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LIMITED

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Xerox Investments Europe B.V.

Annual Report

for the year ended 31 December 2013

adopted by the general meeting of shareholders on September 29, 2014



Xerox Investments Europe B.V.

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XEROX INVESTMENTS EUROPE B.V.

Directors' Report, Annual Accounts and Other information for the year ended 31 December 2013

Directors as at 31 December 2013

Board of Directors

J. Mancini
R K P. Martens
S.J M.G Poels

Registered Office

De Corridor 5
3621 ZA Breukelen
The Netherlands

Commercial Registry

Utrecht, Chamber of Commerce

Registered Auditors

PricewaterhouseCoopers Accountants N.V.
Amsterdam

Registered Number

33302868

XEROX INVESTMENTS EUROPE B.V. DIRECTORS' REPORT

1. ANNUAL ACCOUNTS

The Directors present the Annual Accounts of Xerox Investments Europe B V registered number 33302868 and subsidiaries (the "Group") for the year ended 31 December 2013. Xerox Investments Europe B V (hereinafter referred to as the "Company") is the ultimate European holding company owned by Xerox Corporation of the USA (hereinafter referred to as the "Corporation"). The Group promotes the full range of Xerox products and services, working with Xerox Corporation to deliver our growth initiatives – accelerating the transition to colour, building on our leadership in end-to-end document management services, and expanding our distribution channels.

The reported operating profit was €27m (2012: €81m) for the financial year. The net profit after tax was €76m (2012: €97m).

2. BUSINESS SUMMARY REVIEW

Xerox Corporation

Xerox Corporation is a \$21.4 billion (€16.1 billion) revenue worldwide technology and services enterprise and a leader in the global document market, developing, manufacturing, marketing, servicing and financing the industry's broadest portfolio of document equipment, solutions and services.

For the 2013 reporting year, Xerox Corporation reported diluted earnings per share of \$0.93 in its SEC filings (2012: \$0.88).

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

Xerox Investments Europe Group turnover and results

General

Reported revenue for the year to 31 December 2013 of €6,259 from operations decreased by 7.5% year on year. The Canadian and European paper business was sold during the year but the results are included in the profit and loss statement up to the point of sale. Revenues from the sales of goods at €2,677m reduced by 12% compared to 2012 with 3.3% of this decline due to the Group exiting the paper business during the year. Services including facilities management generated revenue of €3,240m – a decline of 3% from 2012 levels. Gross margins declined to 25.9% compared to 27.2% for 2012, reflecting the lower margins earned on services activities. Selling and general expenses are lower than 2012 by €164m reflecting a decrease in general administrative expenses of €103m and selling and distribution costs of €61m. There was a reduction of €32m in royalties and other charges from Xerox Corporation, €9m increase in restructuring and re-organisation cost due to charges booked in 2013, and decrease of €18m in goodwill and intangible amortisation.

Reported operating profit was €27m (2012: €81m), after charging goodwill and intangible amortisation of €195m (2012: €213m). Excluding the effect of goodwill and intangibles, the underlying operational result for 2013 was a profit of €222m (2012: €294m). At the operating profit level, the decrease of €54m is caused by the decrease in gross profits of €218m offset by savings in selling and general expenses of €164m.

Manufacturing Operations

The Group has manufacturing and logistics operations in Ireland, the UK, Canada, Brazil, and the Netherlands, and a research and development facility (Xerox Research Centre Europe) in Grenoble, France.

There is an established process whereby purchases of equipment, spares and consumables from

Flextronics, a global electronics manufacturing services company, are procured via XC Singapore Trading pte. Additionally, equipment, spares and consumables for other contract manufacturing vendors follow this same process. As part of the global procurement model in the Asia region, a second entity, 'XC Global Trading BV', via its branch in Singapore, procures from original equipment manufacturers. This activity continues to expand as we bring more of our vendors onto this process.

This is the seventh year of a master supply agreement with Flextronics. Flextronics must acquire inventory in anticipation of meeting our forecasted requirements and must maintain sufficient manufacturing capacity to satisfy those requirements. Xerox may become obligated to purchase inventory that remains unused for more than 180 days, that becomes obsolete, or upon termination of the supply agreement. Activity levels at the Dundalk manufacturing plant in Ireland for 2013 were consistent with forecast. Activities in Venray, the Netherlands, did not significantly change from the previous year. For the Supply Chain the relationship with our main service providers DSV and ND logistics was continued. Toner manufacturing activities at Venray continued under the direct management of Xerox staff. In all areas there was a continuing drive to reduce cost and improve efficiency in all aspects of the operations including optimisation of production, supply chain and administrative processes through the use of continual improvement tools. Some central support staff activities continue at the Mitcheldean facility in the UK.

Customer Financing Activities

The long-term viability and profitability of the Group's financing activities is dependent, in part, on the ability to borrow and the cost of borrowing in the credit markets, which is in turn determined by Xerox Corporation's credit ratings. The Corporation is currently rated investment grade by all of the major rating agencies.

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

Credit facility The Corporation has a \$2.0 billion unsecured revolving Credit Facility with a group of lenders that matures in 2016. The Credit Facility contains a \$300m letter of credit sub-facility, and also includes an accordion feature that would allow the group to increase (from time to time, with willing lenders) the overall size of the facility up to an aggregate amount not to exceed \$2.75 billion. The Credit Facility provides a backstop to the Corporation's \$2.0 billion CP program. Proceeds from any borrowings under the Credit Facility can be used to provide working capital for the Company and its subsidiaries and for general corporate purposes.

At December 31, 2013, the group had no outstanding borrowings or letters of credit under the Credit Facility. An annual facility fee is payable to each lender in the Credit Facility at a rate that varies between 0.10% and 0.30% depending on our credit rating. Based on our credit rating as of December 31, 2013, the applicable rate is 0.20%.

The Credit Facility also contains various events of default, the occurrence of which could result in termination of the lenders' commitments to lend and the acceleration of all our obligations under the Credit Facility. These events of default include, without limitation: (i) payment defaults, (ii) breaches of covenants under the Credit Facility (have any grace period), (iii) cross-defaults and acceleration to certain of our other obligations and (iv) a change of control of Xerox.

Capital markets offerings and other

During 2013, the Corporation issued \$500 million of 2.75% Senior Notes due 2019, which accrued interest at a rate of 2.75% per annum and are payable semi-annually. The issuance of these Senior Notes has deferred the issuance cost of \$4 million.

Loan covenants and compliance At December 31, 2013, Xerox Corporation and all relevant subsidiaries were in full compliance with the covenants and other provisions of the Credit Facility, the Senior Notes and the Loan Agreement. Failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on liquidity and operations and on Xerox' ability to continue to fund customers' purchase of Xerox equipment.

Third Party Equipment Financing Agreements

The Group provides equipment financing to the majority of its customers. Because the finance leases allow customers to pay for equipment over time rather than at the date of installation, the group maintains a certain level of debt to support our investment in these customer finance leases. Xerox Corporation currently funds its customer financing activity through cash generated from operations, cash on hand, borrowings under bank credit facilities, and proceeds from capital markets offerings.

Capital Contribution and Dividend

The company did not receive capital contributions during the year. In 2013 the Company made distributions of €514m consisting of a return of share premium of €150m and dividends of €364m (2012: €nil) to Xerox Corporation.

Investments

In February 2013, the Company acquired Impika, a leader in the design, manufacture and sale of production inkjet printing solutions used for industrial, commercial, security, label and package printing for approximately \$53m in cash. Impika, which is based in Aubagne, France, offers a portfolio of aqueous (water-based) inkjet presses based on proprietary technology and have strengthened the Company's leadership in digital colour production printing.

In July 2013, the Company acquired for €6m Customer Value Group Ltd (CVG), a London-based software company that specializes in cloud-based accounts receivable and customer relationship management software. CVG's primary product, Value+, is a Software-as-a-Service (SaaS) cloud application that simplifies the management of customer credit, collections and disputes, improving overall cash collections for our customers. With Value+, Xerox now offers a flexible solution that can be tailored to meet any business model, further strengthening the Company's full suite of finance and accounting process services.

In August 2013, the Company acquired for €9m CPAS Systems, Inc., a Toronto-based company providing pension administration software to the private and public sectors. CPAS software simplifies administration and record keeping for defined benefit, defined contribution, and hybrid retirement savings plans and health, welfare and group life insurance premiums. CPAS will be offered as both a standalone software solution and as part of our human resources outsourcing services offering, with a special focus on the emerging market for government pension administration outsourcing.

Also during 2013, the Company purchased other Xerox group companies. ACS HR Solutions UK Limited was acquired in March for €7m, Buck Consultants Limited and Conseillers Buck Limitee in Canada were acquired in October for €30m, and the e-Services Group (St. Lucia) was acquired in October for €25m. The Company also announced its intention to acquire Invoco Holding GmbH in Germany. This was successfully completed in January 2014.

Principal Risks and Uncertainties

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

The Treasury Operations department works closely with its counterpart in Xerox Corporation, using forward exchange contracts to manage currency risk for dividends receivable from non-sterling

subsidiaries and associates and for payments to related parties in Japanese Yen and US Dollars in respect of goods and services purchased and technology related royalties. Group policy with regard to financial derivative instruments is to deal only with counterparties having a minimum investment grade or better credit ratings.

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

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

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

Liquidity risk: Funding for the Company is through inter-company arrangements.

Interest rate cash flow risk: The Group has no significant interest bearing assets or interest bearing liabilities with third parties. Interest is charged based on commercial rate on rolling monthly or quarterly balances with other affiliated companies. Xerox Corporation manages all significant relationships with the external debt market.

3. Continuing Developments

The 2014 priorities and plans of Xerox Corporation are to accelerate growth in Services business while improving Services margins, maintain leadership in Document Technology and continue to enhance operational excellence. Xerox' business process and IT outsourcing businesses are expanding around the world. Through its diversified portfolio, Xerox needs to be diligent about picking up the pace and prioritizing sales engagement and investments in those areas where its well positioned to win. The XIE B V Group will need to focus on delivering growth in print-related markets that are expanding, such as serving more small and mid-size businesses through indirect channels, as well as maintaining profitable leadership in the marketplace. Its investments in enhancing the workplace, revenue growth combined with cost containment is the simple formula that helps deliver on these expectations. In 2014 the Group expects revenue growth to come from selling ConnectKey a major new software and solutions capability, across a number of multifunction printers in our product portfolio; from our enhanced competitive position in high-end colour printing through our acquisition of Impika, and leveraging our leadership in document technology to grow our BPO and ITO businesses. The Group's ability to protect gross margins will be dependent upon exchange rate fluctuations against the currencies of its suppliers – chiefly US Dollars and Japanese Yen. The primary focus of the Group will be on cash generation and maintaining strict cost controls. Cash balances decreased by €233m over 2012 including currency impacts to close with €615m and the ratio of current assets to current liabilities improved to 2.2 from 2.0 in 2012. This was achieved despite the large distributions made to Xerox Corporation during the year. Capital investment will be restricted to the minimum level necessary to renew assets reaching the end of their useful lives, other than expenditure in revenue generating applications.

