effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

(ii) the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a 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 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 and Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

2.21 Fair Value Measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Application of fair value measurement for assets and liabilities are detailed in their relevant policy section.

2.22 Employee benefits

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

The pension rights of the employees in the defined benefit pension scheme are dealt with through a self-administered scheme, the assets of which are held independently of Xerox Limited finances. The defined benefit scheme is funded partly by contributions from members and partly by contributions from Xerox Limited and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with IAS 19 Employee benefits (revised), the Group and Company account for its contributions as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme relate to Xerox Limited and a number of its subsidiaries and they cannot be split between each subsidiary on a consistent and reasonable basis due to staff movements between subsidiaries. The expenditure in relation to defined contribution schemes is charged to the profit and loss account in the period to which it relates. The details of the defined benefit pension scheme deficit can be found in note 26 to the financial statements.

2. Summary of significant accounting policies (continued)

2.23 Share based payments

The scheme is a cash settled scheme for Xerox (UK) Limited. For cash-settled share-based payments, a liability is recognised for the Restricted Stock Units (RSUs) and Performance Share Units (PSU) vested, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement for the year.

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

2.24 Company profit and loss account

As permitted by section 408(3) of the Companies Act 2006, the company's individual income statement has not been included in these financial statements. The company's loss after tax for the year ended 31 December 2022 was £0.6m (year ended 31 December 2021: loss after tax £38.1m).

2.25 Revenue

The Group and Company generate revenue through the sale of equipment, supplies and maintenance and printing services.

Revenue is measured based on consideration specified in a contract with a customer and is recognised when we satisfy a performance obligation by transferring control of a product to a customer or in the period the customer benefits from the service. With the exception of our sales-type lease arrangements, our invoices to the customer, which normally have short-term payment terms, are typically aligned to the transfer of goods or as services are rendered to our customers and therefore in most cases we recognise revenue based on our right to invoice customers. As a result of the application of this practical expedient for the substantial portion of our revenue, the disclosure of the value of unsatisfied performance obligations for our services is not required.

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

2.26 Cost of revenue

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

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

2.27 Distribution and administrative expenses

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

2.28 Financial charges and income

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. The Group and Company do not hold financial instruments for trading purposes and loans are generally with affiliates and are held until maturity

2.29 Tax

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

2.30 Financial instruments and risk management

Treasury policy

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

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

2.31 Treasury

The Group and Company does not enter into derivative instrument transactions for trading or other speculative purposes.

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

2. Summary of significant accounting policies (continued)

2.32 Grant income

Grant income is classified under selling and administration costs in the financial statements. This income is recognised under the accrual model as per IAS20.

2.33 Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement.

In accounting for business combinations under common control, either the acquisition accounting as discussed above or the predecessor accounting is applied by the Group in accordance with the guidance of IFRS Manual of Accounts. The accounting policy that the Group selects will be determined by the substance and the specific facts and circumstances surrounding any particular business combination under common control. A consistent policy is applied to transactions of a similar nature. The following criteria might be used in determining which accounting policy best reflects the substance of each business combination under common control:

2. Summary of significant accounting policies (continued)

2.33 Business Combination (continued)

- Existence of non-controlling interests
- Consideration for the transfer
- Management of combining entities
- Purpose of the transaction

2.34 Discontinued Operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. There were no results of discontinued operations during 2022, however, the results of discontinued operations in the prior year are presented separately in the consolidated statement of comprehensive income.

3 Critical accounting estimates and judgements

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

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

Key sources of estimation uncertainty

Impairment on investments
The Company holds its investment in subsidiaries at historic value. When assessing impairment, management consider the carrying value of the investment against the value in use of the subsidiary. Where the value in use falls below the carrying value an impairment loss is taken to adjust to the carrying value of the subsidiary.

Impairment testing for goodwill
Under IAS "36", goodwill is not amortised but rather is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have incurred. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill for the Group mainly relates the companies acquired during 2020 (Alto, Arena, ITEC) Concept in 2021 and Go Inspire in 2022 for which an impairment test was carried out based on the cash flow forecasts. The analysis focused on the Small/Medium Business (SMB) performance entity of the UK which includes the acquired companies and UK revenues from channel partners. The key assumptions used were, the pre-tax discount rate of 12.3%, revenue growth, gross margin and long term growth rate after 2027. These assumptions apply to the 2023 to 2027 forecast and terminal value.

3 Critical accounting estimates and judgements (continued)

Impairment on Intangibles

To assess any potential impairment of the customer relationships, related to the acquired companies, the movement in the quantity of service contracts has been analysed and compared to the attrition rate used at valuation. In the year the quantity of service contracts within the acquired companies has declined by 6%. This is much lower than the attrition rates used for valuation and gives management comfort that no impairment trigger exists.

Key judgements

CGU definition

From 2021 the UK total performance entity was split into two separate, Go-to-Market, performance entities. The first entity is the UK & Ireland Large Enterprise operation (Enterprise), consisting of the direct MDS and Production businesses. The second entity is the UK Small/Medium Businesses (SMB), which consists of the UK Channel and Xerox Business Solutions (XBS).

Revenue for the Enterprise business is generated from contracts directly with the end customer. These are either related to high end production customers or Managed Service contracts (MDS). The Enterprise business has a dedicated general manager and sales force that solely focus on the market/customers described.

In July 2022 Xerox UK Ltd acquired Go Inspire Group Ltd. They provide a wide range of offerings including Document and Print management, Digital communications, and Creative Services. These all complement and enhance the existing offerings within the UK MDS business. They sit within the Enterprise performance unit and are collectively managed, along with the Enterprise element of Xerox UK, by the Enterprise general manager.
As a result, management deem that Go Inspire should be included within the Enterprise CGU.

Revenue for the SMB entity is generated from the UK Channel Partners and XBS. Revenue from UK Partners is predominately related to the provision of Services contracts. XBS includes the 2020 UK Acquisitions (Altodigital, Arena & ITEC) and Concept (2011). Although Concept was added to the 'Group' in 2021, it was already a component of the SMB performance entity and continues to be collectively managed along with the other SMB entities already within the 'Group'. For this reason, management deem it appropriate to include Concept within the SMB CGU.

4. REVENUE

Breakdown of revenues by products and services:

Group:	**2022**	2021
	£m	£m
Document management services income	**206.2**	148.2
Service income	**96.2**	92.5
Sale of goods income	**55.4**	58.7
Other leasing income	**6.3**	6.2
Total revenue	**364.1**	305.6
Revenue from discontinued operations	-	27.6
Total Revenue	364.1	333.2

Disaggregation of revenue

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

	2022	2021
Timing of revenue recognition	**£m**	£m
Over time	**312.9**	246.9
At a point in time	**51.2**	**58.7**
Total	**364.1**	305.6

The geographical market of the Group is Europe, the Middle East and Africa.

