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Xerox Investments Europe B.V.
Annual Report
for the year ended 31 December 2014

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XEROX INVESTMENTS EUROPE B.V.

Directors' Report, Annual Accounts and Other Information for the year ended 31 December 2014

Directors as at 31 December 2014

Board of Directors	*J H Mancini*
	R K P Martens
	S J M G Poels
Commercial Registry	*Utrecht, Chamber of Commerce*
Registered Number	*33302868*
Registered Office	*De Corridor 5*
	3621 ZA Breukelen
	The Netherlands
Registered Auditors	*PricewaterhouseCoopers Accountants N V.*
	Amsterdam

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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 2014 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 €168m(2013 €27m) for the financial year The net profit after tax was €242m (2013 €76m)

2. BUSINESS SUMMARY REVIEW

Xerox Corporation

Xerox Corporation is a $19 5 billion (€14.7 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 2014 reporting year, Xerox Corporation reported diluted earnings per share of $0 90 in its SEC filings (2013 $0 93)

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 2014 of €5,877m from operations decreased by 6 1% year on year The IT Outsourcing 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 €2,160m reduced by 19% compared to 2013 with 8 5% of this decline due to the Group exiting the paper business in 2013 Services including facilities management generated revenue of €3,427m – a growth of 6% from 2013 levels Gross margins improved to 27 3% compared to 25 9% for 2013, reflecting the currency benefits on product purchases Selling and general expenses are lower than 2013 by €157m reflecting a decrease in general administrative expenses of €66m and selling and distribution costs of €91m

Reported operating profit was €168m (2013 €27m), after charging goodwill and intangible amortisation of €203m (2013· €195m). Excluding the effect of goodwill and intangibles the underlying operational result for 2014 was a profit of €371m (2013 €222m) At the operating profit level, the improvement of €141m is caused by the decrease in gross profits of €16m offset by savings in selling and general expenses of €157m

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) Ltd 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 eighth 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. XC Singapore Trading (Pte) Limited 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 2014 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 Additionally, a further service provider Synchreon was engaged to warehouse and manage incoming and outgoing flows of consumable items. 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 administrational processes through the use of continual improvement tools Some central support staff activities continue at the Mitcheldean facility in the UK

The global services production model is one of the key competitive advantages Xerox group have approximately 130 Strategic Delivery Centers located around the world Our International group have centers in India, Philippines, Brazil, Ireland, Spain, Poland and Romania. These locations are comprised of Customer Care Centers, Mega IT Data Centers, Finance and Accounting Centers, Resource Centers and Document Process Centers Our global production model is enabled by the use of proprietary technology, which allows us to securely distribute client transactions within data privacy limits across a global workforce This global production model allows us to make the most of lower-cost production locations, consistent methodology and processes, and time zone advantages Some of these centers are associated with the IT Outsourcing business, and have been transferred to Atos upon completion of the sale of the ITO business in June 2015

Customer Financing Activities

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

Xerox group finance a large portion of our direct channel customer purchases of Xerox equipment through bundled lease agreements Financing facilitates customer acquisition of Xerox technology and enhances our value proposition, while providing Xerox an attractive gross margin and a reasonable return on our investment in this business Additionally, because we primarily finance our own products and have a long history of providing financing to our customers, we are able to minimize much of the risk normally associated with a finance business

Credit facility On March 18, 2014, Xerox group entered into an amended and restated credit agreement that extended the maturity date of our $2 0 billion unsecured revolving credit facility to March 18, 2019 from December 2016. The amendment also included modest improvements in pricing and minor changes in the composition of the group of lenders The amended and restated credit facility contains a $300 million letter of credit sub-facility and the 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. Xerox group also have the right to request a one year extension on each of the first and second anniversary of the amendment date

At December 31, 2014 Xerox group had no outstanding borrowings or letters of credit under our Credit Facility

Borrowings under the credit facility bear interest at our choice, at either (a) a Base Rate as defined in our credit facility agreement, plus a spread that varies between 0.00% and 0 45% depending on our credit rating at the time of borrowing, or (b) LIBOR plus an all-in spread that varies between 0 90% and 1 45% depending on our credit rating at the time of borrowing Based on the group's credit rating as of December 31, 2014, the applicable all-in spreads for the Base Rate and LIBOR borrowing were 0.10% and 1 10%, respectively.
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

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Capital markets offerings and other:

In May 2014, Xerox Corporation issued $400 million of 2 8% Senior Notes due 2020 (the "2020 Senior Notes") at 99 956% of par and $300 million of 3 8% Senior Notes due 2024 (the "2024 Senior Notes") at 99 669% of par, resulting in aggregate net proceeds of approximately $700 million Interest on the Senior Notes are payable semi-annually. The proceeds have been used for general corporate purposes, which included repayment of a portion of our outstanding borrowings

Loan covenants and compliance:

At December 31, 2014, 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 provide 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 maintain 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 received a capital contribution from Xerox Corporation in the form of shares in Xerox Developing Markets Limited resulting in a €9m increase in the share premium account In 2014 the Company made distributions of €136m consisting of a return of share premium of €97m (2013 €150m) and dividends of €39m (2013 €364m) to Xerox Corporation

Investments

In January 2014, the Company acquired Invoco Holding GmbH (Invoco), a German group of companies, for €43.1m cash The acquisition of Invoco expands the Company's European customer care services and provides the Xerox group's global customers immediate access to German-language customer care services and provides Invoco's existing customers access to our broad business process outsourcing capabilities

In March 2014, the Company through its subsidiary, XC Trading Singapore (Pte) Ltd , acquired a further 43% of Xerox India Limited for €8 6m in addition to the 46% it already owned Following the purchase, Xerox India Limited became a subsidiary of the Company with an 11% minority interest

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 growing tensions with Russia and the Ukraine and the continuing constraints on government spending across Europe. The Group has also acted to insulate itself as far as possible from the economic uncertainties in Greece by minimising our deposits with Greek banks as well as keeping inventories in Greece to a minimum

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 2015 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 The XIE B V Group will 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 2015 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 previous acquisition of Impika, and leveraging our leadership in document technology to grow our BPO business 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 increased by €344m over 2014 including currency impacts to close with €959m and the ratio of current assets to current liabilities was sustained at 2 2 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 and will take full advantage of the cost saving opportunities presented by the international service centres operated by Xerox Services.