The Group constantly strives to balance manpower requirements against the prevailing market conditions.

FINANCING

The Group's financing is largely dependent on the financing arrangements of Xerox Corporation. As at 31 December 2013, Xerox Corporation reported cash and cash equivalents of \$1.8 billion (2012 \$1.2 billion). Xerox Corporation's debt facilities have already been explained under 'Customer Financing activities'. Xerox Corporation manages its financing arrangements on a global basis; accordingly, the Group's funding requirements are dependent on the above credit facilities.

The Group's third party debt was €11 million (2012 €7 million). Cash was €0.6 billion (2012 €0.8 billion). The Group's debt (including intergroup debt with Xerox Corporation and its affiliates) to equity ratio was maintained at 31%.

RESEARCH AND TECHNOLOGY

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

Part of the Office Product Delivery Unit (OPDU) is based in Welwyn Garden City (UK) and designs and develops multifunction products for Xerox worldwide markets. OPDU is part of a larger multinational organisation within the Corporation carrying out the design, development and systems integration of a full range of multifunction products. In 2011 this work was outsourced to HCL and draws upon their team of professional engineers, scientists, systems and software engineers.

4. DISCONTINUED OPERATIONS

In 2013, in connection with our parent company's decision to exit from the paper distribution business, the Company sold its Canadian and Western European paper businesses.

As a result of these transactions the Company is reporting these paper related operations as discontinued operations within the notes to the annual accounts.

5. GROUP RESOURCES AND EMPLOYEES

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

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

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

6. GOING CONCERN

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

7. DIRECTORS

The Directors shown on page 3 were in office on 31 December 2013. Mr. Kabureck resigned as a Director effective 1st April 2013 and was replaced by Mr. Mancini on the same date. The Company is fully compliant with the 2012 'Wet Bestuur en Toezicht' law's objective of at least 30% female representation within each of the boards as one of the three current board members is female.

Breukelen, *Sept 26*, 2014
The Board of Directors,

J. H. Mancini
Member of the Board of Directors

R. K. P. Martens
Member of the Board of Directors

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

**XEROX INVESTMENTS EUROPE B.V.
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

		2013	2012
	<i>Note</i>	€m	€m
Revenue	7	6,259	6,769
Cost of revenue	8	(4,636)	(4,928)
Gross operating profit		1,623	1,841
Selling expenses	9	(602)	(663)
General and administrative expenses	9	(994)	(1,097)
Total expenses		(1,596)	(1,760)
Operating profit		27	81
(Loss) / Gain on disposal of assets	10	(13)	2
Financial result	11	15	-
Profit on ordinary activities before tax		29	83
Tax on profit from ordinary activities	12	(82)	(97)
Share of profit of associates	15(1)	132	116
Profit on ordinary activities after tax		79	102
Minority Interest		(3)	(5)
Net Profit		76	97

XEROX INVESTMENTS EUROPE B.V.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013
(after proposed appropriation of result)

	<i>Note</i>	2013 €m	2012 €m
Non-current assets			
Intangible assets	13	1,255	1,398
Property, plant and equipment	14	674	723
Financial assets	15	2,237	2,670
Total non-current assets		4,166	4,791
Current assets			
Stocks	16	294	313
Receivables	17	2,006	2,314
Cash	18	615	848
Total current assets		2,915	3,475
Current liabilities			
Short term debt	19	36	403
Other current liabilities	20	1,317	1,373
Total current liabilities		1,353	1,776
Total current assets less current liabilities		1,562	1,699
Total assets less current liabilities		5,728	6,490
Long term debt	19	1,080	896
Other non-current liabilities	21	138	180
Total non-current liabilities		1,218	1,076
Provisions	22	945	1,259
Group equity			
Shareholder's equity	41	3,522	4,106
Minority interest		43	49
Total Group equity		3,565	4,155

XEROX INVESTMENTS EUROPE B.V.
CONSOLIDATED STATEMENT OF CASH FLOWS 2013

	2013	2012
	€m	€m
Operating activities		
Operating profit	27	81
Adjustments for		
Depreciation	195	187
Amortisation of goodwill and intangibles	195	213
Movements in working capital		
Decrease / (Increase) in receivables	57	(3)
(Increase) in stocks	(4)	(13)
(Decrease) / Increase in creditors and provisions	(192)	160
Decrease in finance lease receivables	372	144
(Increase) in Other Assets	(31)	(291)
Cash flow from working capital	202	(3)
Cash flow from continuing operations	619	478
Interest paid	(2)	(13)
Interest received	17	13
Taxes paid	(86)	(92)
Cash flow from operating activities	548	386
Investing activities		
Acquisition of subsidiaries	(52)	(42)
Investment in property, plant and equipment	(72)	(149)
Proceeds from sale of property, plant and equipment	8	2
Proceeds from sale of business	12	-
Cash flow used in investing activities	(104)	(189)
Financing activities		
Increase / (decrease) in short term debt (note 25)	(350)	373
(Decrease) / increase in long term debt (note 25)	208	(359)
Dividends to Minority Interests	(4)	(6)
Dividends to Parent Company	(514)	-
Cash flow from / (used in) financing activities	(660)	8
Net (decrease) / increase in cash in period	(216)	205
Cash at beginning of period	848	642
Exchange differences	(17)	1
Cash at ending of period	615	848

XEROX INVESTMENTS EUROPE B.V. OVERVIEW OF TOTAL GROUP RESULTS

	2013		2012	
	€m	€m	€m	€m
Consolidated net result after taxation		76		97
Revaluation of financial assets valued at market value through equity	(3)		-	
Currency translation differences foreign subsidiaries	(290)		(89)	
Pension revaluations charged in equity	229		(235)	
Total of direct movements in group equity		(64)		(324)
Total result of the group		12		(227)

Notes to the consolidated annual accounts

1. General Information

1.1 General

Xerox Investments Europe B V (hereinafter referred to as ‘the Company’) has its statutory seat in Amsterdam, The Netherlands. The Company and its subsidiaries, outlined in note 33, are referred to as “the Group”.

The Company’s parent company is Xerox Corporation, which is incorporated in the United States of America. Copies of the Xerox Corporation Annual Report and Accounts may be obtained from The Investor Relations Department, Xerox Corporation, Norwalk World Headquarters, 45 Glover Avenue, Norwalk, Connecticut 06856, USA (www.xerox.com).

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

1.2 Activities

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

Document systems, solutions and services encompasses a wide range of colour and monochrome Production and Office products, categorised by primary function capability including printing, copying, faxing and scanning. Production includes advanced digital printers and copiers for high volume printing and publishing solutions, while Office includes multi-functional machines, printers, copiers and fax. Document technology products and solutions support customer work processes, providing an efficient, cost effective printing and communications infrastructure. Managed Print Services optimize customer use of document systems in small businesses or global enterprises. The Group is active in Business Process Outsourcing services (BPO) and Information Technology services (ITO). BPO services offerings support enterprises through customer care, finance and accounting, and human resources. These offerings are also vertically focused in areas such as healthcare, transportation, retail, and telecommunications. Group activities in ITO include design, development, and delivery of flexible IT solutions mapped to the needs and standards of each client. Secure data centres, help desks, and managed storage facilities around the world provide a reliable IT infrastructure.

1.3 Going Concern

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

1.4 Group structure

The Company has four major wholly owned subsidiaries, Xerox Holdings (Ireland) Limited, Xerox UK Holdings Limited, Xerox Canada and Xerox Brazil. In addition, subsidiaries of the Company purchased Impika SAS, Customer Value Group Ltd, CPAS Systems Inc, ACS HR Solutions UK Limited, Buck Consultants Limited, Conseillers Buck Limitee and the e-Services Group (St Lucia).

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

centralised European Customer Welcome Support Centre, centralised European Shared Financial Services organisation and the Dundalk-based manufacturing facility through its indirect subsidiary, Xerox Europe Limited

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

1.5 Business combinations

Common control

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

Third party acquisitions

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

1.6 Consolidation principles

The consolidation includes the financial data of the Xerox Investments Europe B V ("Company") and its Group companies ("Group"). Group companies are those holdings with which Company forms a financial and organisational entity and in which the Company exercises direct or indirect control. Group companies are consolidated in full, after elimination of intra-group transactions and the profits thereon. The share of third parties in the Group result and Group equity is stated separately as minority interest.

Results of companies or groups acquired are included in the Consolidated Profit and Loss Account from the date of acquisition. Since the income statement of XIE B V is included in the consolidated financial statements, an abridged income statement has been disclosed in the Company financial statements in accordance with Section 402, Book 2 of the Netherlands Civil Code.

The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

1.7 Related-party transactions

All group companies mentioned in note 1.4 above and the associates mentioned in note 3.3 below are considered to be related parties.

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

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

1.8 Cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement consists of cash at banks. Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Income and expenses in

respect of interest, dividends received and taxation on profits are included in the cash flow from operating activities. Dividends paid have been included in the cash flow from financing activities. The purchase consideration paid for the acquired group company was recognised as cash used in investing activities where it was settled in cash. Any cash and cash equivalents in the acquired group company were deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash including finance leases, are not recognised in the cash flow statement.

1.9 Use of estimates

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

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

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

2. Accounting principles used in preparing the financial statements

2.1 General

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

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

2.2 Prior-year comparison

The principles of valuation and determination of results remain unchanged compared to prior year.

2.3 Functional Currency

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

2.4 Translation of foreign currencies

On consolidation, balance sheets of individual subsidiaries that are denominated in foreign currencies are translated into Euros at the closing exchange rates for the reporting period. Profit and loss items are translated at the average exchange rates for the reporting period.

