Xerox Capital (Europe) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2016

Contents

Company Information

Directors	S.W. Kirk A.W. Arthurton G.M. Marciano D.M.Benoit (appointed 06/04/2017)
Secretary	M.J. Barrett
Company Number	3070508
Registered Office	Riverview Oxford Road Uxbridge, Middlesex UB8 1HS
Registered in	England and Wales
Company Type	Private Company limited by shares
Auditors	PricewaterhouseCoopers Chartered Accountants and Statutory Auditors One Spencer Dock North Wall Quay Dublin 1 Ireland

Directors' Report

Financial statements

The Directors present the financial statements of Xerox Capital (Europe) Limited ("the Company") for the year ended 31 December 2016. The Company reported a profit of £99,345K for the year (2015 profit £7,194K). The financial statements are prepared in sterling, which is the functional currency of the Company.

Principal activities

The principal business activity of the Company is that of a holding company and to provide treasury management services and lending services within the Xerox Corporation group ("the Group").

Business review

During the year, the Company received a total dividend income of £92.5 million from the subsidiaries Xerox AG, Xerox Finance AG, Xerox Sverige AB and Xerox (UK) Limited.
On 2nd November 2016, the Company acquired Xerox Manufacturing (Nederland) B.V. and Xerox (Nederland) B.V., being wholly-owned subsidiaries of Affiliated Computer Services B.V., for £64.7M. This was as a consequence of reorganisation of Group companies following separation of the business process outsourcing business from Xerox Corporation to become Conduent Inc. which became effective from 1st January 2017.
The Directors are satisfied with the performance of the entity and expect current levels of performance to be maintained into the future.

Future developments

The Company will continue to trade as outlined in its principal activities. The Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future.

Review of business risks

The principal risks and uncertainties faced by the Company include;

(a) Fluctuations in exchange rates
The Company's accounts are reported in sterling and are affected by fluctuations in exchange rates due to the Company transacting in currencies other than sterling. Forward foreign exchange contracts are used to minimise these fluctuations. The Company does not enter into or issue derivative financial instruments for trading purposes.

(b) Credit risk
The Company's exposure to credit risk takes the form of a loss that would be recognised if counterparties failed to, or were unable to, meet their payment obligations. All of the Company's counterparties are within the Group and all lending transactions are subject to management approval. The risk of default is deemed minimal due to the overall financial position of the Group.

(c) Interest rate and liquidity risk
The long term viability and profitability of the Company's financing activities is dependent, in part, on the Group's ability to borrow and the cost of borrowing in the credit markets. Overall interest rate risk is managed in a prudent manner at a Company and group level, in accordance with practices and policies established by senior management. Global cash forecasting disciplines are maintained to ensure there is continuing financial liquidity available.

Financial instruments

The Company is permitted to use short term foreign exchange contracts when necessary to minimise all ongoing currency risks where deemed appropriate by the board. The Company did not enter any derivative contracts during 2016 (2015: Nil).

Dividends

No dividends were paid during the year or proposed as at 31 December 2016 (2015: £0).

Directors
Directors who held office during the year are set out below:

S.W. Kirk
A.W. Arthurton
G.M. Marciano
D. M. Benoit (appointed 06/04/2017)

Unless otherwise stated, the Directors served for the full period.

Employees
The Company had no employees during the year under review (2015: Nil).

Charitable and political contributions
During the year, there were no charitable or political contributions made by the Company. (2015: Nil).

Payment of trade creditors
The Company had no trade creditors at 31 December 2016 (2015: Nil). The Company's payment policy is 30 days from date of invoice.

Qualifying third party and pension scheme indemnity provisions
At 31 December 2016 and 31 December 2015 or at any time throughout 2016 or 2015 there were no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions in place.

Post balance sheet events
There were no other events subsequent to the year-end which materially affected the statement of financial position.

Auditors and disclosure of information to auditors
In the case of each of the Directors at the time when the report is approved, the following applies:

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

Auditors
PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office.

By Order of the Board

S. Kirk, Director

Registered Number: 3070508

Date 27-JULY 2017

Riverview
Oxford Road
Uxbridge
Middlesex
UB8 1HS

Strategic Report

The Directors present the strategic report for the year ended 31 December 2016.

Financial Risk Management
The management of the business is subject to a number of risks including liquidity risk, interest rate risk, currency risk, price risk and credit risk. The mitigation of these risks is outlined below.

The Company has in place risk management processes that seek to limit the adverse effects on its financial performance by monitoring levels of debt, liquidity, and exchange rate risk and related financial crisis.

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

Currency Risk
The Company has moderate short term foreign currency risk which is mitigated through the use of forward foreign exchange contracts.

Price Risk
The Company has no exposure to equity securities price risk, as it holds no listed or other traded equity investments. The majority of the transactions entered into by the Company are intercompany lending and borrowing transactions. Transfer pricing levels can be subject to periodic review by national tax authorities.

Credit Risk
The Company has limited exposure to credit risk as the majority of its transactions are within the Xerox Group. There are structures and processes in place to provide continuous monitoring of Xerox Group transactions.

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

Interest Rate Risk
The Company has both interest bearing and non-interest bearing assets and liabilities with other entities within the Xerox Group. Interest is charged on the basis of arm's length commercial rates on rolling monthly or quarterly balances with other affiliated companies. Xerox Corporation manages all significant relationships with the external debt market.

Xerox Strategy and Business Model
The global strategy is to apply innovation in digital print technology and services to increase participation in the growth areas of the marketplace. The combination of an improving revenue trajectory along with expanding operating margins and strong cash flow will enable the Company to deliver strong shareholder returns over time. The Company contributes to this cash flow strategy as a funding holding company within Europe.