FINANCING

The Group's financing is largely dependent on the financing arrangements of Xerox Corporation. As at 31 December 2014, Xerox Corporation reported cash and cash equivalents of $1 4 billion (2013· $1 8 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 €16 million (2013 €11 million) Cash was €1 billion (2013 €0 6 billion) The Group's debt (including intergroup debt with Xerox Corporation and its affiliates) to equity ratio increased to 34 5% from 31% in 2013

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*

During the year, the Group saw some small movements in final settlements and clear downs of residual items relating to the sale of the paper business in Western Europe which took place in October 2013. In 2014, Xerox announced the global sale of its IT Outsourcing business to Atos This sale completed in June 2015.

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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 as at 31 December 2014. 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, 30 September 2015
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

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XEROX INVESTMENTS EUROPE B.V.
Financial Statements-

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014
(after proposed appropriation of result)

	Note	2014 €m	€m	2013 €m	€m
Non-current assets					
Intangible assets	13	1,179		1,255	
Property, plant and equipment	14	680		674	
Financial assets	15	2,332		2,237	
Total non-current assets			**4,191**		**4,166**
Current assets					
Stocks	16	292		294	
Receivables	17	2,038		2,006	
Cash	18	959		615	
Total current assets			**3,289**		**2,915**
Current liabilities					
Short term debt	19	122		36	
Other current liabilities	20	1,373		1,317	
Total current liabilities			**1,495**		**1,353**
Total current assets less current liabilities			**1,794**		**1,562**
Total assets less current liabilities			**5,985**		**5,728**
Long term debt	19	1,115		1,080	
Other non-current liabilities	21	50		36	
Total non-current liabilities			**1,165**		**1,116**
Provisions	22	**1,236**		**1047**	
Group equity					
Shareholder's equity	23/42		**3,537**		**3,522**
Non-controlling interest	33	47		43	
Total Group equity			**3,584**		**3,565**

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €m	€m	2013 €m	€m
Revenue	7	5,877		6,259	
Cost of revenue	8	(4,270)		(4,636)	
Gross operating profit			1,607		1,623
Selling expenses	9	(511)		(602)	
General and administrative expenses	9	(928)		(994)	
Total expenses			(1,439)		(1,596)
Operating profit			168		27
Gain / (Loss) on disposal of assets	10	30		(13)	
Financial result	11	(2)		15	
Profit on ordinary activities before tax			196		29
Tax on profit from ordinary activities	12	(72)		(82)	
Share of profit of associates	15(i)	124		132	
Profit on ordinary activities after tax			248		79
Non-controlling interest	33	(6)		(3)	
Net Profit			242		76

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 €m	€m	2013 €m	€m
Cash flows from operating activities					
Operating profit			168		27
Adjustments for					
Depreciation	8/13		206		195
Amortisation of goodwill and intangibles	8/14		203		195
Movements in working capital					
(Increase)/ Decrease in receivables		(23)		57	
Decrease /(Increase) in stocks		16		(4)	
Increase /(Decrease) in creditors and provisions		360		(192)	
Decrease in finance lease receivables		109		372	
(Increase) in Other Assets		(458)		(31)	
Cash flow from working capital			4		202
Cash flow from continuing operations			581		619
Interest paid	11	(13)		(2)	
Interest received	11	11		17	
Taxes paid		(57)		(86)	
Cash flow from operating activities			522		548
Cash flow from Investing activities					
Acquisition of subsidiaries		(34)		(52)	
Investment in property, plant and equipment		(93)		(72)	
Proceeds from sale of property, plant and equipment		32		8	
Proceeds from sale of business		8		12	
Cash flow from /(used in) investing activities			(87)		(104)
Cash flow from /(used in) Financing activities					
Increase / (decrease) in short term debt	25	59		(350)	
(Decrease) / increase in long term debt	25	(18)		208	
Dividends to Minority Interests		(3)		(4)	
Dividends to Parent Company		(136)		(514)	
Cash flow from / (used in) financing activities			(98)		(660)
Net (decrease) / increase in cash in period			337		(216)
Cash at beginning of period	18		615		848
Exchange differences			7		(17)
Cash at ending of period	18		959		615

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XEROX INVESTMENTS EUROPE B.V.

OVERVIEW OF TOTAL GROUP RESULTS

	2014		2013	
	€m	€m	€m	€m
Consolidated net result after taxation		242		76
Revaluation of financial assets valued at market value through equity	21		(3)	
Currency translation differences foreign subsidiaries	186		(290)	
Pension revaluations charged in equity	(289)		229	
Total of direct movements in group equity		(82)		(64)
Total result of the group		**160**		**12**

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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 Outsourcing 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. The ITO business has been sold to ATOS on 30th June 2015.

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's major directly wholly owned subsidiaries are Xerox Holdings (Ireland) Limited, Xerox UK Holdings Limited, Xerox Middle East Investments Limited, XC Trading Singapore (Pte) Limited and XC Global trading B.V.. During the year other subsidiaries of the Company purchased the Invoco GmbH group in Germany and acquired Xerox Developing Markets Limited thus gaining control over Xerox India Limited.