Translation differences which principally represent the gain or loss arising on net assets denominated in foreign currencies as a result of changes in exchange rates during the period, are charged against or added directly to equity, within the Currency Translation reserve

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement except when deferred in equity as qualifying hedges

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

3. Accounting principles for the Balance sheet

3.1 Intangible assets

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

Goodwill

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

Other Intangible assets

Other purchased intangible assets, such as the installed customer base, trademarks and copyrights, customer contract assets, and non-compete agreements are amortised over a life appropriate to the nature of the asset acquired. Please refer to note 3.4 below for details on determining whether an intangible asset is impaired

3.2 Property, plant and equipment

These are carried at historic cost including expenses directly attributable to acquiring the items and adjusted for depreciation, on a straight-line basis, at rates intended to write off the cost, less estimated residual value, over the estimated useful economic life of the respective assets, as follows

Freehold land	not depreciated
Freehold buildings	50 years
Leasehold land and buildings	shorter of remaining lease term and expected useful life of the asset
Dilapidations costs on leased assets	over the term of the lease under which the dilapidations costs arise
Plant, machinery and tooling	5-12 years
Fixtures, fittings and equipment	3-20 years
Rental equipment	2-5 years
Capitalised Software	3-7 years

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

Interest costs associated with funding the construction of an asset are expensed as incurred and are not capitalised. No material grants have been received in respect of property, plant and equipment.

3.3 Financial assets

Associates

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

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

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

Associates in which no significant influence can be exercised are recognised at cost. If an asset qualifies as impaired, it is measured at its impaired value, any write-offs are disclosed in the income statement.

Financial leases

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

Marketable Securities

These assets are held at the lower of cost and net realisable value.

3.4 Impairment of non-current assets

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

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

The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

3.5 Current assets – stocks

Raw materials and consumables are valued at the lower of cost (including, where appropriate, expenditure directly incurred in bringing stocks to their present location and condition), and net realisable value (note 16). Finished goods and work in progress are valued at the lower of manufacturing cost (including, where appropriate, indirect costs attributable to the production of

the stocks) and net realisable value. Net realisable value is the estimated selling price achievable in the ordinary course of business, less applicable variable selling expenses. Net realisable value determinations make allowance for the obsolescence of inventories. All inventories are valued using the first in first out method.

3.6 Current assets – trade debtors

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

3.7 Cash

Cash comprises (a) unrestricted and available-on-demand cash, and (b) restricted and unavailable cash (note 18). Cash and cash equivalents are stated at face value.

3.8 Derivative financial instruments

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

3.9 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 (notes 19 and 20).

3.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

3.11 Provisions

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

Deferred income tax assets and liabilities

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

Restructuring provisions

Restructuring relates to costs directly related to restructuring in progress. The restructuring provision is formed at the moment when detailed plans to restructure the group are formalised and communicated to those affected.

Employee Benefits – short-term

Salaries, wages, and employer social security contributions are taken to the income statement as they fall due based upon employees' terms of employment

Pensions

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

The majority of the defined benefit schemes are self-administered and the schemes' assets are held independently of the Group's finances. Payments made to the funds are based on actuarial calculations. The pension costs in the accounts follow generally accepted accounting principles in the Netherlands, as applied to the defined benefit schemes for purposes of these Group accounts. This involves making estimates of existing and future costs and spreading these over the periods during which the services have been or will be rendered. The interest costs arising from discounting the liabilities to present value are included in the pension expense. Prepayments relating to these schemes are shown in note 17.

The Group also has various unfunded pension schemes. Provision is made in the balance sheet for present and future obligations not placed under independent pension funds, the accounting treatment of these schemes also follows generally accepted accounting principles in the Netherlands. Liabilities relating to these schemes are shown in note 22.

Contributions to defined contribution schemes are charged to the profit and loss account as incurred. Pension disclosures are given in note 27. The market performance impacts in 2013 showed continued limited recovery in the value of the assets held by pension plans but there was a corresponding increase in pension liabilities due to variability in the interest rates and inflation. These impacts and the related unrecognised gains and losses they have created are recognised in the other comprehensive income impact of pensions, previously referred to as minimum pension liability, reflected in equity.

Dilapidations costs

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

3.12 Operating Leases

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

3.13 Hedge Accounting

During 2013, the Group continued to enter into cash flow hedges of forecasted Yen and \$ purchases. Typically the group's dealings in derivatives are short term with the majority of impacts flowing into current earnings in the year. As at December 31, 2013 the mark-to-market on cash flow hedges relating to forecast purchases were € 21m Liability pre-tax effects (2012 €20m Liability). Provided the hedge is effective unrealised changes in the fair value of the hedging instrument are initially recognised in equity as other comprehensive income. They are transferred to the income statement when the hedged transaction affects profit or loss. The ineffective portion of the change in the fair value of the hedging instrument is recognised

directly in profit or loss. There were no designated net investment hedges in 2013 (2012: nil). The relationship between hedging instruments and the hedged item(s) is documented at inception of the transaction. This assessment that such hedges are highly effective at offsetting changes in fair values or hedged cash flows is tested at inception and throughout the life of the financial instrument.

4. Accounting policies for the Profit and loss account

4.1 General Information

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

Revenue recognition

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

Equipment: Revenues from the sale of equipment including those from financial leases are recognised at the time of sale or at the inception of the lease, as appropriate. For equipment sales which require us to install the product at the customer location, revenue is recognised when the equipment has been delivered to and installed at the customer location and customer acceptance has been received. Sales of customer installable and retail products are recognised upon shipment or receipt by the customer according to the customer's shipping terms. Revenues from equipment under other leases and similar arrangements are accounted for by the operating lease method and are recognised as earned over the lease term, which is generally on a straight-line basis.

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

Services: Generally, services revenue is recognised upon delivery of the services. However, a portion of our services revenue relating to longer term contracts is recognised using the percentage-of-completion ("POC") accounting method, which requires the use of estimates and judgment. The methodology involves recognizing probable and reasonably estimable revenue using the percentage of services completed based on a current cumulative cost to estimated total cost basis and a reasonably consistent profit margin over the period. Changes to the estimated figures, would revise our cost and revenue estimates, which may result in increases or decreases in revenues and costs. Such revisions are reflected in income in the period in which the relevant facts become known. Key factors reviewed by the company to estimate the future costs to complete each contract are future labour costs, future product costs and expected productivity efficiencies. If at any time these estimates indicate the POC contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded in cost of services.

Supplies: Supplies revenue generally is recognised upon shipment or utilisation by customer in accordance with sales terms.

Revenue Recognition for Financial Leases under Bundled Arrangements: the Group sell most of its products and services under bundled contract arrangements, which contain multiple deliverable elements. These arrangements typically include equipment, service and supplies, and financing components for which the customer pays a single negotiated price for all elements. Revenues under these arrangements are allocated based upon estimated fair values of each element.

4.2 Revenues

Revenue consists of revenue earned in the period from the sale and rental of document processing equipment, the provision of document solutions, the sale of paper and supplies, the

provision of service and maintenance, and receipts and interest income from the leasing operations. Our services revenue consists of revenue earned in the period from the delivery of BPO and ITO services arising from our contracts with third party customers. The activities are described in greater detail in section 1.2. Amounts are less discounts and such like and are net of value added tax.

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

4.3 Cost of revenue

Consumption of raw materials and other cost items are calculated on an historical cost basis.

Cost of revenue includes the cost or book value of leased assets in respect of financial lease agreements, adjusted for the present value of any residual and any related interest payable.

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

4.4 Selling, General and administrative expenses

Selling expenses, and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods sold.

4.5 Research and development

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

4.6 Financial charges

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

4.7 Tax

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

4.8 Share in result of Associates

The share in the after tax results of associates valued at net equity is determined in proportion to the respective holdings owned by the Group.

4.9 Government grants

Capital government investment grants received are shown as deferred income and credited to the profit and loss account by instalments on a basis consistent with the depreciation policy of the relevant assets, except that any employee-related grants are credited directly to the profit and loss

account At present the Company is not in receipt of any material grants

4 10 Internal Use Software

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

4 11 Amortisation and depreciation

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

4 12 Discontinued Operations

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

5. 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, including the use of derivative instruments It also seeks to minimise the impact of adverse financial market fluctuations that affect the Group's future cash flows The Group's hedging methodology minimises the volatility and uncertainty underlying cash flows at their source, thereby affording Xerox the desired economic protection for its financial activities.

Global treasury activities are regularly reviewed by senior management through formal Risk Management Reviews of liquidity, interest rate risk and currency risk. In conjunction with other subsidiaries of Xerox Corporation overall interest rate risk is managed in a prudent and collective manner, in accordance with practices and policies established by senior management On a global basis, short and intermediate term cash forecasting disciplines are maintained to ensure there is appropriate continuing financial liquidity available Currency exposure is further managed by maximising the opportunity for internal netting of currency flows Foreign exchange derivatives are used to hedge currency exposures, but these will not normally be treated as designated foreign currency hedges in a hedge accounting relationship

6. Treasury

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

(i)Currency Risk

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

The absolute contract value and fair value of the currency instruments at the balance sheet date were €1 4 billion and €27m Liability respectively (2012 €1 8billion and €29m Liability)

(ii)Interest Rate Risk

The Group does not have a fully matched funded portfolio, however, in conjunction with other subsidiaries of Xerox Corporation overall interest rate risk is managed in a prudent and collective manner, in accordance with practices and policies established by senior management.

(iii) Credit Risk

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

7. Revenue Information

Revenues can be analysed approximately as follows

	2013	2012
	€m	€m
Geographical distribution		
Netherlands	252	251
France	667	673
UK	1,022	1,123
Other EU countries	1,540	1,634
Other European countries	567	665
Canada	814	1,023
Asia, Africa and other areas	1,397	1,400
Total revenues	6,259	6,769
Product/service distribution		
Sale of goods	2,677	3,046
Services including facilities management	3,240	3,342
Rental income	113	123
Lease interest	195	215
Other	34	43
Total revenues	6,259	6,769

8. Cost of Revenue, Selling expenses and General and Administrative expenses

Amortisation, depreciation and impairment of assets

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

	2013	2012
	€m	€m
Amortisation of intangible assets (Note 13)	195	213
Depreciation of property, plant & equipment (Note 14)	195	187
	390	400

Short-term employee benefits

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

	2013	2012
	€m	€m
Salaries and wages	1.845	1.197
Social security contributions	142	207
Pension contributions	76	120
	<u>2,063</u>	<u>1,524</u>

9. Selling and general & administrative expenses

	2013	2012
	€m	€m
Intangible amortisation	195	213
Restructuring and re-organisation costs	51	42
Xerox Corporation charges	253	285
Research and development costs in Europe	4	3
Administrative expenses	492	548
Exchange gains & losses, and other	(1)	6
General & administrative expense	994	1,097
Selling expenses excluding bad debt provision	542	599
Bad debt provision	60	64
Selling expenses	602	663
Total selling and general & administrative costs	1,596	1,760

10. Gain / (Loss) on Disposal of Assets

In 2013, the gain of €6 million arises from the release of deferred gains on sales and leaseback transactions in the UK, Denmark, and the Netherlands. A loss arose on disposal of our paper businesses of €19m (Note 34). The reported gain in 2012 consists of the release of deferred gains on sales and leaseback transactions in the UK, Denmark, and the Netherlands.