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

Revenue attributable to discontinued operations is recognised in over time.

5. EMPLOYEES

(a) Directors' emoluments

	2022	2021
	£m	£m
Aggregate emoluments	**0.4**	0.1

There are two directors (2021: one director) to whom retirement benefits are accruing under defined benefit schemes

The 2022 pro-rated aggregate of emoluments of the highest paid director were £406.4k (2021: £99.2k). The accrued pension at the end of the year for the highest paid director within the defined benefit scheme was £nil (2021: Nil).

No payments were made to money purchase schemes during the year (2021: £nil).

No directors exercised stock options in Xerox Holdings Corporation during 2022 (2021: £nil).

There were no retention bonuses (2021: nil) paid to directors during 2022.

There were no severance payments (2021: £nil) paid to the directors during 2022.

The emoluments of four of the directors of £1.9m (2021: £1.2m) were paid by another group company and no recharge was made to the Group or Company.

(b) Average number of people employed

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

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Selling distribution and delivery	**1,444**	1,318	**1,105**	1,076
Administration	**206**	200	**34**	41
	1,650	1,518	**1,139**	1,117

(c) Employee benefit expense

Staff costs – all employees (including executive directors):

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Wages and salaries	**79.9**	68.3	**58.1**	50.0
Social security costs	**9.3**	7.8	**6.7**	5.6
Share based payments (note 24)	**0.1**	0.5	**0.1**	0.5
Other pension costs (note 25)				
Defined benefit scheme	**0.3**	0.2	**0.3**	0.2
Defined contribution schemes	**2.8**	2.8	**2.5**	2.3
Total employee benefit expense	**92.4**	79.6	**67.7**	58.6

6. FINANCE CHARGES

Group:	2022	2021
	£m	£m
Interest on financial liabilities measured at amortised cost:		
Interest payable to Xerox Group undertakings	2.0	5.8
Finance charges on operating leases	-	0.6
	2.0	6.4

	2022	2021
	£m	£m
Finance charges attributable from continuing operations	2.0	1.7
Finance charges attributable from discontinued operations	-	4.7
Finance income attributable from discontinued operations	-	(2.2)

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Expenses by nature

Group:	2022	2021
	£m	£m
Employee benefit expense (note 5 (c))	92.4	79.6
Depreciation of property, plant and equipment: owned (note 9)	1.9	13.3
Depreciation of right of use asset (note 10)	3.1	2.0
Amortisation charge on intangible assets (note 11)	7.4	6.9
Impairment charge (note 11)	-	60.9
Restructuring charge (note 23)	3.0	2.9
Fees payable to the Company's auditors for the audit of the company and the consolidated financial statements	0.2	0.4

8. TAX ON LOSS ON ORDINARY ACTIVITIES

The Group

	2022	2021
Current Tax:	**£m**	£m
UK corporation tax on profits for the year	-	-
Adjustment in respect of previous years	-	-
Total current tax	-	-
Deferred Tax:		
Origination and reversal of timing differences	**(0.6)**	(18.7)
Effect of tax rate change on deferred tax balances	**(0.1)**	(27.2)
Adjustments in respect of previous years	**0.5**	(0.3)
Total deferred tax (note 13)	**(0.2)**	(46.2)
Tax on loss on ordinary activities	**(0.2)**	(46.2)
Tax on loss from continuing operations	**(0.2)**	0.6
Tax on loss from discontinued operations	-	(46.8)

The total tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the UK, 19%.

8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

	2022	2021
	£m	£m
Loss before taxation	**(13.1)**	(184.7)
Loss before taxation multiplied by the UK standard tax rate of 19.00% for 2022 (2021: 19.00%)	**(2.5)**	(35.1)
Effects of:		
Group relief claimed from Group companies for no charge	**1.7**	(20.8)
Expenses not deductible	**0.2**	37.2
Adjustments in respect of previous years	**0.5**	(0.3)
Effect of tax rate change on deferred tax balances	**(0.1)**	(27.2)
Total tax credit	**(0.2)**	(46.2)

Factors affecting current and future tax charges:

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. However, in March 2021, Finance Bill 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. Finance Bill 2021 was enacted in June 2021 and accordingly, these rates are applicable in the measurements of the deferred tax assets and liabilities at December 2022. Deferred tax has been measured at the rate it is expected to reverse.

The international tax environment continues to change as a result of both coordinated actions by governments and unilateral measures designed by individual countries, both intended to tackle concerns over base erosion and profit shifting (BEPS) and perceived international tax avoidance techniques. The Organization for Economic Cooperation and Development (OECD) is issuing guidelines that are different, in some respects, than long-standing international tax principles. This includes the development of an inclusive framework that is based on a two-pillar approach. In December 2022, the EU Member States formally adopted the EU's Pillar Two Directive, which generally provides for a global minimum tax rate of at least 15%.
As countries unilaterally amend their tax laws to adopt certain parts of the OECD guidelines, this may increase tax uncertainty and may adversely impact income taxes.

9. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Assets held for operating leases	Leasehold Land and building	Plant and Machinery	Fixtures and Fittings	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2021	96.2	2.2	0.7	9.2	108.3
Recognition from Acquisitions	0.2	2.5	-	0.2	2.9
Additions at Cost	7.9	-	-	0.8	8.7
Disposals	(0.2)	(0.2)	(0.1)	(0.3)	(0.8)
Disposal from the sale of XF	(102.7)	(0.2)	(0.2)	(1.7)	(104.8)
Transfers	0.3	(0.3)	-	-	-
31 December 2021 and 1 January 2022	1.7	4.0	0.4	8.2	14.3
Recognition from Acquisitions	-	0.7	0.3	0.4	1.4
Additions at Cost	-	-	-	0.3	0.3
Disposals	-	(0.1)	(0.5)	(0.4)	(1.0)
Transfers	-	0.5	-	0.2	0.7
At 31 December 2022	**1.7**	**5.1**	**0.2**	**8.7**	**15.7**
Accumulated Depreciation					
At 1 January 2021	76.5	1.1	0.2	6.5	84.3
Charge for the year	11.3	0.4	0.2	1.4	13.3
Disposals	(0.2)	-	(0.1)	(0.1)	(0.4)
Disposals from the sale of XF	(81.2)	(0.2)	(0.1)	(1.9)	(83.4)
Elimination on disposal	(6.1)	-	-	-	(6.1)
Transfers	0.1	(0.3)	-	(0.2)	(0.4)
31 December 2021 and 1 January 2022	0.4	1.0	0.2	5.7	7.3
Charge for the year	0.3	0.3	0.3	1.0	1.9
Disposals	-	(0.1)	(0.3)	(0.2)	(0.6)
Transfers	-	0.1	-	-	0.1
At 31 December 2022	**0.7**	**1.3**	**0.2**	**6.5**	**8.7**
Net book value at:					
At 31 December 2022	**1.0**	**3.8**	**-**	**2.2**	**7.0**
At 31 December 2021	1.3	3.0	0.2	2.5	7.0