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

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

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

Entities continue to be consolidated until they are sold, they are deconsolidated from the date that control ceases and if they are classified as groups held-for-disposal

Common control

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

Third party acquisitions

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

1.6. Consolidation principles

The consolidation includes the financial data of 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 a non-controlling interest

Results of companies or groups acquired are included in the Consolidated Profit and Loss Account from the date of acquisition Since the profit and loss account of XIE B V. is included in the consolidated financial statements, an abridged profit and loss account has been disclosed in the Company financial statements in accordance with Section 402, Book 2 of the 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 listed in note 34 and the associates mentioned in note 3.3 below are considered to be related parties

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

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

The statement of cash flows has been prepared applying the indirect method The cash and cash equivalents in the statement consists of cash at banks and in hand Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the statement of cash flows. Income and expenses in respect of interest, dividends received and taxation on profits are included in the cash flow from operating activities Dividends paid have been included in the cash

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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 statement of cash flows

1.9. Use of estimates

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

Estimates are used for, but not limited to allocation of revenues and fair values in multiple element arrangements, accounting for residual values, economic lives of leased assets, allowance for doubtful accounts, inventory valuation, restructuring charges, 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, profit and loss account and the statement of cash flows include references to the notes

2 2. Prior-year comparison

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

2.3. Functional Currency

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

2.4. Translation of foreign currencies

On consolidation, balance sheets of individual subsidiaries that are denominated in foreign currencies are translated into Euros at the closing exchange rates for the reporting period Profit and loss items are translated at the average exchange rates for the reporting period. Translation differences, which principally represent the gain or loss arising on net assets denominated in foreign currencies as a result of changes in exchange rates during the period, are charged against or added directly to equity, within the Currency Translation reserve

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

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

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·

Land and Buildings:	
Freehold land	not depreciated
Freehold buildings	50 years
Leasehold land and buildings	shorter of remaining lease term and expected useful life
Dilapidations costs on leased assets	over the term of the lease under which the dilapidations costs arise
Plant and machinery & tooling	5-12 years
Fixtures, fittings and equipment	3-20 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 ongoing 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.

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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 profit and loss account

Financial leases

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

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 profit and loss account

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

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

3 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. 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. 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 profit and loss account Subsequently, their fair value is re-measured, and all gains and losses from changes therein are recognised in the in profit and loss account, 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

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 profit and loss account 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 attributable 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 profit and loss account 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

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

Contributions to defined contribution schemes are charged to the profit and loss account as incurred The market performance impacts in 2014 showed continued limited recovery in the value of the assets held by pension plans but there was a higher rate of 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 2014, 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, 2014 the mark-to-market on cash flow hedges relating to forecast purchases were €2m Asset pre-tax effects (2013 €21m 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 profit and loss account 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 2014 (2013. 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

4.1. General Information

Accounting policies for the Profit and loss account

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

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 similar incentives and are net of value added tax

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

4 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 and services 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 asset value 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 seven years All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives are expensed as incurred as the criteria for recognition as an asset are not met

4.11. 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

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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 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 9 billion and €1m Asset respectively (2013 €1 4 billion and €27m Liability)

(ii) Interest rate and cash flow 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.

The Company incurs interest rate risk on interest-bearing receivables (in particular those included in financial assets, securities and cash) and on interest-bearing non-current and current liabilities (including borrowings)

Where floating-interest loans and receivables are concerned, the Company incurs risk regarding future cash flows. In addition, the Company incurs risk on fixed-interest loans and receivables with respect to the fair value due to changes in the market rate of interest

(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 counter-party by counter-party basis Individual monetary credit limits are applied to each counter-party The Group's derivative portfolio is spread over a sufficient number of counter-parties so as to minimise credit risk

(iv) *Price risk*

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

(v) Liquidity risk

Funding for the Company is through inter-company arrangements

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7. Revenue Information

Revenues can be analysed approximately as follows:

Geographical distribution	2014 €m	2013 €m
Netherlands	376	252
France	642	667
UK	895	1,022
Other EU countries	1,635	1,540
Other European countries	245	567
Canada	703	814
Asia, Africa and other areas	1,381	1,397
Total revenues	**5,877**	**6,259**
Product/service distribution		
Sale of goods	2,160	2,677
Services including facilities management	3,427	3,240
Rental income	109	113
Lease interest	148	195
Other	33	34
Total revenues	**5,877**	**6,259**

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

	Note	2014 €m	2013 €m
Amortisation of intangible assets	13	203	195
Depreciation of property, plant & equipment	14	206	195
		409	**390**

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

	2014 €m	2013 €m
Salaries and wages	1,142	1,845
Social security contributions	145	142
Pension contributions	37	76
	1,324	**2,063**

9. Selling and general & administrative expenses

	2014		2013	
	€m	€m	€m	€m
Intangible amortization	203		195	
Restructuring and re-organisation costs	60		51	
Xerox Corporation charges	163		253	
Research and development costs in Europe	21		4	
Administrative expenses	476		492	
Exchange gains & losses, and other	5		(1)	
General & administrative expense		**928**		**994**
Selling expenses excluding bad debt provision	484		542	
Bad debt provision	27		60	
Selling expenses		**511**		**602**
Total selling and general & administrative costs		**1,439**		**1,596**

10. Gain / (Loss) on Disposal of Assets

In 2014, the gain of €30 million arises primarily from the disposal of assets in Brazil. The impact of releasing deferred gains on sale and leaseback transactions has now ceased as the main site in the UK reached the end of the lease during 2014 The €13 million loss in 2013 was generated by a €19 million loss on the sale of the paper business offset by gains on the disposal of fixed assets and the release of deferred gains.

11. Financial Result

	2014	2013
	€m	€m
Interest and similar (income)	(11)	(17)
Interest and similar expense	1	1
Interest expense from group companies	12	1
Total Financial result	**2**	**(15)**

12. *Tax on profit from ordinary activities*

The effective tax rate of 37 1% in respect of the reported profit (2013 282.8%) is higher than the nominal rate of 25% (2013 25%) primarily due to the following factors.