11. Financial Income Result

	2013	2012
	€m	€m
Interest and similar (income)	(17)	(13)
Interest and similar expense	1	-
Interest expense from group companies	1	13
Total Financial income result	(15)	-

12. Tax on profit from ordinary activities

The effective tax rate of 282.8% in respect of the reported profit (2012: 116.9%) is higher than the nominal rate of 25% (2012: 25%) primarily due to the following factors:

	2013 %	2012 %
Effective tax rate	282.8	116.9
Non-deductible goodwill	(244.8)	(83.1)
Profits taxed at different rates to nominal 25%	(3.8)	(1.5)
Tax audit settlements and prior period adjustments	(5.4)	(1.0)
Permanent differences / other	(3.8)	(6.3)
Nominal rate	25.0	25.0

At 31 December 2013 there were gross unrecognised trading losses of €1,493m (2012 €1,582m) which arose predominantly in Brazil and Ireland with €666m and €748m respectively. There were also unrecognised capital losses of €42m (2012 €43m).

13. Intangible assets

	Goodwill €m	Other Intangible €m	2013 Total €m	2012 Total €m
Gross cost at 1 January	3,674	87	3,761	3,685
Acquisitions	92	16	108	48
Retirements	(2)	(2)	(4)	(4)
Transfers	4	(12)	(8)	-
Translation differences	(55)	(1)	(56)	32
Balance at 31 December	3,713	88	3,801	3,761
Accumulated amortisation at 1 January	2,343	20	2,363	2,149
Amortisation in year	187	8	195	213
Retirements	(2)	(2)	(4)	(3)
Transfers	-	(2)	(2)	-
Translation differences	(6)	-	(6)	4
Balance at 31 December	2,522	24	2,546	2,363
Net book value at 1 January	1,331	67	1,398	1,536
Net book value at 31 December	1,191	64	1,255	1,398

The current year additions relate to the external purchase of the entire share capital of Impika SA, CVG Limited, and CPAS Systems, Inc. The goodwill assets acquired prior to 2011 are being amortised over 20 years and this cost is reflected within general administrative expenses. This amortisation period was selected because of the long term nature of the assets acquired and was based upon the recurring nature of Xerox' business within the acquired customer base. This customer base is the platform for growth in terms of new and extended product offerings. Goodwill acquired in the subsequent periods is amortised over 7 to 10 years reflecting the different services based activities of the more recently acquired companies and the period over which the expected synergies are realised.

14. Property, plant and equipment

	Land and Buildings €m	Plant and Machinery & tooling €m	Fixtures, fittings & equipment €m	Rental equipment €m	Capitalised Software €m	Total €m
Cost	344	272	248	335	576	1,775
Accumulated depreciation	(129)	(238)	(149)	(185)	(351)	(1 052)
Net book value at 1 January 2013	215	34	99	150	225	723
Additions	23	11	64	108	20	226
Cost of business acquisition	-	4	10	-	-	14
Disposals and transfers to inventory	(13)	(17)	(60)	(90)	(14)	(194)
Depreciation	(20)	(9)	(46)	(72)	(48)	(195)
Depreciation on business acquisition	-	(3)	(7)	-	-	(10)
Depreciation on disposals & stock transfers	9	17	34	70	13	143
Exchange rate changes	(13)	-	(2)	(8)	(10)	(33)
Net book value at 31 December 2013	201	37	92	158	186	674
Cost	353	270	261	353	582	1,819
Accumulated depreciation	(152)	(233)	(169)	(195)	(396)	(1,145)
Net book value at 31 December 2013	201	37	92	158	186	674

15. Financial assets

Summary		2013 €m	2012 €m
Associates at net equity value	(i)	985	1,109
Financial leases	(ii)	1,235	1,543
Other	(iii)	17	18
Total Financial Assets		2,237	2,670

(i) Associates at net equity value

	Fuji Xerox	Other Companies	2013 Total €m	2012 Total €m
At 1 January	1,055	54	1,109	1,150
Share in profits	123	9	132	116
Dividend	(44)	(13)	(57)	(49)
Minimum pension liabilities in equity	18	-	18	(9)
Translation	(215)	(2)	(217)	(99)
At 31 December	937	48	985	1,109

Fuji Xerox – share of consolidated balance sheet (extract) 2013

2012

	€m	€m
Non-current assets	935	1 165
Current assets	898	975
Current liabilities	(564)	(656)
Non-current liabilities	(177)	(224)
Provisions	(129)	(179)
Net assets before intercompany elimination	963	1,081
Intercompany elimination	(26)	(26)
Net assets after intercompany elimination	937	1,055

(ii) Financial leases

	2013 €m	2012 €m
At 1 January	1,543	1,668
New lease amounts receivable	536	591
Transfer to short-term lease receivables	(185)	(388)
Disposals and terminations	(611)	(336)
Acquisition / Contribution	-	-
Exchange rate changes	(48)	8
At 31 December	1,235	1,543
Gross lease receivables	2,232	2,817
Unearned income	(264)	(353)
Residual values	-	1
Allowance for doubtful accounts	(72)	(85)
Current portion of finance receivables not billed	(661)	(837)
Amounts due after one year, net	1,235	1,543

Contract maturities in €m

	2014	2015	2016	2017	2018	Thereafter	Total
Gross finance receivables	815	641	438	241	90	7	2,232
Net finance receivables	693	545	372	205	76	6	1,897

A total of €881 million was billed during the year in respect of financial leases. Note 7 on revenue shows €195 millions of lease interest recognised in revenue, the difference is primarily the equipment related element in the lease rentals relating to equipment recognised as sales upon inception of the sales type lease contracts.

(iii) Other	2013 €m	2012 €m
Marketable Securities	3	3
Advances	8	7
Loan to Third Parties	2	2
Derivative Assets	4	6
Total Other	17	18

Marketable securities are typically cash time deposits, there is no material difference between the carrying value and the fair value of these assets. Derivative asset balances represent the fair value of derivative financial instruments hedging the exposure related to transactions in foreign currencies.

16. Stocks

	2013 €m	2012 €m
Finished goods		
Equipment	71	75
Spares, consumables and paper	192	208
Raw materials and consumables	21	23
Work in progress	10	7
Total Stocks	294	313

The inventory values shown above are net of reserves of €29m (2012 €32m) for excess and cancelled inventory as well as obsolescence. Work in progress relates to many individual machines and other products at various stages of assembly. Upon completion these machines are transferred into Finished Goods inventory at standard carrying value which is re-set quarterly. Finished Goods inventory value by product family is adjusted by capitalising variances to the standard cost in line with Inventory Turnover periods – variances are not allocated to individual machines.

17. Receivables

	2013 €m	2012 €m
Financial leases	661	837
Trade accounts receivable	357	386
Accrued income	258	298
Pension prepayments	40	25
Receivables from related associates	163	241
Other receivables and prepayments	326	288
Customer contract assets	13	-
Income tax receivable	33	-
Deferred tax	155	239
Total Receivables	2,006	2,314

Receivables from associates are unsecured, interest free and are generally receivable upon 30 days payment terms.

The entire values of pension prepayments are long term. Approximately €110 million of above deferred tax asset is non-current in 2013 (2012: €185 million). Approximately €2 million of the income tax receivable is non-current. Customer contract assets are deferred costs and incentives to be taken over the duration of the services contracts.

The Group has a facility enabling the sale without recourse to a third-party on an on-going basis of certain accounts receivables. During 2013 and 2012, approximately €1.631 million and €1.787 million respectively were sold under this facility. Fees associated with the facility were €8 million and €11 million respectively. As at 31 December 2013, €343 million remained uncollected by the third-party (2012: €411 million).

The fair value of the receivables approximates the book value.

18. Cash

Reported cash of €615 million (2012: €848 million) is all available-on-demand and unrestricted, except for €192 million (2012: €224 million), which is restricted and not available. The restricted cash reflects payments due to certain national governments for payroll deductions which must be set aside in escrow until they are paid. The restricted cash balance also represents amounts collected on behalf of factoring agencies which has not yet been remitted to them.

19. Borrowings

Long term debt

	2013 €m	2012 €m
Bank and institutional borrowings	6	4
Owing to group companies	1,074	892
Total long term debt	1,080	896

Short term debt

	2013 €m	2012 €m
Bank and institutional borrowings	5	3
Owing to Xerox Corporation and subsidiaries	31	400
Total current liabilities – short term	36	403

Currency denomination	2013 Average Interest rate	2013 Amount	2012 Amount
Fully repayable within one year	%	€m	€m
Accrued interest		19	3
Pound sterling – Fixed	7.6596	2	374
Other currencies		10	23
Total short term debt from group companies		31	400

Fully repayable within five years

Pound sterling Fixed Annually	5 5725	486	695
Pound sterling Fixed Annually	7 500	29	29
US Dollars Fixed	4 12	44	46
Pound sterling Fixed Annually	8 000	39	-
Pound sterling Fixed Annually	4 902	179	-
Pound sterling Fixed Semi Annually	4 1016	186	-
Pound sterling Fixed Semi Annually	4 8516	44	-
Other currencies		-	13

Fully repayable in more than five years

Pound sterling Fixed		-	40
Pound sterling Fixed Semi Annually	6 65	35	36
Pound sterling Floating Annually	5 35	11	11
Pound sterling Fixed Annually	5 63	21	22
Total long term debt from group companies		1,074	892

The Group's bank and institutional borrowings, short term and long term debt, are primarily related to capitalised lease obligations of €7m, bank overdrafts and other debt of €4m, and intercompany funding from Xerox Corporation and subsidiaries of €1,105m

A change in interest rates of 100 basis points would change the Group's total interest costs on short term and long term debt by €1.1m on a full year basis

20. Current liabilities

	2013 €m	2012 €m
Accruals and deferred income	518	531
Derivative liabilities	30	33
Trade creditors	575	631
Current corporate income tax	15	17
VAT payable	86	81
Other tax and social security	59	59
Owing to Xerox Corporation and subsidiaries	33	21
Owing to related associates	1	-
Total current liabilities – other	1,317	1,373

Amounts owing to Xerox Corporation and subsidiaries are unsecured, interest free and repayable on demand

Derivative liability balances represent the fair value of derivative financial instruments hedging the exposure related to transactions in foreign currencies

All current liabilities fall due within one year and their fair value approximates their book value

21. Other Non-Current Liabilities

	2013 €m	2012 €m
Deferred Revenue	7	8
Accrued Costs	13	12
Non-current Income Taxes	15	21
Legal Disputes Accruals	102	120
Other	1	19
Total non-current liabilities - other	138	180

The legal disputes accruals relate to the legal cases in progress in Brazil between Xerox and former employees and the Brazilian government. The net decrease is primarily due to reversal of provisions due to favourable case decisions.