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Leasehold land and buildings	Fixtures and Fittings	Total
Cost	**£m**	**£m**	**£m**
At 1 January 2021	1.0	6.7	7.7
Additions at Cost	0.1	0.6	0.7
Disposals	(0.2)	(0.1)	(0.3)
Transfers	-	0.2	0.2
31 December 2021 and 1 January 2022	0.9	7.4	8.3
Additions at Cost	0.0	0.1	0.1
Disposals	(0.1)	-	(0.1)
Transfers	0.5	0.2	0.7
At 31 December 2022	**1.3**	**7.7**	**9.0**
Accumulated Depreciation			
At 31 December 2020	0.4	4.7	5.1
Charge for the year	0.1	0.9	1.0
Disposals	-	(0.1)	(0.1)
31 December 2021 and 1 January 2022	0.5	5.5	6.0
Charge for the year	-	0.6	0.6
Disposals	(0.1)	-	(0.1)
At 31 December 2022	**0.4**	**6.1**	**6.5**
Net book value at:			
At 31 December 2022	**0.9**	**1.6**	**2.5**
At 31 December 2021	0.4	1.9	2.3

10. LEASES

(a) The Group

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

(i) Amounts recognised in the balance sheet

	2022	2021
	£m	£m
Right-of-use assets		
Land and Buildings	**9.5**	2.7
Equipment – operating lease	**0.8**	0.9
Equipment – finance lease	**7.0**	-
Cars	**0.2**	0.8
	17.5	4.4
Lease Liabilities		
Current	**4.1**	2.2
Non-current	**13.4**	2.2
	17.5	4.4

Additions to the right-of-use assets during the 2022 financial year were £17.1m of which £15.6m related to GIGL (2021: £28.2k)

(ii) Amounts recognised in the statement of comprehensive income

	2022	2021
	£m	£m
Depreciation charge of right-of-use assets		
Land and Buildings	**0.9**	1.5
Equipment – operating lease	**0.5**	0.1
Equipment – finance lease	**1.2**	-
Cars	**0.5**	0.4
	3.1	2.0

The total cashflow for leases in 2022 were £13.2m (2021: £4.3m)

Future minimum lease payments are as follows:

	2022	2021
	£m	£m
Not later than one year	**5.3**	2.2
Later than one year and not later than five years	**11.3**	1.8
Later than five years	**5.7**	0.4
Total gross payments	**22.3**	4.4
Impact of finances expenses	**(4.8)**	-
Carrying value of liability	**17.5**	4.4

10. LEASES (CONTINUED)

(b) The Company

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

(i) Amounts recognised in the balance sheet

	2022	2021
	£m	£m
Right-of-use assets		
Land and Buildings	0.4	1.2
	0.4	1.2
Lease Liabilities		
Current	0.2	0.9
Non-current	0.2	0.3
	0.4	1.2

Additions to the right-of-use assets during the 2022 financial year were £0.1m (2021: £28.2m)

(ii) Amounts recognised in the statement of comprehensive income

	2022	2021
	£m	£m
Depreciation charge of right-of-use assets		
Land and Buildings	0.9	0.9
	0.9	0.9
Interest expense (included in finance cost)	-	0.1

The total cashflow for leases in 2022 were £4.5m (2021: £0.9m)

Future minimum lease payments are as follows:

	2022	2021
	£m	£m
Not later than one year	0.3	0.9
Later than one year and not later than five years	0.1	0.4
Total gross payments	0.4	1.3

11. INTANGIBLE ASSETS

(a) The Group

Cost	Capitalised Software £m	Corporate Brand £m	Customer Relationship £m	Goodwill £m	Non-Compete Agreements £m	Total £m
At 31 December 2020	6.5	5.8	47.1	81.0	0.5	140.9
Additions	1.2	-	0.1	-	-	1.3
Additions from Acquisitions	-	1.2	-	16.1	-	17.3
Disposal	(0.1)	-	-	-	-	(0.1)
Disposal of XF Goodwill	-	-	-	(11.0)	-	(11.0)
As at 31 December 2021	7.6	7.0	47.2	86.1	0.5	148.4
Additions	0.2	0.5	-	-	-	0.7
Additions from Acquisitions	1.8	6.4	8.7	20.1	-	37.0
Disposal	(0.4)	-	-	-	(0.5)	(0.9)
As at 31 December 2022	9.2	13.9	55.9	106.2	-	185.2
Accumulated Amortisation						
At 31 December 2020	6.2	0.5	3.8	-	-	10.5
Amortisation charge	0.3	0.7	5.9	-	-	6.9
Disposal	(0.1)	-	-	-	-	(0.1)
Impairment of Goodwill	-	-	-	60.9	-	60.9
As at 31 December 2021	6.4	1.2	9.7	60.9	-	78.2
Amortisation charge	0.6	1.0	5.8	-	-	7.4
Disposal	(0.4)	-	-	-	-	(0.4)
As at 31 December 2022	6.6	2.2	15.5	60.9	-	85.2
Net book value						
Cost	7.6	7.0	47.2	86.1	0.5	148.4
Accumulated amortisation	(6.4)	(1.2)	(9.7)	(60.9)	-	(78.2)
As at 31 December 2021	1.2	5.8	37.5	25.2	0.5	70.2
Cost	9.2	13.9	55.9	106.2	-	185.2
Accumulated amortisation	(6.6)	(2.2)	(15.5)	(60.9)	-	(85.2)
As at 31 December 2022	2.6	11.7	40.4	45.3	-	100.0

Goodwill remaining as at 31 December 2022, being the difference between consideration paid and net assets acquired, arose on the acquisition of Tektronix during 2000, Arena Group, Altodigital Networks Limited and ITEC Connect during 2020, Concept during 2021 and Go Inspire Group Ltd in 2022.