	2014	2013
	%	%
Effective tax rate	37 1	282 8
Non-deductible goodwill	(24 7)	(244 8)
Profits taxed at different rates to nominal 25%	2 8	(3 8)
Tax audit settlements and prior period adjustments	0 7	(5 4)
Permanent differences / other	9 1	(3 8)
Nominal rate	**25.0**	**25.0**

At 31 December 2014 there were gross unrecognised trading losses of €1,666 (2013 €1,493m) which arose predominantly in Brazil and Ireland with €670m and €905m respectively There were also unrecognised capital losses of €39m (2013. €42m)

13. *Intangible assets*

	Goodwill	Other Intangible	2014 Total	2013 Total
	€m	€m	€m	€m
Gross cost at 1 January	3,713	88	**3,801**	3,761
Acquisitions	31	12	**43**	108
Retirements	-	(1)	**(1)**	(4)
Transfers	-	-	-	(8)
Translation differences	96	-	**96**	(56)
Balance at 31 December	**3,840**	**99**	**3,939**	**3,801**
Accumulated amortisation at 1 January	2,522	24	**2,546**	2,363
Amortisation in year	193	10	**203**	195
Retirements	-	(1)	**(1)**	(4)
Transfers	-	-	-	(2)
Translation differences	12	-	**(12)**	(6)
Balance at 31 December	**2,727**	**33**	**2,736**	**2,546**
Net book value at 1 January	**1,191**	**64**	**1,255**	**1,398**
Net book value at 31 December	**1,113**	**66**	**1,203**	**1,255**

The current year additions due to acquisitions relate to the external purchase of the entire share capital of the Invoco GmbH group 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	Plant and Machinery & tooling	Fixtures, fittings, & equipment	Rental equipment	Capitalised Software	**Total**
	€m	€m	€m	€m	€m	€m
Cost	353	270	261	353	582	**1819**
Accumulated depreciation	(152)	(233)	(169)	(195)	(396)	**(1,145)**
Net book value at 1 January 2014	201	37	92	158	186	**674**
Additions	37	53	52	102	26	**270**
Cost of business acquisition	2	0	8	10	2	**22**
Disposals and transfers to inventory	(41)	(42)	(58)	(80)	0	**(221)**
Depreciation	(20)	(10)	(46)	(80)	(50)	**(206)**
Depreciation on business acquisition	(1)	0	(7)	(8)	(1)	**(17)**
Depreciation on disposals & transfers to inventory	21	15	34	64	0	**134**
Exchange rate changes	4	0	4	4	12	**24**
Net book value at 31 December 2014	203	53	79	170	175	**680**
Cost	355	282	268	388	622	**1915**
Accumulated depreciation	(152)	(229)	(188)	(219)	(447)	**(1,235)**
Net book value	**203**	**53**	**80**	**169**	**175**	**680**

15. Financial assets

Summary		**2014** **€m**	**2013** **€m**
Associates at net asset value	(i)	1,145	985
Financial leases	(ii)	1,152	1,235
Other	(iii)	35	17
Total Financial Assets		**2,332**	**2,237**

(i) Associates at net asset value

	Fuji Xerox	Other Companies	**2014 Total €m**	**2013 Total €m**
At 1 January	**937**	**48**	**985**	**1,109**
Share in profits	114	10	124	132
Dividend	(45)	(8)	(53)	(57)
Minimum pension liabilities in equity	30	-	30	18
Disposals	-	(6)	(6)	-
Revaluation	-	1	1	-
Translation	59	5	64	(217)
At 31 December	**1,095**	**50**	**1,145**	**985**

Fuji Xerox – share of consolidated balance sheet (extract)

	2014 €m	2013 €m
Non-current assets	975	935
Current assets	987	898
Current liabilities	(613)	(564)
Non-current liabilities	(119)	(177)
Provisions	(109)	(129)
Net assets before intercompany elimination	**1,121**	**963**
Intercompany elimination	(26)	(26)
Net assets after intercompany elimination	**1,095**	**937**

(ii) Financial leases

	2014 €m	2013 €m
At 1 January	**1,235**	**1,543**
New lease amounts receivable	435	536
Transfer to short-term lease receivables	(185)	(185)
Disposals and terminations	(354)	(611)
Exchange rate changes	21	(48)
At 31 December	**1,152**	**1,235**
Gross lease receivables	2,109	2,232
Unearned income	(244)	(264)
Allowance for doubtful accounts	(62)	(72)
Current portion of finance receivables	(651)	(661)
Amounts due after one year, net	**1,152**	**1,235**

Contract maturities in €m

	2014	2015	2016	2017	2018	Thereafter	Total
Gross finance receivables	774	599	406	233	89	8	**2,109**
Net finance receivables	662	512	347	199	76	7	**1,803**

A total of €660 million was billed during the year in respect of financial leases Note 7 on revenue shows €148 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

	2014 €m	2013 €m
Marketable Securities	3	3
Advances	12	8
Loan to Third Parties	3	2
Derivative Assets	17	4
Total Other	**35**	**17**

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

	2014 €m	2013 €m
Finished goods equipment	75	71
Spares, consumables and paper	186	192
Raw materials and consumables	19	21
Work in progress	12	10
Total Stocks	**292**	**294**

The inventory values shown above are net of reserves of €29m (2013: €29m) 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

	2014	2013
	€m	€m
Financial leases	651	661
Trade accounts receivable	411	357
Accrued income	286	258
Pension prepayments	13	40
Receivables from related associates	161	163
Other receivables and prepayments	259	326
Customer contract assets	17	13
Income tax receivable	26	33
Deferred tax	214	155
Total Receivables	**2,038**	**2,006**

Receivables from associates are unsecured, interest free and are generally receivable upon 30 days payment term The entire values of pension prepayments are long term Approximately €172 million of the above deferred tax asset is non-current in 2014 (2013 €110 million). Approximately €7 million (2013 €2 million) of the income tax receivable is non-current Customer contract assets are deferred costs and incentives which will be recognised in profit and loss over the duration of the services contracts

The Group has a facility enabling the sale without recourse to a third-party on an on-going basis of certain accounts receivables During 2014 and 2013, approximately €1,343 million and €1,631 million respectively were sold under this facility. Fees associated with the facility were €6 million and €8 million in 2014 and 2013 respectively As at 31 December 2014, €241 million remained uncollected by the third-party (2013. €343 million)

The fair value of the receivables approximates the book value.