22. Provisions

	Restructuring €m	Pensions €m	Other Post retirement €m	Deferred Tax €m	Other €m	Total €m
At 1 January 2013	56	974	123	80	26	1,259
Utilisation	(49)	-	-	-	(5)	(54)
Charged to profit and loss	48	-	9	(3)	10	64
Remeasurements	4	(299)	-	(3)	(7)	(305)
Acquisitions / contributions	1	-	-	6	-	7
Other movements (net)	(2)	-	(24)	1	(1)	(26)
At 31 December 2013	58	675	108	81	23	945
Of which, short term	54	23	-	33	-	110

The restructuring provision relates to headcount reduction actions in the services business to improve its operational efficiency. Pensions reflects the funded status on defined benefit pension plans. Deferred taxes arise primarily due to timing differences on leases and to tax effecting the pension accounting in equity, offset by other timing differences arising from goodwill and trading activity. "Other" relates principally to warranty and recourse provisions, to the EC Directive on the recovery and recycling of products from electrical manufacturers, and to the anticipated dilapidations costs which may be claimed against group companies regarding various leased premises.

The pension and other post retirement benefits impacts in other comprehensive income decreased by €229m net of tax due to the annual re-measurement of the funded status of group final salary plans (€200m) and medical benefits (€12m) with a further €20m decrease from our investment in Fuji Xerox offset by €3m increase from acquisitions (2012: €226m increase) - (refer note 27 Pensions and note 28 Retiree Medical Benefits).

23. Shareholders' equity

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

24. Contingent liabilities and off-balance sheet commitments

Contingent liabilities

Our Brazilian operations are involved in various litigation matters and have received or been the subject of numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labour. The tax matters comprise a significant portion of total contingencies, principally relate to claims for taxes on internal transfer of inventory, municipal service taxes on rentals and gross revenue taxes. At 31st December, 2013 there are reserves in place to cover the anticipated losses and the total contingent liabilities for the various cases are €676 million reduced by €732 million over the previous year end. In connection with these disputes, local regulations may require escrow cash deposits or post other security of up to 50% of the total disputed value. At the year end there were €121 million of escrow cash deposits, €6m of liens on Brazilian assets and additional letters of credit of €171 million. Generally, any escrowed amounts would be refunded and any liens would be removed to the extent the matters are resolved in our favour.

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

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

There are contingent liabilities amounting to €108 million (2012 - €109 million) of which €20 million is in respect of legal disputes, and €88 million relates to recoverable monies under factoring arrangements which will be resolved over the next 12 months. There are no liens and guarantees provided (2012 - €nil million).

Off-balance sheet commitments

At 31 December 2013, the Group had no outstanding capital commitments (2012 - €nil).

There are also long-term operating lease commitments of €187 million (2012 - €168 million), of which €42 million are due in 2014, €138 million are due up to 2018 and €7 million thereafter. Amounts charged during the year in respect of operating leases was €25m.

In 2007, the Group outsourced its shared financial support operations to IBM. Under the terms of this agreement, if the company were to end this arrangement during 2014, termination fees of €2 million would be payable.

Xerox Investments Europe BV has issued various guarantees in relation to the liabilities of subsidiaries included in these consolidated accounts. The guarantees are principally under Section 403,1 sub f of Book 2 of the Netherlands Civil Code or section 479C of the UK Companies Act 2006. Details of the individual subsidiaries covered by the guarantees are given in Note 42.

25. Notes to the consolidated statement of cash flows

Changes in net debt	At 1 Jan 2013 €m	Change in cash flow €m	Exchange rate changes €m	At 31 Dec 2013 €m
Bank & institutional borrowings	3	2	-	5
Owing to Xerox Corporation and subsidiaries	400	(352)	(17)	31
Short term debt	403	(350)	(17)	36
Bank & institutional borrowings	4	2	-	6
Owing to Xerox Corporation and subsidiaries	892	206	(24)	1,074
Long term debt	896	208	(24)	1,080
Net debt	1,299	(142)	(41)	1,116

26. Related party transactions

(i) Principal related parties of XIE B.V. and subsidiaries

Related Party	Relationship
Xerox Corporation	Parent company
Fuji Xerox Co , Ltd	Principal non-consolidated company
Xerox pension funds	Various pension funds

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

27. Pensions

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

Pension Benefits

	2013 €m	2012 €m
Change in Benefit Obligation		
Benefit obligation, 1 January	5,030	4,499
Service cost	68	62
Interest cost	196	208
Plan participants' contributions	4	7
Plan amendments	(11)	(1)
Actuarial (gain) / loss	(153)	377
Currency exchange rate changes	(141)	74
Business Combinations	42	-
Curtailments	(11)	-
Special termination benefits	(3)	-
Actual Expenses	(2)	-
Benefits paid/settlements	(194)	(196)
Benefit obligation, 31 December	4,825	5,030

	2013 €m	2012 €m
Change in Plan assets		
Fair value of plan assets, 1 January	4,081	3,744
Actual return on plan assets	246	332
Employer contribution	153	123
Plan participants' contributions	4	7
Asset reclassification	-	(1)
Currency exchange rate changes	(119)	67
Settlements	(3)	-
Actual Expenses	(2)	-
Business Combinations	24	-
Benefits paid	(194)	(191)
Fair value of plan assets, December 31	4,190	4,081

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

Benefit obligation, December 31	(4,825)	(5,030)
Plan assets, December 31	4,190	4,081
(Un)Funded status	(635)	(949)

Amounts recognized in the Consolidated Balance Sheet consists of:

Prepaid benefit cost (note 17)	40	25
Accrued benefit liability (note 22)	(675)	(974)
Net amount recognised	(635)	(949)

Accumulated other comprehensive income analysis (pre-tax):

Net actuarial loss	1,265	1,537
Accumulated other comprehensive income	1,265	1,537

The accumulated benefit obligation for all defined benefit pension plans which are underfunded or non-funded was €4,368 million and €4,722 million at 31 December 2013 and 2012, respectively. Information for pension plans with an accumulated benefit obligation in excess of plan assets is presented below

	2013 €m	2012 €m
Under-funded or non-funded plans		
Aggregate projected benefit obligation	4,165	4,967
Aggregate accumulated benefit obligation	4,368	4,722
Aggregate fair value of plan assets	3,694	4,007

The Group's defined benefit retirement plans provide employees with a benefit at the greater of (i) the benefit calculated under a highest average pay and years of service formula, or (ii) the benefit calculated under a formula that provides for the accumulation of salary and interest credits during an employee's work life

Components of Net Periodic Benefit Cost	2013 €m	2012 €m
Defined benefit plans		
Service cost	68	62
Interest cost	196	208
Expected return on plan assets	(239)	(237)
Recognized net actuarial loss	58	41
Amortization of prior service cost	-	-
Recognized net transition asset	-	-
Recognized curtailment/settlement loss	1	1
Net periodic benefit cost	84	75
Defined contribution plans	20	27
Total	104	102

**Other Changes in Plan Assets and Benefit Obligations
Recognized in Other Comprehensive Income**

Net actuarial loss / (gain)	163	(315)
Prior service credit	-	-
Amortization of Net actuarial loss	58	42
Amortization of Prior service credit	10	-
Amortization of Transition obligation	-	-
Total Recognized in other comprehensive income	231	(273)
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	231	(273)

The net actuarial loss and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are €38m and €60, respectively

The investment mix of the plan assets can be detailed as follows

Plan Assets Defined benefit plans	2013		2012	
	€m	%	€m	%
Cash & Equivalent	498	12%	378	9%
Equity Securities	1,590	38%	1,484	36%
Debt Securities	1,480	35%	1,697	42%
Real Estate	154	4%	292	7%
Other	468	11%	230	6%
Total	4,190	100%	4,081	100%

None of the investments include debt or equity securities of Xerox Corporation

Investment Strategy

During 2013 target asset allocations again had to be kept flexible to respond to the volatility in the investment markets. As a consequence, the holding of cash and equivalent assets has been maintained at elevated levels. Detailed investment decisions are taken at the level of the individual plans in each country and the targets quoted are a weighting of activities across all of the plans.

We employ a total return investment approach whereby a mix of equities and non-current income investments are used to maximise the long-term return on plan assets for a prudent level of risk. The investment portfolio contains a diversified blend of equity and non-current income investments established by careful consideration of plan liabilities, plan funded status, and the Group's financial condition. Other investments such as real estate are used to improve portfolio diversification.

Expected Long Term Rate of Return

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

Determination of Benefit Obligations	2013	2012
Weighted average assumptions as of December 31	%	%
Discount rate	4.2	4.0
Expected return on plan assets	6.1	6.1
Rate of compensation increase	2.7	2.7

Determination of net Benefit Cost	2014	2013	2012
Weighted average assumptions as of December	%	%	%
Discount rate	4.2	4.0	4.6
Expected return on plan assets	6.1	6.1	6.2
Rate of compensation increase	2.7	2.7	2.7

Pension contributions in 2014 are expected to be €152m

Expected benefit payouts are set out in the table below

Estimated Future Benefit Payments	€m
2014	187
2015	192
2016	196
2017	203
2018	209
2019 and beyond	1,159

28. Retiree Medical Benefits

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

Change in Benefit Obligation	2013 €m	2012 €m
Benefit obligation, 1 January	123	111
Service cost	3	3
Interest cost	5	5
Actuarial (gain) / loss	(7)	3
Balance Sheet reclass	1	4
Currency exchange rate changes	(13)	1
Benefits paid/settlements	(4)	(4)
Benefit obligation, 31 December	108	123

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

Amounts recognized in the Consolidated Balance Sheet consists of:

Accrued benefit liability (note 22)	(108)	(123)
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Accumulated other comprehensive income analysis (pre-tax):

Net actuarial loss	16	27
Prior service credit	(1)	(1)
Transition obligation	-	-
Accumulated other comprehensive income	15	26

29. Average number of employees

	2013 000s	2012 000s
Sales & Service Netherlands	1.1	0.9
Other EU countries	14.4	11.6
Other European countries	2.7	3.4
Rest of World	37.7	24.3
Leasing	-	0.1
Manufacturing	1.5	2.0
Total	57.4	42.3

30. Audit fees

The following audit fees were expensed in the income statement in the reporting period

	2013 €m	2012 €m
Audit of the financial statements	4.2	4.2
Other audit procedures	0.2	0.2
Tax services	0.2	0.1
Other non-audit services	0.2	0.2
Total	4.8	4.7

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

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

Euros millions		2013		2012	
Loan excluding interest	Interest %	Carrying value	Fair value	Carrying value	Fair value
Pound sterling Fixed (Eurobond)	7.6596	-	-	361	371
US Dollars Fixed	4.95	21	22	38	41
US Dollars Fixed	4.79	3	3	5	4
US Dollars Fixed	4.13	6	6	10	8
US Dollars Fixed	2.97	9	9	16	12
US Dollars Fixed	2.74	7	7	12	12
Pound sterling Fixed	7.5	29	31	30	32
Pound sterling Fixed	8.0	36	42	38	44
Pound sterling Fixed	6.65	34	38	35	37
Pound sterling Fixed	4.75	11	11	-	-
Pound sterling Fixed	5.63	21	22	-	-
Pound sterling Fixed	4.90	179	184	-	-
Pound sterling Fixed	4.10	185	191	-	-
Pound sterling Fixed	4.85	44	48	-	-
TOTAL		585	614	545	561

The fair value of long term debt is based upon quoted market interest rates at the balance sheet date, using those interest rates against the interest flows under the debt in issue to calculate the current value which could be supported by those flows. New long term loans from affiliated companies were put in place during 2013. However, only those loans which are or have previously been longer term in nature and carry fixed interest rates are shown in the above analysis. The fair value of other financial assets and liabilities approximates their book value unless otherwise stated. Effective July 16th 2013 the Sterling £295 million Fixed Eurobond (€361m) matured and was refinanced with a 3 year fixed £185 million loan. £30m of the fixed loan was repaid on the 30 Nov 2013.