11. INTANGIBLE ASSETS (CONTINUED)

(b) Company

Cost	Capitalised Software £m	Goodwill £m	Total £m
At 31 December 2020	6.1	1.4	7.5
Additions	-	-	-
As at 31 December 2021	6.1	1.4	7.5
Additions	-	-	-
As at 31 December 2022	6.1	1.4	7.5
Accumulated Amortisation			
At 1 January 2020	6.0	-	6.0
Amortisation charge	0.1	-	0.1
As at 31 December 2021	6.1	-	6.1
Amortisation charge	-	-	-
As at 31 December 2022	6.1	-	6.1
Net book value			
Cost	6.1	1.4	7.5
Accumulated amortisation	(6.1)	-	(6.1)
As at 31 December 2021	-	1.4	1.4
Cost	6.1	-	6.1
Accumulated amortisation	(6.1)	-	(6.1)
As at 31 December 2022	-	1.4	1.4

(c) Goodwill

Net book amount	£m
At 31 December 2022 (Large Enterprise)	**21.5**
At 31 December 2022 (SMB)	**23.9**

Impairment testing for goodwill

Goodwill arises in relation to the both the Small and Medium Business ("SMB"), and Large Enterprise (LE), cash-generating units ("CGU").

Goodwill is tested for impairment annually, or more frequently if there are certain events or changes indicating the possibility that the carrying amount may not be fully recoverable. The potential impairment loss is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated from the acquisition date. If this recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised.

11. INTANGIBLE ASSETS (CONTINUED)

The Group evaluates its cash-generating units performance regularly to identify potential goodwill impairments. The strategic plan of the CGUs to which the goodwill is allocated has been used to perform the impairment test at year-end. The process of preparing the CGUs strategic plan takes into consideration the current condition of the CGU market, analysing the macroeconomic, competitive, regulatory and technological climate together with the CGU position in this context and the growth opportunities given the market projections and their competitive positioning.

The recoverable amount of each of the CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period and a terminal value. The headroom calculated, the difference between the carrying value and value in use, is £2m and £42m for the SMB and LE CGUs respectively.

Main assumption in value in use calculation

Significant Assumptions	
Revenue Growth	0% after 2023
Gross Margin	19.3% (SMB), 13.2% (LE) after 2023
Terminal growth rate	0%
Pre-tax Discount Rate	12.3%

Value in use is calculated based on the UK Board approved business plan for each CGU, reflecting the Group's view of its prospects for the remainder of 2023, at 30 June 2022. Revenue for 2023 is forecast to improve versus 2022 in the SMB CGU as supply chain constraints experienced during 2022 have now eased. Revenue in the LE CGU improves due to a full year of revenue from Go Inspire.

Revenue beyond 2023 is expected to remain flat with potential declines in the print business offset by gains in new products and services including I/T services and software.

Gross margin forecasted has been based on past performance and management's expectations for the future. Discount rate applied is the weighted average cost of capital (WACC) – 9.3% at 31 December 2022. For this calculation the pre-tax WACC of 12.3% has been applied.
The SMB CGU will benefit from a transfer pricing adjustment from Xerox Limited as part of a Limited Risk Distribution agreement. This is being extended to the acquired companies (Alto, Arena, ITEC and Concept) for 2023.

The perpetuity growth rate used to project cash flows to the end of the CGU's useful life are estimated using a rate of growth for the future years. The growth rate applied to this impairment test is 0%. The long-term growth rate is in line with Xerox Holdings Corporation strategy to eliminate revenue decline.

11. INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions

The Group carries out a sensitivity analysis for the impairment test by considering reasonably possible changes in the main assumptions used in calculating the value in use. The variables considered are revenue growth/decline, changes on the discount rate, gross margin and long term growth rate.

The below table summarises the impact on Value in Use with a 3% increase or decrease to the following assumptions

Assumptions	Change	Impact to Value in Use
Revenue growth from 2023 (% annual growth rate)	+/-3%	+£11m / -£10m
Pre-tax discount rate (%)	+/-3%	-/£8m/+£9m(3% reduction=£(m increase)
Long term growth rate (%)	+/-3%	+ £18m / -£11m

Based on these assumptions, and with a calculated headroom of £2m, either an increase to the discount rate (+1%) or a reduction in the long-term growth rate (-1%) could result in a potential impairment.

The three acquired companies, Arena Group, Altodigital Networks Limited and ITEC Connect Limited 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 the Group. Together the Group is in a position to bring our growing portfolio of workplace technology solutions to new customers looking for a modern work experience. The integration of these three companies will strengthen our presence in SMB and support our growth objectives in the UK. For these reasons mentioned above, management is comfortable that any increase to the calculated impairment is not necessary.

In terms of the sensitivity for the WACC, the current pre-tax WACC rate of 12.3% is consistent with past 5 years of history.

Management expectation is for gross margin to remain flat or improve in the next 5 years, driven by

- Increased synergies between UK and acquired companies
- Acquired companies predominantly selling Xerox products instead of 3rd party and supported by transfer pricing agreement with Xerox Limited
- Targeted growth in the IT Services market

12. INVESTMENTS

The Company's investments in subsidiaries are as follows:

Subsidiary	Principal activities	Registered address	Direct/ Indirect	Ordinary share capital Holdings 2022	2021
Go Inspire Group Limited	Financial Services Marketing, Sales & PR Marketing and Advertising Finance & Insurance	147 Scudamore Road, Leicester, England, LE3 1UQ	Direct	100%	-
GI Insight Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
GI Red Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
GI Solutions Holdings Limited	Activities of head offices	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
GI Solutions Group Limited	Manufacturing	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
GI Solutions Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
Eclipse Web Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
Eclipse (Kettering) Ltd	Non Trading Company	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
Eclipse Colour Print Limited	Printing services	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
4DMI Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
4DM Holdings Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
4DM Group Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
DL Marketing (Direct Link Ltd	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
Eclipse 4DM Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
Go Inspire Limited	Dormant	147 Scudamore Road, Leicester, England, LE3 1UQ	Indirect	100%	-
Bessemer Trust Limited	Dormant	Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	Direct	100%	100%
Arena Group Holdings Limited	Supply and support of multi-functional devices	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Direct	100%	100%
Altodigital Networks Limited	Office Equipment and Printing Solutions	93 Vantage Point, Kingswinford, West Midlands DY6 7FR	Indirect	100%	100%
Platinum Digital Print Solutions Limited	Dormant	93 Vantage Point, Kingswinford, West Midlands DY6 7FR	Indirect	100%	100%
Concept Group Limited	Sale and service of office equipment	Concept House, 11 Fairbairn Road, Livingston, West Lothian EH54 6TS	Indirect	100%	100%