18. Cash

Reported cash of €959 million (2013 €615 million) is all available-on-demand and unrestricted, except for €158 million (2013 · €192 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

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19. Borrowings

Long term debt

	2014	2013
	€m	€m
Bank and institutional borrowings	10	6
Owing to group companies	1,105	1,074
Total long term debt	**1,115**	**1,080**

Short term debt

	2014	2013
	€m	€m
Bank and institutional borrowings	6	5
Owing to Xerox Corporation and subsidiaries	116	31
Total current liabilities - short term	**122**	**36**

Currency denomination

	2014 Average Interest rate	2014	2013
Fully repayable within one year	%	€m	€m
Accrued interest	-	3	19
Pound sterling · Fixed	6 973%	26	2
Euros · Fixed	8 365%	35	-
Mexican Pesos · Fixed	5 150%	15	0
US Dollars Fixed	4 690%	31	-
Other currencies	-	6	10
Total short term debt owing to Xerox Corporation and subsidiaries		**116**	**31**

Fully repayable within five years	2014	2014	2013
	Average %	€m	€m
Pound sterling Fixed Annually	5 572%	570	486
Pound sterling Fixed Annually	7 500%	31	29
US Dollars Fixed	4 120%	49	44
Pound sterling Fixed Annually	8 000%	41	39
Pound sterling Fixed Annually	4 901%	193	179
Pound sterling Fixed Semi Annually	4.101%	196	186
Pound sterling Fixed Semi Annually	4 851%	47	44
Fully repayable in more than five years			
Pound sterling Fixed Semi Annually	6 650%	39	35
Pound sterling . Floating Annually	5 350%	11	11
Pound sterling . Fixed Annually	5 630%	23	21
Total long term debt from group companies		**1,105**	**1,074**

The Group's bank and institutional borrowings, short term and long term debt, are primarily related to capitalised lease obligations of €13m, bank overdrafts and other debt of €3m, and intercompany funding from Xerox Corporation and subsidiaries of €1,221m.

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 €12m on a full year basis.

20. Other current liabilities

	2014 €m	2013 €m
Accruals and deferred income	524	518
Derivative liabilities	17	30
Trade creditors	640	575
Current corporate income tax	28	15
VAT payable	62	86
Other tax and social security	68	59
Owing to Xerox Corporation and subsidiaries	26	33
Owing to related associates	8	1
Total current liabilities – other	**1,373**	**1,317**

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

	2014 €m	2013 €m
Deferred Revenue	7	7
Accrued Costs	14	13
Non-current Income Taxes	24	15
Other	5	1
Total non-current liabilities - other	**50**	**36**

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22. Provisions

	Restructuring €m	Pensions €m	Other Post retirement €m	Deferred Tax €m	Legal Disputes €m	Other €m	Total €m
At 1 January 2014	58	675	108	81	102	23	1,047
Utilisation	(59)	-	-	-		(5)	(64)
Charged to profit and loss	60	11	8	(3)	(14)	9	71
Remeasurements	(1)	347	6	(35)		(5)	312
Acquisitions / contributions	-	(120)	-	4		-	(116)
Other movements (net)	2	(12)	1	(3)		(2)	(14)
At 31 December 2014	**60**	**901**	**123**	**44**	**88**	**20**	**1,236**
Of which, short term	58	25	-	40	-	9	132

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 claimable against group companies regarding various leased premises

The pension and other post-retirement benefits impacts in other comprehensive income increased by €396m - €289m net of tax - due to the annual re-measurement of the funded status of group final salary plans (€289m) and medical benefits (€22m) with a further €22m decrease from our investment in Fuji Xerox There were no current year pensions impacts from acquisitions (2013 €3m increase) - (refer note 27 Pensions and note 28 Retiree Medical Benefits). The legal disputes provision relates to legal cases in Brail between Xerox, former employees and the Brazilian government The net decrease is primarily due to reversal of provisions due to favourable case decisions

23. Shareholder's equity

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

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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 31 December 2014 there are reserves in place to cover the anticipated losses and the total contingent liabilities for the various cases are €672 million reduced by €4 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 €111 million of escrow cash deposits, €15m of liens on Brazilian assets and additional letters of credit of €201 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

No provision has been recorded in relation to the environmental contamination at the Oakville toner manufacturing site in Canada as management are not able to reliably estimate any range of possible outcomes The book value of assets held in relation to this property is $CAD 5 7 million (€4 million), which is considered to be the maximum potential exposure in relation to this matter

There are contingent liabilities amounting to €83 million (2013 - 108 million) of which €22 million is in respect of legal disputes, and €61 million relates to recoverable monies under factoring arrangements which will be resolved over the next 12 months There are no liens and guarantees provided (2013 - €nil million)

Off-balance sheet commitments

At 31 December 2014, the Group had no outstanding capital commitments (2013 - €nil)
There are also long-term operating lease commitments of €124 million (2013 - €187 million), of which €48 million are due in 2015, €70 million are due up to 2019 and €6 million thereafter. Amounts charged during the year in respect of operating leases was €34m
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

	At 01/01/2014 €m	Cash Inflow / (Outflow) €m	Exchange rate changes €m	At 31/12/2014 €m
Bank & institutional borrowings	5	1	-	6
Owing to Xerox Corporation and subsidiaries	31	78	7	116
Short term debt	**36**	**79**	**7**	**122**
Bank & institutional borrowings	6	4	-	10
Owing to Xerox Corporation and subsidiaries	1,074	(42)	73	1,105
Long term debt	**1,080**	**(38)**	**73**	**1,115**
Net debt	**1,116**	**41**	**80**	**1,237**

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

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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

Pensions Benefits

Change in Benefit Obligation	2014 €m	2013 €m
Benefit obligation, 1 January	**4,825**	**5,030**
Service cost	25	68
Interest cost	205	196
Plan participants' contributions	4	4
Plan amendments	(5)	(11)
Actuarial (gain) / loss	805	(153)
Currency exchange rate changes	242	(141)
Business Combinations	-	42
Curtailments	(3)	(11)
Special termination benefits	1	(3)
Actual Expenses	(1)	(2)
Benefits paid/settlements	(206)	(194)
Benefit obligation, 31 December	**5,892**	**4,825**