32. Financial Instruments

Financial instruments at fair value

The table below shows financial instruments stating their fair value as at 31 December 2013 and changes in value recognised directly either through equity or through profit or loss

	Fair value as at 31 December 2013	Recognised through Equity	Recognised through profit or loss
	€m	€m	€m
Derivative financial instruments			
Forward exchange contracts	(27)	(3)	(47)

Derivative financial instruments

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

Derivatives that are non-designated hedges are accounted for by taking their "mark to market" movements directly through the Income Statement.

All derivatives will mature in less than one year.

33. Principal Subsidiaries and Associates at 31 December 2013

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

	Country of incorporation	Registered office	Percentage of ordinary share capital owned directly by XIE B.V. (%)
Xerox UK Holdings Limited	England	Uxbridge	100
Xerox Holdings (Ireland) Limited	Ireland	Dublin	100
Xerox Israel Limited	Israel	Tel Aviv	100
XC Trading Singapore (Pte) Limited	Singapore	Singapore	100
XC Global Trading BV	The Netherlands	Bruckelen	100
Xerox Middle East Investments Limited	Bermuda	Bermuda	100

(ii) Subsidiaries of Xerox UK Holdings Limited

100% ordinary shares owned unless stated otherwise	Country of incorporation	Registered office
Voice Star Sh p k	Albania	Vlore
Eagle Connect Sh p k	Albania	Vlore
Wireless Data Services (Proprietary) Limited	Australia	Wollongong
Hugh Symons Wireless Data Services Pty Limited	Australia	Wollongong
Xerox Austria GmbH	Austria	Vienna
Xerox Office Supplies GmbH	Austria	Vienna
Xerox Leasing GmbH	Austria	Vienna
Xerox Global Services GmbH	Austria	Vienna

ACS Austria GmbH	Austria	Vienna
ACS International (Barbados) Limited	Barbados	St Michael
Xerox Financial Services Belux SA	Belgium	Zaventem
NV Xerox SA	Belgium	Zaventem
ACS of Belgium SPRL	Belgium	Anderlecht
Xerox Management Services NV	Belgium	Zaventem
ACS do Brasil Limitada	Brazil	Sao Paulo
Xerox Servicos e Participacoes LTDA (Brazil)	Brazil	Sao Paulo
Xerox Comercio e Industria LTDA	Brazil	Sao Paulo
ACS HR Solucoes Servicos de Recursos Humanos do Brasil Ltda	Brazil	Sao Paulo
Xerox Bulgaria EOOD	Bulgaria	Sofia
Xerox Canada Inc	Canada	Toronto
Xerox Canada Finance Inc	Canada	Toronto
ACS Public Sector Solutions Inc	Canada	Toronto
ACS Government Solutions Canada Inc	Canada	Toronto
ACS HR Solutions Canada Co	Canada	Toronto
Xerox Canada Limited	Canada	Toronto
LaserNetworks Inc	Canada	Toronto
6999816 Canada Inc	Canada	Toronto
Green Imaging Supplies Inc	Canada	Toronto
ACS Solutions Chile SA	Chile	Santrago
ACS Tianjin Co Limited	China	Tianjin
ACS Cyprus Holdings Limited	Cyprus	Limassol
Xerox Czech Republic s r o	Czech Republic	Prague
ACS Czech Republic s r o	Czech Republic	Prague
Xerox A/S	Denmark	Ballerup
Xerox Financial Services Danmark A/S	Denmark	Ballerup
ACS Business Process (Dominican Republic) SA	Dominican Republic	Santo Domingo
ACS Business Process Solutions Limited	England	London
ACS Information Technologies UK Limited	England	Telford
ACS Worldwide Lending Limited	England	London
Anix Business Systems Limited	England	London
Anix Computers Limited	England	London
Anix Group Limited	England	London
Anix Holdings Limited	England	London
Bevis Trustees Limited	England	London
Blue River Systems Limited	England	London
Buck Consultants (Administration and Investments) Limited	England	London
Buck Consultants (Healthcare) Limited	England	London
Buck Consultants Limited	England	London
Concept Group Limited	Scotland	Edinburgh
Concept Group (Sales) Limited	Scotland	Edinburgh
Continua Limited	England	Uxbridge
Positiv Limited	England	London
Red Squared Limited	England	London
P R Systems Limited	England	Telford
RRXIL Limited	England	Uxbridge
Spur Information Solutions Limited	England	London
Syan Holdings Limited	England	Telford
Syan Technology Limited	England	Telford
Talking People Limited	England	London
Triton Business Finance Limited	England	Uxbridge
VBHG Limited	England	London
Wireless Data Services Limited	England	Dorset
Xerox Finance Limited	England	Uxbridge
Xerox Overseas Holdings Limited	England	Uxbridge
Xerox Limited	England	Uxbridge
Xerox Capital (Europe) Limited	England	Uxbridge
Xerox Property Services Limited	England	London
XRO Limited	England	Uxbridge
XRI Limited	England	Uxbridge
Xerox (UK) Limited	England	Uxbridge
ACS (Fiji) Limited	Fiji	Suva
Xerox Oy	Finland	Espoo

Xerox Financial Services Finland Oy	Finland	Espoo
Xerox SAS	France	Paris
Xerobail SAS	France	Paris
Xerox General Services SAS	France	Paris
Xerox Financial Services SAS	France	Neuilly sur Seine
ACS Business Process Solutions SAS	France	Toulouse
ACS Holdings (France) SAS	France	Paris
ACS Solutions France SAS	France	Guilherand
ACS Strategic Support France EURL	France	Paris
Xerox Document Supplies SNC	France	Paris
SET France	France	Paris
Xerox GmbH	Germany	Neuss
Xerox Leasing Deutschland GmbH	Germany	Neuss
Xerox Holding Deutschland GmbH	Germany	Neuss
Xerox Dienstleistungsgesellschaft GmbH	Germany	Neuss
Xerox Reprographische Services GmbH	Germany	Neuss
Xerox Capital Services Verwaltungs GmbH	Germany	Neuss
ACS of Germany GmbH	Germany	Flensburg
ACS Holdings (Germany) GmbH	Germany	Flensburg
ACS HR Solutions Germany GmbH	Germany	Flensburg
sds business services GmbH	Germany	Mülheim
ACS BPS Ghana Limited	Ghana	Accra
Xerox Hellas AEE	Greece	Athens
ACS BPS de Guatemala SA	Guatemala	Guatemala
Xerox Hungary Trading Limited	Hungary	Budapest
ACS Solutions Hong Kong Limited	Hong Kong	Wan Chai
ACS of India Private Limited	India	Bangalore
Xerox (Ireland) Limited	Ireland	Dublin
ACS Ireland Limited	Ireland	Dublin
Irish Business Systems Limited	Ireland	Cork
Xerox SpA	Italy	Milan
Xerox Italia Rental Services s r l	Italy	Milan
Xerox Financial Services Italia SpA	Italy	Milan
ACS Solutions Italia SpA	Italy	Milan
Nuova Karel Soluzioni srl	Italy	Milan
XLW Srl	Italy	Milan
XLW Star S r l	Italy	Milan
ACS Business Process Solutions (Jamaica) Limited	Jamaica	St James
Xerox Kazakhstan Limited Liability Partnership	Kazakhstan	Astana
Xerox Luxembourg SA	Luxembourg	Luxembourg
ACS Malaysia Sdn Bhd	Malaysia	Kuala Lumpur
ACS Malta Limited	Malta	Valletta
Xerox (Nederland) B V	The Netherlands	Breukelen
Xerox Document Supplies B V	The Netherlands	Breukelen
Xerox Manufacturing (Nederland) BV	The Netherlands	Breukelen
Xerox Financial Services BV	The Netherlands	Breukelen
Veenman BV	The Netherlands	Rotterdam
Veenman Financial Services BV	The Netherlands	Rotterdam
Xerox Business Services (Netherlands) BV	The Netherlands	The Hague
Xerox Services BV	The Netherlands	Breukelen
ACS International BV	The Netherlands	Amsterdam
ACS HR Solutions Nederland BV	The Netherlands	Rotterdam
Wilhaave Groep BV	The Netherlands	Flevol
Unamic Holding BV	The Netherlands	Flevol
Unamic / HCN BV	The Netherlands	Flevol
Unamic / HVN BVBA	Belgium	Bruxelles
Xerox AS	Norway	Lysaker
Xerox Financial Services Norway AS	Norway	Lysaker
ACS Solutions Peru S A (71.7%)	Peru	Lima
ACS of the Philippines Inc	The Philippines	Makati City
Xerox Polska Sp zo o	Poland	Warsaw
ACS of Poland SP zoo	Poland	Zabierzow
Xerox Portugal Equipamentos de Escritorio Limitada	Portugal	Lisbon
Creditex-Aluguer de Equipamentos SA	Portugal	Lisbon