Acorn Business Machines (Holmfirth) Limited	Dormant	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
Arena Group Limited	Supply and support of multi-functional devices	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
Copytrend Limited	Dormant	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
Docucentric Holdings Limited	Dormant	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	90%	90%
Business Systems (North Wales) Limited	Dormant	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
B 2 Business Systems Limited	Specialising in hard copy and electronic document management	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
Fovia (Innovation) Limited	Dormant	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
M & S Reprographics Limited	Dormant	Armitage House Thorpe Lower Lane, Robin Hood, Wakefield, West Yorkshire, WF3 3BQ	Indirect	100%	100%
ITEC Connect Limited	Selling and servicing of printers and photocopiers	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Citrus Digital Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Copyrite Business Solutions (Holdings) Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Criterion IT Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Copyrite Business Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
A B S Digital Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Osprey Business Systems Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Quilver Business Services Limited	Dormant	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Mail A Doc Limited	Printing and mailing services	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Reflex Digital Solutions (UK) Limited	Sale of office machinery & Equipment	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Stem Networks Limited	Computer Services	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Back2Business Limited	Business continuity/disaster recovery	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Time Business Systems Limited	Sale of office machinery & Equipment	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%
Una-Stem Limited	Activities of other holding companies	ITEC House, Hawkfield Way, Whitchurch, Bristol, BS14 0BL	Indirect	100%	100%

COMMITMENTS NOT SHOWN ON THE BALANCE SHEET

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 2022 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
Arena Group Limited	02168309
Arena Group Holdings Limited	03735943
B 2 Business Systems Limited	04789382
Altodigital Networks Limited	10706663
ITEC Connect Limited	02219814
Mail A Doc Limited	06301068
GI Solutions Group Ltd	02734835
DL Marketing (Direct Link) Ltd	03589399
Eclipse Colour Print Ltd	00655579
Go Inspire Group	09903285
Concept Group Limited	SC086898

	2022	2021
	£m	£m
Shares in Company undertakings		
Balance 1 January	**63.3**	142.1
Additions in 2020 - Arena Group Limited (i)	-	27.4
Additions in 2021 – Concept Group Limited (i)	-	27.4
Additions in 2022 – Go Inspire Group Limited (ii)	**39.9**	-
Disposals in 2021 – Concept Group Limited (i)	-	(27.4)
Impairment of Investment (iii)	-	(106.2)
Balance 31 December	**103.2**	63.3

(i) Acquisition and subsequent disposal of Concept Group Limited
On 31 March 2021 Xerox Capital (Europe) Limited contributed its shareholding in Concept Group Limited to Xerox UK Limited amount to £27.4m. This was to align its ownership with the 2020 acquisitions of Arena Group Altodigital Networks Limited and ITEC Connect. On 30 April 2021 the Company transferred its investment in Concept Group Limited to Arena Group Holding.

(ii) Acquisition of Go Inspire Limited
On 5 July 2022 the company acquired Go Inspire, a UK-based print and digital marketing and communication services provider to grow its Digital Services presence in the UK for a consideration of £39.9m.

(iii) Impairment of investment
The impairment in the consolidated goodwill figure has triggered an impairment review for the investments on the acquired entities. Carrying amounts have been compared with the value in use resulting to an impairment on investments.

13. DEFERRED TAX ASSET

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

(a) Group

	Accelerated Capital Allowance's	Finance Leases	Intangibles	Other	Total
	£m	£m	£m	£m	£m
Deferred tax asset/(liability) at 31 December 2020	0.8	78.5	(9.5)	0.3	70.1
Deferred tax movement in prior year:					
Profit and loss account movement	0.7	46.8	(1.4)	0.1	46.2
Balance sheet adjustment relating to disposal of XF	-	(125.3)	-	-	(125.3)
Deferred tax asset/(liability) at 31 December 2021	**1.5**	**-**	**(10.9)**	**0.4**	**(9.0)**
Deferred tax movements in current year:					
Profit and loss account movement	-	-	1.6	(1.4)	0.2
Balance sheet adjustment relating to acquisition of business	(0.3)	-	(4.1)	1.0	(3.4)
Deferred tax asset/(liability) at 31 December 2022	**1.2**	**-**	**(13.4)**	**-**	**(12.2)**

Group Deferred tax assets	**2022**	2021
	£m	£m
The balance comprises temporary differences attributable to:		
Property plant and equipment	1.2	1.5
	1.2	1.5
Other		
Employee Remuneration	-	0.4
Other	-	-
Subtotal other	-	0.4
Total deferred Tax assets	1.2	1.9
Set off of deferred tax liability pursuant to set-off provisions:		
Intangibles	(13.4)	(10.9)
Net deferred tax asset	(12.2)	(9.0)

13. DEFERRED TAX ASSET (CONTINUED)

(b) Company	Accelerated Capital Allowance's	Other	Total
	£m	£m	£m
Deferred tax asset at 31 December 2020	0.6	0.2	0.8
Deferred tax movement in prior year:			
Profit and loss account movement	0.6	-	0.6
Deferred tax asset at 31 December 2021	**1.2**	**0.2**	**1.4**
Deferred tax movements in current year:			
Profit and loss account movement	(0.5)	-	(0.5)
Deferred tax asset at 31 December 2021	**0.7**	**0.2**	**0.9**

Company Deferred tax assets	2022	2021
The balance comprises temporary differences attributable to:	**£m**	£m
Property plant and equipment	0.9	1.2
	0.9	1.2
Other		
Employee Remuneration	-	0.2
Subtotal other	-	0.2
Total deferred Tax assets	0.9	1.4
Net deferred tax asset	0.9	1.4

14. TRADE AND OTHER RECEIVABLES

(a) Non-Current assets	Group		Company	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Other receivables	**3.7**	5.2	**3.7**	5.2
	3.7	5.2	**3.7**	5.2

The other receivables balance relates to deferred costs, including contract set up costs and commissions on document managed services contracts.

14. TRADE AND OTHER RECEIVABLES (continued)

(b) Current asset

	Group		Company	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Trade receivables (i)	**46.2**	29.6	**14.2**	15.9
Amounts owed by group undertakings (ii)	**84.7**	134.4	**81.9**	127.6
Other receivables	**7.9**	5.2	**1.4**	1.1
Prepayments and accrued income	**20.8**	20.3	**16.4**	16.7
	159.6	189.5	**113.9**	161.3

i) Trade receivables include a bad debt reserve for the Group and Company of £0.9m (2021: £0.7m) and £0.3m (2021: £0.4m) respectively. This is based on lifetime expected credit losses. The percentage of Trade receivables aged more than 180 days is 0% (2021: 0%) and the percentage of trade receivables aged less than 180 days is 100% (2021: 100%). The Group and the Company apply a 1% to 1.5% expected credit loss rate on the balance of Trade receivables and accrued income. The Group and the Company utilised £0.2m (2021: £0.2m) of provision during the year and recorded £0.2m (2021: £0.2m) of new provision.

ii) Amounts owed by group undertakings are unsecured. Current account balances are payable on demand and change daily as cash is swept through a zero balancing structure and incur interest rates between 2.115% and 6.495%. The loan with Xerox Capital (Europe) Limited of £59.8m is a short term 6 month rolling loan. The expected credit loss is insignificant for the balance of intercompany receivable.