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Change in Plan assets	2014 €m	2013 €m
Fair value of plan assets, 1 January	**4,190**	**4,081**
Actual return on plan assets	677	246
Employer contribution	120	153
Plan participants' contributions	4	4
Asset reclassification	-	-
Currency exchange rate changes	225	(119)
Settlements	(2)	(3)
Actual Expenses	(3)	(2)
Business Combinations	-	24
Benefits paid	(206)	(194)
Fair value of plan assets, December 31	**5,005**	**4,190**

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

Benefit obligation, December 31	(5,892)	(4,825)
Plan assets, December 31	5,005	4,190
(Un)Funded status	**(887)**	**(635)**

Amounts recognized in the Consolidated Balance Sheet consists of:

	2014 €m	2013 €m
Prepaid benefit cost (note 17)	13	40
Accrued benefit liability (note 22)	(901)	(675)
Net amount recognised	**(888)**	**(635)**

Accumulated other comprehensive income analysis (pre-tax):

Net actuarial loss	1,694	1,265
Accumulated other comprehensive income	**1,694**	**1,265**

The accumulated benefit obligation for all defined benefit pension plans which are underfunded or non-funded was €5,369 million and €4,368 million at 31 December 2014 and 2013, respectively Information for pension plans with an accumulated benefit obligation in excess of plan assets is presented below

Under-funded or non-funded plans	2014 €m	2013 €m
Aggregate projected benefit obligation	5,600	4,165
Aggregate accumulated benefit obligation	5,369	4,368
Aggregate fair value of plan assets	4,756	3,694

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	2014 €m	2013 €m
Defined benefit plans		
Service cost	25	68
Interest cost	205	196
Expected return on plan assets	(258)	(239)
Recognized net actuarial loss	41	58
Amortization of prior service cost	(1)	-
Recognized net transition asset	-	-
Recognized curtailment/settlement loss	(1)	1
Net periodic benefit cost	**11**	**84**
Defined contribution plans	34	20
Total	**46**	**104**

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Other Changes in Plan Assets and Benefit Obligations Recognised in Other Comprehensive Income.

Components of Net Periodic Benefit Cost	2014 €m	2013 €m
Defined benefit plans		
Service cost	25	68
Interest cost	205	196
Expected return on plan assets	(258)	(239)
Recognized net actuarial loss	41	58
Amortization of prior service cost	(1)	-
Recognized net transition asset	-	-
Recognized curtailment/settlement loss	(1)	1
Net periodic benefit cost	**11**	**84**
Defined contribution plans	34	20
Total	**46**	**104**

	2014 €m	2013 €m
Net actuarial (loss) / gain	(391)	163
Prior service cost	(1)	-
Amortization of Net actuarial gain	41	58
Amortization of Prior service credit	5	10
Recognised Curtailment/ Settlement Loss	(2)	-
Total Recognized in other comprehensive income	(348)	231
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	**(337)**	**315**

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 €67m and €2m benefit, respectively.

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The investment mix of the plan assets is as follows:

Planned Asset Defined benefit plans	**2014**		**2013**	
	€m	%	€m	%
Cash & Equivalent	500	10%	498	12%
Equity Securities	1583	31%	1,590	38%
Debt Securities	2028	41%	1,480	35%
Real Estate	410	8%	154	4%
Other	484	10%	468	11%
Total	**5,005**	**100%**	**4,190**	**100%**

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

Investment Strategy

During 2014 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	**2014**	**2013**
Weighted average assumptions as of December 31	%	%
Discount rate	3.2	4 2
Expected return on plan assets	5 2	6 1
Rate of compensation increase	2 7	2.7

Determination of net Benefit Cost	**2015**	**2014**	**2013**
Weighted average assumptions as of December	%	%	%
Discount rate	3 2	4 2	4 0
Expected return on plan assets	5 2	6 1	6 1
Rate of compensation increase	2 7	2 7	2 7

Pension contributions in 2015 are expected to be €113m

Expected benefit payouts are set out in the table below

Estimated Future Benefit Payments	€m
2015	207
2016	207
2017	215
2018	221
2019	229
2020 and beyond	1,264

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.

	2014	2013
Change in Benefit Obligation	€m	€m
Benefit obligation, 1 January	108	123
Service cost	3	3
Interest cost	5	5
Actuarial (gain) / loss	6	(7)
Balance Sheet reclass	(1)	1
Currency exchange rate changes	5	(13)
Benefits paid/settlements	(3)	(4)
Benefit obligation, 31 December	**123**	**108**

Amounts recognized in the Consolidated Balance Sheet consists of:

Accrued Benefit Liability (note 22)	123	108

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

Accumulated other comprehensive income analysis (pre-tax):

	2014	2013
Net actuarial loss	23	16
Prior service credit	(1)	(1)
Accumulated other comprehensive income	**22**	**15**

29. Average number of employees

		2014	2013
		000s	000s
Sales & Service	Netherlands	1.5	1 1
	Other EU countries	17 3	14 4
	Other European Countries	1 8	2 7
	Rest of world	39 5	37 7
Manufacturing		1.6	1 5
Total		**61.7**	**57.4**

30. Audit fees

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

	2014	2013
	€m	€m
Audit of the financial statements	3 8	4 2
Other audit procedures	0 3	0 2
Tax services	0 3	0 2
Other non-audit services	-	0 2
Total	**4.4**	**4.8**

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)

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

Euros millions Loan excluding interest	2014 Interest %	2014 Carrying value	2014 Fair value	2013 Interest %	2013 Carrying value	2013 Fair value
US Dollars Fixed	5	24	24	5	21	22
US Dollars Fixed	5	3	3	5	3	3
US Dollars Fixed	4	6	6	4	6	6
US Dollars Fixed	3	10	10	3	9	9
US Dollars Fixed	3	7	8	3	7	7
Pound sterling Fixed	8	38	45	8	29	31
Pound sterling Fixed	8	31	32	8	36	42
Pound sterling Fixed	7	36	41	7	34	38
Pound sterling Fixed	5	11	12	5	11	11
Pound sterling Fixed	6	23	26	6	21	22
Pound sterling Fixed	5	192	205	5	179	184
Pound sterling : Fixed	4	121	126	4	185	191
Pound sterling : Fixed	4	47	51	-	-	-
Pound sterling · Fixed	5	36	37	-	-	-
Pound sterling : Fixed	5	39	41	5	44	48
TOTAL		**624**	**667**		**585**	**614**

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 2014 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 and a further £30m of the fixed loan was repaid on the 30 May 2014 & 30 Nov 2014

32. Financial Instruments

Financial instruments at fair value

The table below shows financial instruments stating their fair value as at 31 December 2014 and changes in value recognised directly either through equity or through profit or loss.