Xerox (Romania) Echipamente Si Servicii SA	Romania	Bucharest
Xerox (C I S) LLC	Russian Federation	Moscow
Wireless Data Services (Asia Pac) Pte Limited	Singapore	Singapore
Xerox Slovenija d o o	Slovenia	Ljubljana
ACS of Spain SL	Spain	Barcelona
ACS Solutions Spain SL	Spain	Madrid
Buck Consultants SL	Spain	Madrid
Xerox España S AU	Spain	Madrid
Xerox Fabricacion SAU	Spain	Madrid
Xerox Office Supplies SAU	Spain	Madrid
Xerox Renting SAU	Spain	Madrid
ACS (Proprietary) Limited	South Africa	Rosebank
Telenamic NV (50%)	Suriname	Paramaribo
Xerox Sverige AB	Sweden	Stockholm
Xerox Financial Services Sverige AB	Sweden	Stockholm
Xerox AG	Switzerland	Zurich
Xerox Finance AG	Switzerland	Zurich
ACS Solutions Schweiz AG	Switzerland	Bern
ACS GmbH	Switzerland	Wien
Xerox Buro Araclari Ticaret ve Servis AS	Turkey	Istanbul
Unmaic HCN Musteri Hizmetler Limited Sirketi	Turkey	Istanbul
Xerox (Ukraine) Limited LLC	Ukraine	Kiev
Imaging Business Systems NI Limited	Northern Ireland	Belfast

(iii) Subsidiaries of Xerox Holdings (Ireland) Limited

100% ordinary shares owned unless stated otherwise

Xerox (Europe) Limited	Ireland	Dublin
Xerox XF Holdings (Ireland) Limited	Ireland	Dublin
Xerox Leasing Ireland Limited	Jersey	St Helier
Xerox Finance (Ireland) Limited	England	High Wycombe
NewField Information Technology Limited	England	London

All the above are wholly owned subsidiaries

(iv) Subsidiaries of XC Trading Singapore (Pte) Limited

100% ordinary shares owned unless stated otherwise

XC Trading Shenzhen Co Limited	Peoples Republic of China	Shenzhen
XC Trading Korea	Korea	Seoul
XC Trading Japan	Japan	Kanagawa-Ken
XC Trading Hong Kong Pte Limited	Hong Kong	Kowloon
XC Trading Malaysia Sdn Bhd	Malaysia	Kuala Lumpur

(v) Subsidiaries of Xerox Middle East Investments (Bermuda) Limited

100% ordinary shares owned unless stated otherwise

Bessemer Insurance Limited	Bermuda	Hamilton
Xerox Egypt SAE (75%)	Egypt	Cairo
Xerox Equipment Limited	Bermuda	Hamilton
Xerox Maroc SA	Morocco	Casablanca
Xerox Products Limited (51%)	Bermuda	Hamilton

(vi) Associates

Fuji Xerox Co , Ltd (25% owned)	Japan	Tokyo
Xerox India Ltd (46% owned)	India	Gurgaon
Xerox Emirates LLC (49 % owned)	UAE	Dubai

Parent Company

The Company's parent company is Xerox Corporation, which is incorporated in the United States of America. Copies of the Xerox Corporation Annual Report and Accounts may be obtained from The Investor Relations Department, Xerox Corporation, Norwalk World Headquarters, 45 Glover Avenue, Norwalk, Connecticut 06856, USA (www.xerox.com)

34. Discontinued Operations

In connection with our parent company's decision to exit from the paper distribution business, the Company sold its Canadian and Western European paper businesses in February 2013 and October 2013 respectively

In 2013 the revenue of the discontinued operation amounts to €249m (2012 €351m), the expenses €269m (2012 €340m), resulting in a profit/loss from ordinary activities before tax of €20m loss (2012 €11m profit). The tax charge/benefit amounts to €1m benefit (2012 €3m charge). As part of the expenses an exceptional profit/loss before tax of €19m is recognized which relates to the sale of the discontinued operation. The related tax charge/benefit amounts to €1m (2012 € nil). At the date of the sale the carrying value of the assets of the discontinued operation amounted to €132m and the liabilities €39m. The cash flow from operational activities of the discontinued operation amounts to €12m (2012 €2m), the cash flow from investing activities €12m (2012 € nil), and the cash flow for financing activities € nil (2012 € nil).

All activity in the paper business is reported in the sale of goods segment in note 7. The €8m second instalment of the sale proceeds from the sale of the paper business in Western Europe is due in October 2015.

XEROX INVESTMENTS EUROPE B.V.
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013
(after proposed appropriation of result)

	<i>Note</i>	2013 €m	2012 €m
Non-current assets			
Intangible assets	36	799	944
Financial assets	37	2,880	3,223
Current assets			
Debtors	38	-	14
Current liabilities			
Owing to Xerox Corporation and affiliates	39	107	-
Current assets less current liabilities		(107)	14
Assets less current liabilities		3,572	4,181
Provisions			
Provisions for subsidiaries	40	50	75
Shareholder's equity			
Issued share capital	41	3,140	3,140
Share premium	41	580	730
Legal reserve currency translation	41	(135)	156
Legal reserve associates	41	900	941
Other reserves	41	(976)	(1,210)
Retained earnings	41	13	349
Total shareholder's equity	41	3,522	4,106

**XEROX INVESTMENTS EUROPE B.V.
COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 €m	2012 €m
Result of subsidiaries and associates after tax	221	239
Other result after tax	(145)	(142)
Net result	76	97

Notes to the company financial statements

35. General Information

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

The accounting policies for the company financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with Note 3.3 to the consolidated financial statements.

For the accounting policies for the company balance sheet and income statement, reference is made to the notes to the consolidated balance sheet and income statement on pages 14 to 24

36. Intangible assets

The unamortised value of intangible assets is entirely goodwill

	Cost €m	Accum. Amortisation €m	Net Book Value €m
Balance at 1 January 2013	3,178	(2,234)	944
Amortisation	-	(145)	(145)
Acquisitions & contributions	-	-	-
Translation differences & Other	-	-	-
Balance at 31 December 2013	3,178	(2,379)	799

37. Financial assets

(i) Affiliated companies

Principal companies affiliated to the Group within The Netherlands and elsewhere are shown on pages 40 to 43

(ii) Investments in subsidiary undertakings and associates at net asset value

	2013 €m	2012 €m
Opening balance	3,223	3,324
Share of profit	221	241
Exchange rate changes	(294)	(88)
Net capital contributions	-	-
Dividends received / (paid)	(423)	15
Other comprehensive income pre-tax pensions	301	(303)
Other comprehensive income tax re pensions	(72)	77
Acquisitions and adjustments	(56)	(38)
Transfers from Provisions	(20)	(5)
Total financial assets – closing balance	2,880	3,223

38. Current assets – debtors

	2013 €m	2012 €m
Loans to subsidiaries	-	14

39. Current Liabilities - creditors

	2013 €m	2012 €m
Loans from subsidiaries	107	-

40. Provisions

	2013 €m	2012 €m
Opening balance	75	39
Share of loss (profit)	(2)	2
Transfers (to) / from Investments in Subsidiaries	(8)	(5)
Other	(11)	38
Exchange rate changes	(4)	1
Provision for subsidiaries – closing balance	50	75

In the opinion of the Directors, the Company has a constructive obligation to fund the ongoing activities of its subsidiaries. An assessment has been carried out for those subsidiaries that have negative equity and the provision has been adjusted to show a closing balance of €50 million, which is the Company's share in the negative equity value of the subsidiaries and is the Directors' best estimate of the obligation. The current year movement in the provision of €25 million decrease (2012: €36 million increase) represents the change in negative equity of the subsidiaries during the year due to profits generated, eliminations via merger and movements in Other consisting principally of a legal distribution of €11m received.

41. Shareholder's equity movement schedule

	Share capital	Share premium	Legal reserves currency translation	Legal reserves associates	Other reserves
	€m	€m	€m	€m	€m
Balance as at 1 January 2013	3,140	730	156	941	(1,210)
Movements					
Net result for the year	0	0	0	0	0
Associate income	0	0	0	126	0
Pension re-measurement	0	0	0	0	229
Derivatives re-measurement	0	0	0	0	(3)
Dividend to parent	0	(150)	0	0	0
Dividend from associates	0	0	0	(48)	0
Acquisitions	0	0	0	(103)	0
Exchange differences	0	0	(291)	0	0
Other movements in reserves	0	0	0	(16)	8
Balance as at 31 December 2013	3,140	580	(135)	900	(976)

	Retained earnings / acc. deficit	Total
	€m	€m
Balance as at 1 January 2013	349	4,106
Movements		
Net result for the year	76	76
Associate income	-126	0
Pension re-measurement	0	229
Derivatives re-measurement	0	(3)
Dividend to parents	(364)	(514)
Dividend from associates	48	0
Acquisitions	14	(89)
Exchange differences	0	(291)
Other movements in reserves	16	8
Balance as at 31 December 2013	13	3,522

Other reserves consist of unrecognised actuarial losses on defined benefit pension plans (€1,014m) (2012: (€1,243m)), re-measurement of derivative cash flow hedges (€19m) (2012: (€16m)), statutorily required local legal reserves in subsidiaries €52m and other of €5m – (2012: group

reserves €49m) Non-distributable reserves noted in the previous period have been split into "Legal reserves associates" and "Other reserves" in 2013

The Company's issued share capital is 11,331,950 A shares and 767,227 B shares of €259.52 each (2012: A shares 11,331,950 and B shares 767,227 at €259.52 each)

Rights and obligations of the Class A and B shares

The Company's authorised share capital is divided into 20,000,000 shares with a nominal value of €259.52 each, divided into 15,000,000 class A shares and 5,000,000 class B shares

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

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

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

	Share capital	Share premium	Currency translation reserve	Non-distributable reserves	Retained earn/ acc deficit	Total
	€m	€m	€m	€m	€m	€m
At 1 January 2012	3,140	730	245	(73)	329	4,371
Dividend to parent	-	-	-	-	-	-
Net result	-	-	-	-	97	97
Associate Income	-	-	-	116	(116)	-
Associate Dividend	-	-	-	(41)	41	-
Other comprehensive income	-	-	-	(235)	-	(235)
Acquisitions	-	-	-	(37)	-	(37)
Other	-	-	-	1	(2)	(1)
Translation diff	-	-	(89)	-	-	(89)
At 31 December 2012	3,140	730	156	(269)	349	4,106

42. Commitments not shown in the balance sheet

The Company has the same contingent liabilities as the Group, see note 24

The Company has provided within the terms of section 5(c) of the Companies (Amendment) Act 1986 of Ireland irrevocable guarantees in respect of Xerox Holdings (Ireland) Limited, Xerox (Europe) Limited, Xerox XF Holdings (Ireland) Limited and Xerox (Ireland) Limited in respect of all of their liabilities for the whole of the financial year ending 31 December 2013. These guarantees do not extend to any liability or commitment, which may have arisen otherwise than in respect of that financial year or which constitute a liability or loss within the meaning of section 5(c) of the Companies (Amendment) Act, 1986 of Ireland. At 31 December 2013, the liabilities of these companies were assessed at €0 million, €58 million, €558 million and €19 million respectively (2012: €0 million, €30 million, €666 million and €17 million).