15. INVENTORIES

	Group		Company	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Finished goods and goods for resale	**34.1**	35.0	**15.8**	16.6

The inventory provision at 31 December 2022 for the Group was £0.1m (2021: £0.1m) and for the Company was £0.1m (2021: £0.1m).

16. CAPITAL RISK MANAGEMENT

The group's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders. Capital is the equity of the Group and Company. Further detail on the components of equity can be found in notes 17, 18 and 19.

17. SHARE CAPITAL

	2022	2021
	£	£
Authorised:		
100 (2020: 100) 'A' class ordinary shares of £1 each	**100**	100
1,500,000 (2020:1,500,000) 'B' class ordinary shares of £1 each	**1,500,000**	1,500,000
	1,500,100	1,500,100
Allotted and fully paid:		
100 (2019: 100) 'A' class ordinary shares of £1 each	**100**	100
1,500,000 (2020: 1,500,000) 'B' class ordinary shares of £1 each	**1,500,000**	1,500,000
	1,500,100	1,500,100

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

18. DIVIDENDS

No dividends were paid in 2022 by the Company and its subsidiaries (2021: £67.8m).

19. RETAINED EARNINGS

	Group	Company
	£m	£m
At 31 December 2020	355.5	234.8
Loss for the financial year	(138.5)	(38.1)
Dividends	(67.8)	(67.8)
At 31 December 2021	**149.2**	**128.9**
Loss for the financial year	(13.1)	(0.6)
At 31 December 2022	136.1	**128.3**

20. TRADE AND OTHER PAYABLES

(a) Non-Current liabilities

	Group		Company	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Lease Liabilities (note 10)	**13.4**	2.2	**0.2**	0.3
	13.4	2.2	**0.2**	0.3

(b) Current liabilities

	Group		Company	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Trade payables	**51.7**	34.8	**18.6**	21.2
Amounts owed to group undertakings	**50.9**	55.8	**44.2**	49.1
Lease Liabilities (note 10)	**4.1**	2.2	**0.2**	0.9
Social security and other taxes	**7.9**	11.0	**7.1**	8.5
Accruals and deferred income	**21.6**	18.6	**9.2**	9.9
	136.2	122.4	**79.3**	89.6

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

21. CONTRACT BALANCES

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

(a) Group	Accrued Income £m	Deferred Income £m
At 1 January 2021	**16.2**	(7.8)
Revenue recognised of which relates to performance obligations satisfied in the current year	**17.5**	7.8
Transfers in the year from accrued income to trade receivables	**(16.2)**	-
Net cash received in advance of performance obligations being fully satisfied	-	(6.3)
31 December 2021	**17.5**	(6.3)
Revenue recognised of which relates to performance obligations satisfied in the current year	**18.0**	4.7
Transfers in the year from accrued income to trade receivables	**(17.5)**	-
Net cash received in advance of performance obligations being fully satisfied	-	(6.2)
As at 31 December 2022	**18.0**	(7.8)

21. CONTRACT BALANCES (continued)

(b) Company	**Accrued Income £m**	**Deferred Income £m**
At 1 January 2021	**14.0**	(5.6)
Revenue recognised of which relates to performance obligations satisfied in the current year	**15.8**	5.6
Transfers in the year from accrued income to trade receivables	**(14.0)**	-
Net cash received in advance of performance obligations being fully satisfied	**-**	(3.8)
31 December 2021	**15.8**	(3.8)
Revenue recognised of which relates to performance obligations satisfied in the current year	**15.5**	2.3
Transfers in the year from accrued income to trade receivables	**(15.8)**	-
Net cash received in advance of performance obligations being fully satisfied	-	(2.9)
As at 31 December 2022	**15.5**	**(4.4)**

22. FAIR VALUE OF FINANCIAL LIABILITIES

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

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

	Group		Company	
	2022 Carrying Value £m	2021 Carrying Value £m	**2022 Carrying Value £m**	2021 Carrying Value £m
No later than 1 year	**133.3**	111.4	**72.2**	81.1
Later than 1 year and no later than 5 years	**8.4**	2.2	**0.2**	0.3
Total	**141.7**	113.6	**72.4**	81.4

Notes to the consolidated financial statements for the year ended 31 December 2022

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(a) Group

	Restructuring	Dilapidations	Total
	£m	£m	£m
At 31 December 2021	4.6	2.2	6.8
Charged/(credited) to the income statement:			
Additional provisions	2.9	-	2.9
Utilised during the year	(3.2)	(0.1)	(3.3)
At 31 December 2021	**4.3**	**2.1**	**6.4**
Charged/(credited) to the income statement:			
Additional provisions	3.0	-	3.0
Utilised during the year	(2.6)	(0.3)	(2.9)
At 31 December 2022	**4.7**	**1.8**	**6.5**

(b) Company

	Restructuring	Dilapidations	Total
	£m	£m	£m
At 1 January 2021	4.5	1.0	5.5
Charged/(credited) to the income statement:			
Additional provisions	2.8	-	2.8
Utilised during the year	(3.2)	(0.1)	(3.3)
At 31 December 2021	**4.1**	**0.9**	**5.0**
Charged/(credited) to the income statement:			
Additional provisions	3.0	-	3.0
Utilised during the year	(2.6)	(0.3)	(2.9)
At 31 December 2022	**4.5**	**0.6**	**5.1**

Restructuring
The restructuring provision principally consists of ongoing headcount productivity improvement actions. As at 31 December 2022, the liability represents the estimated severance costs of the outstanding affected roles. The provision will be utilised within 12 months.

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

24. SHARE BASED PAYMENTS

Xerox Holdings Corporation has implemented stock-based compensation programs that included expanded use of restricted stock Units (RSUs) and Performance Share Units (PSUs).

Essentially, these are a promise to receive a pre-specified number of shares on a pre-specified date subject to certain conditions being met as described in note 2.23. These are effectively a stock gift to employees and so have a grant price of zero.