	Fair value as at 31 December 2014	Recognised through Equity	Recognised through profit or loss
	€m	€m	€m
Derivative financial instruments			
Forward exchange contracts	(1)	-	(1)
Participating Forward Contracts	2	2	-
	1	2	(1)

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. Non-Controlling Interests

	2014	2013
	€m	€m
Balance as at 1 January	43	49
New consolidation	2	-
Result for the financial year	6	2
Dividend	(3)	(3)
Exchange Difference	(1)	(5)
Balance as at 31 December	**47**	**43**

The new consolidation reflects the change in status of Xerox India Limited from an associate to a fully consolidated subsidiary with an 11% non-controlling interest

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34. Principal Subsidiaries and Associates at 31 December 2014

(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	Breukelen	100
Xerox Middle East Investments Limited	Bermuda	Bermuda	100
Buck Consultants Limited	Canada	Toronto	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
x system services 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	Santiago
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
Posetiv 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	Mulheim
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	Khazakhstan	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 Escriterio 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, SAU	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 Scheweiz 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
Xerox India Limited*	India	Delhi

All the above except Xerox India Limited (*), are wholly owned subsidiaries

XIEBV owns 89% of the shareholding through two of its subsidiaries, Xerox Limited and XC Trading Singapore (Pte) Limited

PricewaterhouseCoopers Accountants N V For identification purposes only *(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
Xerox India Limited (89%)	India	Delhi

(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 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 2014, Xerox Corporation announced that it would sell its global IT Outsourcing business to Atos This sale completed in June 2015 The activities of the IT Outsourcing business for 2014 have been designated as discontinued operations There are also residual impacts in 2014 relating to the sale of the European paper business in 2013 which contributed a gain of €0 7m to the overall discontinued operations result

In 2014 the revenue of the discontinued operation amounts to €133m (2013 €249m), the expenses €110m (2013 €269m), resulting in a profit from ordinary activities before tax of €23m (2013 €20m profit) The tax charge amounts to €5m (2013. €1m charge) The IT Outsourcing business generated positive cash flows for the Group in 2014 of €3m. This IT Outsourcing business disposal affects the XIE BV group with the disposal of 15 subsidiaries with an investment carrying value of €125 million and asset transfers to the cumulative value of €8m

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XEROX INVESTMENTS EUROPE B.V.

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2014

(after appropriation of result)

	Note	2014 €m	2013 €m
Non-current assets			
Intangible assets	36	675	799
Financial assets	37	2,891	2,880
Current assets			
Debtors	38	4	-
Current liabilities			
Owing to Xerox Corporation and affiliates	39	-	107
Current assets less current liabilities		4	(107)
Assets less current liabilities		**3,570**	**3,572**
Provisions			
Provisions for subsidiaries	40	33	50
Shareholder's equity			
Issued share capital	41	3,140	3,140
Share premium	41	491	580
Legal reserve currency translation	41	51	(135)
Legal reserve associates	41	970	900
Other reserves	41	(1,260)	(976)
Retained earnings	41	145	13
Total shareholder's equity	41	**3,537**	**3,522**

XEROX INVESTMENTS EUROPE B.V.

COMPANY PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 €m	2013 €m
Result of subsidiaries and associates after tax	367	221
Other result after tax	(125)	(145)
Net result	**242**	**76**

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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 profit and loss account, reference is made to the notes to the consolidated balance sheet and profit and loss account on pages 13 to 22.

36. Intangible assets

The unamortised value of intangible assets consists substantially of goodwill

	Accum	Net Book	
	Cost	Amortisation	Value
	€m	€m	€m
Balance at 1 January 2014	3,178	(2,379)	799
Amortisation	-	(124)	(124)
Balance at 31 December 2014	**3,178**	**(2,503)**	**675**

37. Financial assets

(i) Affiliated companies

Principal companies affiliated to the Group within The Netherlands and elsewhere are shown on pages 48 to 52

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

	2014 €m	2013 €m
Opening balance	2,880	3,223
Share of profit	369	221
Exchange rate changes	188	(294)
Net capital contributions	9	-
Dividends received / (paid)	(248)	(423)
Other comprehensive income pre-tax pensions	(390)	301
Other comprehensive income tax pensions	105	(72)
Acquisitions and adjustments	(17)	(56)
Transfers from Provisions	(5)	(20)
Total financial assets – closing balance	**2,891**	**2,880**

38. Current assets – debtors

	2014 €m	2013 €m
Loans to subsidiaries	4	-

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39. Current Liabilities owing to Xerox Corporation and affiliates

	2014 €m	2013 €m
Loans from subsidiaries	-	107

40. Provisions

	2014 €m	2013 €m
Opening balance	50	75
Share of loss (profit)	2	(2)
Transfers (to) / from Investments in Subsidiaries	(5)	(20)
Other	(16)	1
Exchange rate changes	2	(4)
Provision for subsidiaries – closing balance	**33**	**50**

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 €33 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 €17 million decrease (2013: €25 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 €21m received offset by an increase of €5m in minimum pension liability recognised in equity