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

- Xerox (Nederland) B V reg nr 33085653
- Xerox Services B V . reg nr 33304581
- Xerox Document Supplies B V . reg nr 33276409
- Xerox Financial Services B V . reg nr 34166350
- Veenman B V reg nr 24026942
- Veenman Financial Services B V reg nr 33171510
- Xerox Manufacturing (Nederland) B V reg nr 12012440
- XC Global Trading B V., reg nr. 30257981
- Affiliated Computer Services International B V , reg nr 34160388
- Xerox Business Services (Netherlands) B V , reg nr 27142777
- Wilhaave Groep B V , reg nr 32096889
- Unamic Holding B V , reg nr 32097341
- Unamic/HCN B V . reg nr 34139814
- ACS HR Solutions Nederland B V , reg Nr 24382839

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 2013 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

- Xerox Finance Limited, registration number 330755
- Xerox UK Holdings Limited, registration number 3545477
- Xerox Overseas Holdings Limited, registration number 3275267
- NewField Information Technology Limited, registration number 04001226
- Xerox Property Services Limited, registration number 01811310
- Wireless Data Services Limited, registration number 1714719
- ACS Worldwide Lending Limited, registration number 5470127
- ACS Information Technologies UK Limited, registration number 01980455
- Syan Holdings Limited, registration number 01878187
- Customer Value Group Limited, registration number 05537370

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

43. Directors' remuneration

For 2013, the total remuneration received by the Company's directors paid by group companies was €335,913 (2012: €328,494)

44. Stock Options

(A) The Directors stock options in Xerox Corporation, where applicable, are set out below

<i>Stock Holding Summary</i>		Common stock par value US \$1.00 holding	Series 'B' convertible preferred stock
Shares			
G R Kabureck	a	30,182	-
	b	70,442	-
J Mancini	a	71,153	-
	b	77,153	-
R K P Martens	a	5,240	-
	b	7,144	-
S J M G Poels	a	3,476	-
	b	4,731	-

a Holding at 31 December 2013 or resignation

b Holding at 31 December 2012 or on appointment

(B) Group Employees

The Employees stock options and holdings in Xerox Corporation are set out below

<i>Stock Options Summary</i>	Stock Options	Average Option price \$
Outstanding 1 January 2013	56,682	6
Granted	-	-
Transfers	167,881	7
Cancelled	(2,500)	8
Exercised	(151,324)	-
Outstanding 31 December 2013	70,739	7

Transfers represent staff holding stock options assigned to companies outside of the XIE B V group who were previously working within Europe and vice-versa

Stock Options at End 2013 by Year of Expiry

Year of Expiry	Numbers Of options	Value of Options \$	Weighted Avg Price \$
2016	26,922	188,723	7
2018	6,213	42,932	7
2019	37,604	237,929	6
Total	70,739	469,584	7

Stock Options and Long-term Incentive Plans Xerox has discontinued its incentive programmes which issued unapproved stock options Stock options previously granted

generally vested in three years and expire between eight and ten years from the date of grant. The exercise price of the options is equal to the market value of the common stock on the effective date of grant.

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

The following are movements in RSUs in the year

	Numbers
Outstanding 1 January 2013	7,980,507
Granted	439,982
Transfers	(1,255,894)
Cancelled	(219,891)
Released	(2,340,414)
Outstanding 31 December 2013	4,604,290
Year of Vesting	
2014	1,755,729
2015	2,807,955
2016	40,606
Total	4,604,290

The detailed accounting impacts in equity relating to accruals for share based payments are recorded in Xerox Corporation as it is Xerox shares which are used. As the costs associated with providing the compensation crystallise they are recharged to the subsidiary whose employees received the benefits. In 2013, Xerox Corporation made charges of \$20.7m (2012 \$18.3m) or €15.5 (2012 €14.1m) in this respect to the XIE B.V. group of companies.

45. Average workforce analysed by type of work

The Company had no employees during the year under review.

46. Auditors' remuneration

Reference is made to note 30 in the consolidated financial statements.

47. Post-Balance Sheet Events

In January 2014, we acquired Invoco Holding GmbH (Invoco), a German company, for approximately \$59m (€42m) in cash. The acquisition of Invoco expands our European customer care services and provides our global customers immediate access to German-language customer care services and provides Invoco's existing customers access to our broad business process.

outsourcing capabilities. We are in the process of determining the purchase price allocation for this acquisition.

48. Acquisitions

In February 2013, the Company acquired Impika, a leader in the design, manufacture and sale of production inkjet printing solutions used for industrial, commercial, security, label and package printing for approximately \$53m in cash. Impika, which is based in Aubagne, France, offers a portfolio of aqueous (water-based) inkjet presses based on proprietary technology and have strengthened the Company's leadership in digital colour production printing.

In July 2013, the Company acquired for €6m Customer Value Group Ltd (CVG), a London-based software company that specializes in cloud-based accounts receivable and customer relationship management software. CVG's primary product, Value+, is a Software-as-a-Service (SaaS) cloud application that simplifies the management of customer credit, collections and disputes, improving overall cash collections for our customers. With Value+, Xerox now offers a flexible solution that can be tailored to meet any business model, further strengthening the Company's full suite of finance and accounting process services.

In August 2013, the Company acquired for €9m CPAS Systems, Inc., a Toronto-based company providing pension administration software to the private and public sectors. CPAS software simplifies administration and record keeping for defined benefit, defined contribution, and hybrid retirement savings plans and health, welfare and group life insurance premiums. CPAS will be offered as both a standalone software solution and as part of our human resources outsourcing services offering, with a special focus on the emerging market for government pension administration outsourcing.

Also during 2013, the Company purchased other Xerox group companies. ACS HR Solutions UK Limited was acquired in March for €7m, Buck Consultants Limited and Conseillers Buck Limitee in Canada were acquired in October for €30m, and the e-Services Group (St. Lucia) was acquired in October for €25m.

Breukelen.

Sept 26 . 2014

The Board of Directors

J H Mancini
Member of the Board of Directors

R K P Martens
Member of the Board of Directors

S J M G Poels
Member of the Board of Directors

OTHER INFORMATION

Extracts from Articles of Association relating to profit appropriation:

Article 20 Profits

- 1 A dividend reserve bearing the same letter as the relevant class of share will be kept for the benefit of the holders of those shares for each class of share. If and to the extent the profits permit this, a sum equivalent to the percentage of the relevant dividend reserve to be described below as of the end of the financial year will be deducted from the profits and supplemented to each of the dividend reserves. If a dividend reserve fluctuated in the course of the financial year, the sum to be deducted from the profits and supplemented to the reserve will be computed over the average annual reserve. In order to fix the sum to be supplemented to the dividend reserve, the dividend reserve will be increased by the sum with which the dividend reserve must be supplemented in conformity with the sixth paragraph, second sentence. The percentage referred to above is equivalent to half the rate for promissory discount notes laid down by the Dutch Central Bank ("De Nederlandsche Bank N V"), as of the end of the relevant financial year, plus one.
- 2 The general meeting may resolve unanimously to supplement the profits remaining after the deduction of the sums to be supplemented to the dividend reserve pursuant to the provisions of the preceding paragraph to the distributable reserves, in whole or in part.
- 3 Any profits which the general meeting does not reserve pursuant to the provisions of the preceding paragraph will be added to the dividend reserve of a certain class of share pro rata to the total sum, including the share premium, paid up on that class of share.
- 4 The general meeting may only resolve to cancel a dividend reserve in favour of holders of shares of that class of share, in whole or in part, at the proposal of the meeting of holders of that class of share, subject to the provisions of paragraph 7. In that case, the sum with which the cancellation is concerned will be distributed to the holders of shares of that class pro rata to the nominal sum paid up on their shareholding of that class of share.
- 5 The general meeting may supplement the dividend reserves of a certain class from the distributable reserves at any time. These dividend reserves will be supplemented so that each will be supplemented pro rata to the sums, including the share premium, paid up on the shares of that class, without prejudice to the provisions of the sixth paragraph, second sentence.
- 6 The general meeting may cancel a dividend reserve in whole or in part in order to make good any loss. If a dividend reserve has been used to make good loss, there will be no distribution of dividend other than as a result of the cancellation of a dividend reserve in the matter described in paragraph 4, nor will any sums be reserved or supplemented to another dividend reserve as long as the sum withdrawn in order to make good that loss has not been supplemented to that dividend reserve. This principle may be derogated from if the general meeting resolves to do so by a majority of votes. If sums were withdrawn for more than one dividend reserve in order to make good a loss, the sum to be supplemented, as described in the second sentence of paragraph 5, will be supplemented pro rata to the withdrawals.
- 7 Supplements to or distributions from the profits may be made only to a maximum of the distributable portion of the shareholders' equity.
- 8 Supplements to or distributions from the profits may be made only after the adoption of the annual accounts, providing evidence that they are permissible.
9. The general meeting may resolve to make distributions to the debit of a reserve which does not need to be maintained in law, with the application, mutatis mutandis, of the provisions of paragraph 7.
- 10 Shareholders' claims to a distribution will lapse after a period of five years.

Article 20A Share premium reserve

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

Rights and obligations of the Class A and B shares

The Company's authorised share capital is divided into 20,000,000 shares with a nominal value of €259 52 each, divided into 15,000,000 class A shares and 5,000,000 class B shares

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

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

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

Profit appropriation

A distribution of €514 million was made to the parent company in 2013, of which €150m was sourced from share premium. The Directors propose to appropriate the 2013 result to distributable retained earnings

Subsequent Events

In January 2014, the Group acquired Invoco Holding GmbH (Invoco), a German company, for approximately \$59m (€42m) in cash. The acquisition of Invoco expands our European customer care services and provides our global customers immediate access to German-language customer care services and provides Invoco's existing customers access to our broad business process outsourcing capabilities

Auditor's report

The Auditor's Report is included on the next pages of this Annual Report

Independent auditor's report

To the general meeting of Xerox Investments Europe B V

Report on the financial statements

We have audited the accompanying financial statements 2013 of Xerox Investments Europe B V, Breukelen, which comprise the consolidated and company balance sheet as at 31 December 2013, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information

Board of directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Xerox Investments Europe B.V. as at 31 December 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 27 September 2014

PricewaterhouseCoopers Accountants N V

J van der Hilst RA