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

The total charge relating to share based payment for the Group was £0.1m (2021: £0.5m) for the year.

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

	2022		2021	
	Number	**Weighted average market value**	Number	Weighted average market value
Outstanding 1 January	**16,642**	**$25.47**	51,782	$30.36
Granted	**5,930**	**$23.36**	17,944	$24.16
Transfers	**-**	**-**	(30,332)	$27.33
Forfeited	**(4,279)**	**$23.93**	(2,194)	$26.58
Exercised	**(6,013)**	**$24.38**	(20,558)	$27.07
Outstanding 31 December	**12,280**	**$29.09**	16,642	$25.47

Year of vesting	**2022**		2021	
	Number	**Weighted average market value**	Number	Weighted average market value
2022	**-**	**-**	8,710	$23.60
2023	**5,861**	**$33.52**	4,531	$35.17
2024	**4,404**	**$23.93**	3,401	$24.02
2025	**2,015**	**$23.62**	-	-
Total	**12,280**	**$29.09**	16,642	$25.47

25. PENSIONS

Up to the 31 December 2022, the Group and the Company has offered employees both defined benefit and defined contribution schemes, which also covered the employees of its UK subsidiaries. With effect from 31 December 2013 the UK defined benefit scheme rules were amended so that no employed members except members of the public sector sections would accrue any further pensionable services after this date. Substantially all of the defined benefit schemes are self-administered and their assets are held independently of the Company's finances. The schemes include an unapproved scheme of minor financial significance.

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

IAS 19 Employee Benefits (revised)

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

Under the multi-employer defined benefit scheme contributions are made by the employees on the Group's payroll. The Group is not liable for other entities obligations and contributions are expected to remain similar to 2022 contributions. The plan is in surplus, therefore, no impact is expected on future contribution.

The last full actuarial valuation upon which the IAS 19 figures have been based was as at 31 March 2022, rolled forward to 31 December 2022 and adjusted for current financial conditions. The present values of the projected benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the years in which the arise within Xerox Limited accounts.

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

	2022	2021
	£m	£m
Fair value of scheme assets	**2,358**	3,639
Present value of funded defined benefit obligations	**(2,019)**	(2,862)
Funded status	**339**	777

The contributions of £0.3m (2021: £0.2m) to the defined benefit scheme made by the Group and the Company during the year have been charged to the statement of comprehensive income.

Contributions of £2.8m (2021: £2.8m) to defined contribution schemes made by the Group and £2.5m (2021: £2.3m) made by the Company are charged to the statement of comprehensive income as incurred.

There were no contributions outstanding as at 31 December 2022 (2021: £Nil).

26. RELATED PARTIES

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

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

The following transactions were carried out with related parties:

a) Sales and purchases of goods and services:

	2022	2021*
	£m	£m
Purchases of goods from parent company – Xerox Limited	**63.0**	60.2

*2021 figures have been restated and has no impact on any other balances.

b) Purchase of other assets

Group

Balance outstanding with related parties at 31 December 2022 were as follows:

	Amounts owed from related parties **2022**	Amounts owed to related parties **2022**	Amounts owed from related parties 2021	Amounts owed to related parties 2021
	£m	**£m**	£m	£m
Xerox Limited – Treasury Division	-	**1.6**	45.1	5.1
Xerox Capital (Europe) Limited	**59.8**	-	59.0	-
XXFH Treasury Ops	-	**30.6**	5.5	31.7
Xerox Limited – UK Div	**17.8**	**3.9**	17.8	-
Xerox Limited – HQ	-	**8.3**	-	11.8
Xerox Limited – Venray	-	**4.8**	-	5.7
Xerox Finance Limited	**4.9**	**1.1**	3.3	-
Xerox Limited – 2Tier Centre Div	-	-	1.2	-
Xerox (Europe) Limited Ballycoolin	**0.2**	-	-	1.2
Continua Ltd	**0.2**	-	1.1	-
Other	**1.8**	**0.6**	1.4	0.3
	84.7	**50.9**	134.4	55.8

26. RELATED PARTIES (CONTINUED)

Company

Balance outstanding with related parties at 31 December 2022 were as follows:

	Amounts owed from related parties **2022**	Amounts owed to related parties **2022**	Amounts owed from related parties 2021	Amounts owed to related parties 2021
	£m	**£m**	£m	£m
Xerox Limited – Treasury Division	-	**1.6**	45.1	5.1
Xerox Capital (Europe) Limited	**59.8**	-	59.0	-
XXFH Treasury Ops	-	**22.3**	-	24.4
Xerox Limited – UK Div	**17.8**	**3.9**	17.8	-
Xerox Limited – HQ	-	**8.4**	-	11.7
Xerox Limited – Venray	-	**4.8**	-	5.7
Xerox Finance Limited	-	**0.5**	1.5	-
Xerox Limited – 2Tier Centre Div	-	-	1.2	-
Xerox (Europe) Limited Ballycoolin	-	**0.7**	-	1.2
Continua Ltd	**0.2**	-	1.1	-
Go Inspire Group	**1.9**	-	-	-
ITEC	**0.9**	-	-	-
Arena	**0.3**	-	-	-
Altodigital	**0.3**	-	-	-
Concept	**0.4**	-	-	-
Other	**0.3**	**2.0**	1.9	1.0
	81.9	**44.2**	127.6	49.1

c) Key management personnel compensation

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

	2022	2021
	£m	£m
Salaries and other short-term employee benefits	**0.4**	0.1
Total (note 5 (a))	**0.4**	0.1

27. DISCONTINUED OPERATION

27(a) Description

In January 2021, Xerox Holdings Corporation (Xerox) announced its intention to stand up three separate businesses: Software, Innovations and Xerox Financing Services (XFS), allowing Xerox to identify the appropriate long-term structure of each business and focus on developing new capabilities and sustainable growth.

As a result of these considerations, in December 2021 the Group sold its investment in XFS leasing business to Xerox Financial Services International Limited, a fellow subsidiary of Xerox Holdings Corporation for a consideration of £67.8m. The sale price was determined on the basis of Fair Market Value.

LOSS ON DISPOSAL OF INVESTMENT

During 2021 the Group and Company sold its investment in Xerox Finance Limited to Xerox Financial Services *International Limited generating a loss on disposal of £127.5m. In addition, on 30 April* the Company disposed of its investment in Concept Group Limited to Arena Group Holdings Limited. The disposal of Concept Group Limited to Arena Group Holdings Limited did not result to any gain or loss.