41. Shareholder's equity movement schedule

	Share capital	Share premium	Legal reserves currency translation	Legal associates	Other reserves	Retained earnings/ acc deficit	**Total**
	€m	€m	€m	€m	€m	€m	€m
Balance as at 1 January 2014	3,140	580	(135)	900	(976)	13	3,522
Movements	-	-	-	-	-	-	-
Net result for the year	-	-	-	-	-	242	242
Contributions from parent	-	9	-	-	-	-	9
Associate income	-	-	-	124	-	(124)	-
Pension re-measurement	-	-	-	-	(289)	-	(289)
Derivatives re-measurement	-	-	-	-	22	-	22
Dividend to parent	-	(97)	-	-	-	(39)	(136)
Dividend from associates	-	-	-	(53)	-	53	-
Acquisitions	-	-	-	-	(17)	-	(17)
Exchange differences	-	-	186	-	-	-	186
Other movements in reserves	-	(1)	-	(1)	-	-	(2)
Balance as at 31 December 2014	**3,140**	**491**	**51**	**970**	**(1,260)**	**145**	**3,537**

Other reserves consist of unrecognised actuarial losses on defined benefit pension plans (€1,303m) ((2013 (€1,014m)), re-measurement of derivative cash flow hedges (€-3m) (2013 (€19m)), statutorily required local legal reserves in subsidiaries €53m and other of €-13m – (2012. group reserves €49m).

The Company's issued share capital is 11,331,950 A shares and 767,227 B shares of €259 52 each (2013 A share capital is 11,331,950 A shares and 767,227 B shares of €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.

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 2014 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 2014, the liabilities of these companies were assessed at €0 million, €83 million, €1,011 million and €18 million respectively (2013- €0 million, €58 million, €558 million and €179 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
- ACS HR Solutions UK Limited, registration number 05345353

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 2014, the total remuneration received by the Company's directors paid by group companies was €375,408(2013: €335,913)

The directors' remuneration includes periodically paid remuneration, such as salaries, holiday allowances, 13th car allowances, pensions, profit sharing bonus payments, restricted stock options(note 44(a), dividend equivalent payments, private health care and fiscally facilitated saving scheme to the extent that these items were charged to the Company and all subsidiaries of the Company.

A crisis levy due for 2014 will not paid for one of the directors as the levy has been abolished during 2015 The amount applicable for the levy would have been €197,238 with an additional crisis heffing of €7,558.

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44. *Stock Options*

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

Stock Holding Summary

Shares		Common stock par value US $1.00 holding
J Mancini	a	**109,652**
	b	77,153
R.K P. Martens	a	**4,351**
	b	5,240
S J M G Poels	a	**2,542**
	b	3,476

a- Holding at 31 December 2014.

b- Holding at 31 December 2013

(B) Group Employees

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

Stock Options Summary

	Stock Options	Average Option price $
Outstanding 1 January 2014	70,739	7
Exercised	(23,218)	-
Outstanding 31 December 2014	**47,521**	**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.

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Stock Options at End 2014 by Year of Expiry

Year of Expiry	**Numbers Of options**	**Value of Options $**	**Weighted Avg Price $**
2016	21,254	148,991	7
2019	26,267	166,166	6
Total	**47,521**	**315,156**	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 2014	4,604,290
Granted	2,992,205
Transfers	(297,217)
Cancelled	(478,544)
Released	(1,479,358)
Outstanding 31 December 2014	**5,341,376**
Year of Vesting	
2015	2,557,201
2016	1,818,514
2017	965,661
Total	**5,341,376**

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 receive the benefits In

2014, Xerox Corporation made charges of $17.9m (2013 $20 7m) or €13 7m (2013 : €15 5m) 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 June 2015, Xerox Group completed the sale of its IT Outsourcing business to Atos Activity relating to this business in 2014 has been disclosed as discontinued operations This disposal affects the XIE BV group with the disposal of 15 subsidiaries with an investment carrying value of €125 million and asset transfers to the cumulative value of €8m This results in a pre-tax loss on disposal of €59 million

48. Acquisitions

In January 2014, the Company acquired 100% ownership of Invoco Holding GmbH (Invoco), a German company, for €43m in cash The acquisition of Invoco expands the Company's European customer care services and provides the global customers immediate access to German-language customer care services and provides Invoco's existing customers access to the Company's broad business process outsourcing capabilities

In March 2014, XC Trading Singapore Pte Limited purchased 39% of the shares in Xerox India Limited from a Xerox Group affiliate, Sidh Securities Limited for US $11 2 million In June 2014, Xerox Corporation contributed its shares, valued at US $12 3 million, in Xerox Developing Markets Limited the third Group shareholder in Xerox India Limited into XIE BV Group These actions changed the Company's financial ownership in Xerox India Limited from a 46% owned associate to being a fully consolidated subsidiary with a 11% minority interest XIE BV, in turn contributed the investment in Xerox Developing Markets Limited to XC Trading Singapore Pte Limited

ACS BPS Mexico was transferred into the XIE BV Group at the beginning of the year, following its purchase by a Group subsidiary ACS Business Process Solutions de Mexico S.A de C V for US $0 6 million.

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Breukelen, 2015

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 Director

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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 eld by one person as provided for in Article 23 of the Company's Articles of Association

Profit appropriation

A distribution of €136 million was made to the parent company in 2014, of which €97m was sourced from share premium The Directors propose to appropriate the 2014 result to distributable retained earnings

Subsequent Events

In June 2015, Xerox Corporation completed the sale of its global IT Outsourcing business to ATOS. This affects the XIE BV group with the disposal of 15 subsidiaries with an investment carrying value of €125 million and asset transfers to the cumulative value of €8m This results in a pre-tax loss on disposal of €59 million

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Independent auditor's report

To the general meeting of Xerox Investments Europe B.V

Report on the annual accounts

We have audited the accompanying annual accounts 2014 of Xerox Investments Europe B V , Breukelen, which comprise the consolidated and company balance sheet as at 31 December 2014, 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 annual accounts 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 annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts 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 annual accounts are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts.

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

Ref e0363984

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Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Xerox Investments Europe B V as at 31 December 2014, 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 annual accounts as required by Section 2 391 sub 4 of the Dutch Civil Code

Amsterdam, 30 September 2015
PricewaterhouseCoopers Accountants N V.

Original signed by J van der Hilst RA