	2022	2021
	£m	£m
Sales proceeds	-	67.8
Cost of investment	-	(195.3)
Loss on disposal	-	(127.5)

The gain on the sale of Xerox Finance Limited at Company level was £67.8m.

In January 2021, Xerox Corporation announced the plan to stand up three separate businesses: Software, Innovation and Xerox Financing Services (XFS), allowing Xerox to identify the appropriate long-term structure for each business and focus on developing new capabilities and sustainable growth.

With respect to the XFS business segment several restructuring alternatives were considered for the *optimal legal entity structure to reflect XFS's operational footprint and support the business imperative* of standing up the XFS business. A stock transfer approach, under which a new XFS holding company is created under the Group and the shares in the legacy XFS entities transferred to the new XFS holding company was determined to be appropriate in cases where transfer costs were not expected to be significant.

As a result of these considerations, in December 2021 the Company sold its investment in XFS leasing business to Xerox Financial Services International Limited and is now being considered a discontinue operation which has been presented separately in the income statement.

27. DISCONTINUED OPERATION (continued)

27 (b) Financial performance and cash flow information

The financial performance and cash flow information presented are up to 21st December 2021 the date of sale and the year ended 31 December 2020.

	2022	2021
	£m	£m
Revenue	-	27.6
Cost of Sales	-	(10.9)
Gross Profit	-	16.7
Administrative Expenses	-	(2.9)
Operating Profit	-	13.8
Finance Income	-	2.2
Finance Charges	-	(4.7)
Loss on disposal	-	(127.5)
Impairment attributable to XF	-	(19.2)
Loss before tax	-	(135.4)
Tax credit on Profit	-	46.8
Loss from discontinued operation	-	(88.6)

Net cash inflow from operating activities	-	8.3
Net cash inflow from investing activities	-	(8.3)

On 21 December 2021 the company disposed of its investment in Xerox Finance Limited to Xerox Financial Services International Limited. The investment was recorded at nil cost and made a loss on disposal of £127.5m

27 (c) Details of the sale of subsidiary

	2022	2021
	£m	£m
Consideration received	-	**67.8**
Carrying amount of net assets sold	-	**(195.3)**
Loss on sale before income tax	-	**(127.5)**

On 21 December 2021 the company disposed of its investment in Xerox Finance Limited to Xerox Financial Services International Limited. The investment was recorded at nil cost and the company made a gain on disposal of £67.8m.

27. DISCONTINUED OPERATION (continued)

27 (d) Assets and Liabilities disposed

The following assets and liabilities were disposed as at 21 December 2021

	2022 £m	21 Dec 2021 £m
Assets		
Property, plant, and equipment	-	21.4
Trade receivables	-	46.0
Deferred tax asset	-	125.3
Finance lease receivables	-	151.4
Goodwill	-	11.0
Total assets disposed	-	355.1
Liabilities disposed		
Trade creditors	-	159.8
Total liabilities	-	159.8
Net Assets	-	195.3

28 (a) BUSINESS COMBINATIONS

Summary of acquisitions in 2022

In July 2022 Xerox UK Limited acquired 100% of company shares of Go Inspire, a UK based print and digital marketing and communication services provider to grow its Digital Services presence in the UK for a cash consideration of £39.9m. Go Inspire serves customers throughout Europe, the Middle East and Africa (EMEA).

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

(i) Revenue and profit contribution

The acquired business contributed revenues and net profit to the group as follows:

	2022
	£m
Revenue	45.8
Net Profit	3.9

(ii) The following assets and liabilities recognised as a result of the acquisition are as follows:

	2022
	£m
Cash	**4.5**
Trade receivables	**13.9**
Inventory	**0.8**
Pre-paid expenses	**1.0**
Other current assets	**2.0**
Property, plant and equipment	**1.4**
Right of use asset	**14.3**
Intangible assets	**16.9**
Deferred tax	**(3.4)**
Trade payables	**(11.8)**
Expense accruals	**(0.6)**
Business taxes payable	**(0.4)**
Accruals	**(4.6)**
Lease liability	**(14.2)**
Net identifiable assets acquired	**19.8**
Goodwill	**20.1**
Net assets acquired	**39.9**

28 (b) Summary of acquisitions continued

The goodwill is attributable to workforce and the profitability of the acquired businesses. It will not be deductible for tax purposes.

(i) Acquired receivables

The fair value of acquired trade receivables is as follows:

	Go Inspire
	£m
Gross Trade Receivables	13.9
Bad Debt Reserve	-
Net assets acquired	**13.9**

(ii) Revenue and profit contribution

The acquired businesses contributed revenues and net profit to the group as follows:

	Go Inspire 12 Jul – 31 Dec 2022
	£m
Revenue	45.8
Net Profit	3.1

If the acquisitions had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been as follows:

	Go Inspire
	£m
Revenue	89.6
Net Profit	10.3

These amounts have been calculated using the subsidiaries results and adjusting for:

- Differences in the accounting policies between the group and the subsidiaries, and
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2022, together with the consequential tax effects.

28 (c) Purchase Consideration – cash outflow

	Go Inspire 2022 £m
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash Consideration	39.9
Less: Balances acquired	
Cash	4.5
Net outflow of cash – investing activities	35.4

Acquisition-related costs

Acquisition related costs of £80,080 have been included in administrative expenses in the statement of comprehensive income in the current reporting period ending 31 December 2022.

29. POST BALANCE SHEET EVENTS

In January 2023 the Group announced that Advanced UK, a UK-based hardware and managed print services provider and long-standing Xerox Platinum partner, is now part of Xerox Business Solutions (XBS) UK.

On September 28th Xerox entered into a stock purchase agreement to repurchase all shares of Xerox common stock from one of our major shareholders, Carl C. Icahn and his affiliates. We purchased approximately 34.25m shares at $15.84 per share, which was the closing price on September 27th , at a total cost of approximately $542.5m. To fund this, on September 28th, Xerox Holdings Corp and Xerox Corp entered into a 5yr Bridge Loan for $555m, sufficient to cover the purchase and associated fees.
As part of the security package for the Loan, certain subsidiaries in Canada and the UK, including Xerox (UK) Ltd, were required to stand as Guarantors. At a Board meeting held on 28th September, the Directors of Xerox (UK) Ltd approved a resolution to do so.
The intention is that the Bridge Loan will not run to its final maturity date and that it will be refinanced via a public bond issuance before November 30, 2023.

30. GROUP FINANCIAL STATEMENTS

The largest group in which the results of the Company are consolidated is that of Xerox Holdings Corporation which is incorporated in the United States of America. The Groups immediate parent company is Xerox Capital (Europe) Limited.

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

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

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

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