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S. Kirk
Director

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Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Director
D. M. Benoit

Director
S. Kirk

Date 27 JULY 2017

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

Report on the financial statements

Our opinion

In our opinion, Xerox Capital (Europe) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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Chartered Accountants

Independent auditors' report to the members of Xerox Capital (Europe) Limited - continued

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Ronan Doyle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
27 July 2017

Income Statement and Statement of Comprehensive Income for the year ended 31 December 2016

	Notes	2016	2015
		£'000	£'000
Interest income	2	9,646	9,831
Interest expense	3	(2,636)	(2,451)
Net interest income		**7,010**	**7,380**
Operating expenses	4	(205)	(186)
Other income	5	92,540	-
Profit on ordinary activities before tax		**99,345**	**7,194**
Tax on ordinary activities	7	-	-
Profit for the financial year		**99,345**	**7,194**
Total Comprehensive Income for the year		**99,345**	**7,194**

The notes on pages 12 to 25 form an integral part of these financial statements.

All the above amounts in the current and prior year relate to continuing operations.

Statement of Financial Position as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Investment in subsidiaries	8	424,553	359,844
Debtors: amounts due after one year	9	360,695	-
		785,248	**359,844**
Current assets			
Debtors: amounts due within one year	9	13,250	374,163
Cash at bank	10	44	44
Creditors – Amounts falling due within one year	11	(292,582)	(327,436)
Net current assets/(liabilities)		**(279,288)**	**46,771**
Total assets less current liabilities		**505,960**	**406,615**
Creditors – Amounts falling due after more than one year		-	-
Net assets		**505,960**	**406,615**
Equity			
Ordinary shares	13	85,000	85,000
Share premium		99	99
Retained earnings		420,861	321,516
Total shareholders' funds		**505,960**	**406,615**

The notes on pages 12 to 25 form an integral part of these financial statements.

Approved by the Board of Directors on 27 JULY 2017 and signed on its behalf by:

By order of the Board

Director
D. M. Benoit

Director
S. Kirk

Registered Number: 3070508

Statement of Changes in Equity as at 31 December 2016

	Share Capital £'000	Additional Paid in Capital £'000	Retained Earnings £'000	Total £'000
Balance as at Jan. 1st 2015	85,000	99	314,322	399,421
Profit for 2015			7,194	7,194
Balance as at Dec. 31st 2015	**85,000**	**99**	**321,516**	**406,615**
Balance as at Jan. 1st 2016	85,000	99	321,516	406,615
Profit for 2016	-	-	99,345	99,345
Balance as at Dec. 31st 2016	**85,000**	**99**	**420,861**	**505,960**

The notes on pages 12 to 25 form an integral part of these financial statements.

Notes to the Financial Statements

1 Summary of significant accounting policies

The format of the financial statements has been adopted from the format specified in the Companies Act 2006 in order to more clearly reflect the nature of the Company's business.

The following major accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

1.1 Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a) (iv) of IAS 1.
- the requirements of paragraphs 10 (d), 10 (f), 16, 38A to 38D, 39 to 40 and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

The Company has notified its shareholders in writing about the adoption and they do not object to the use of the disclosure exemptions applied by the Company as stated above.

Where required, equivalent disclosures are given in the group accounts of Xerox Investments Europe B.V. The group accounts of Xerox Investments Europe B.V. are available to the public and can be obtained as set out in note 16.

The Company is a wholly owned subsidiary of Xerox Investments Europe B.V. and of its ultimate parent, Xerox Corporation. It is included in the consolidated financial statements of Xerox Investments Europe B.V. which are publically available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

1.2 Going concern
The Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Financial Statements (continued)

1.3 Investments in subsidiaries
Investments in subsidiaries are valued at fair value at acquisition date and held at cost less accumulated impairment losses.

The Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to operating expenses in the income statement.

1.4 Cash and cash equivalents
Cash at bank includes on demand current accounts with financial institutions.

1.5 Financial assets
Loans and receivables
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Interest income is recognised on an accrual basis.

Interest
Interest is charged based on the one-month Interbank Money Market Rate for the currency as published by Thomson Reuters plus a margin. Interest income and expense are recognised on an effective interest rate basis.

Recognition and measurement of financial assets
Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses, in the period in which they arise.

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

Trade and other receivables
Trade and other receivables are measured at historical cost. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired.

1.6 Financial liabilities
Loans are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities. Interest expense is recognised on an effective interest rate basis.

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

Notes to the Financial Statements (continued)

Creditors
Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.7 Income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current tax
The current income tax charge is calculated on the basis of the tax laws enacted substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Deferred tax is measured on a non-discounted basis.

1.8 Foreign exchange

Functional and presentation currency

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

Notes to the Financial Statements (continued)

Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income'. Income statement items are translated at the average exchange rates for the reporting period.

1.9 Dividends

Dividend income is recognised when right to receive payment is established. Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.10 Significant Judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Further details are set out below;

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the aging profile of receivables and historical experience.

1.11 Accruals

Current liabilities, such as trade payables and some accruals for operating costs, are part of the working capital used in the entity's normal operating cycle.

2 Interest income

	2016 £'000	2015 £'000
Interest income from parent and fellow subsidiary undertakings	9,646	9,831
Total interest income	**9,646**	**9,831**

3 Interest expense

	2016 £'000	2015 £'000
Interest expense to parent and fellow subsidiary undertakings	2,636	2,451
Total interest expense	**2,636**	**2,451**

Interest income is represented by interest earned through the financing of the Group's operations in Europe.

Notes to the Financial Statements (continued)

4 Operating expenses

	2016	2015
	£'000	£'000
Treasury operations and accounting costs	205	186
Total administrative expenses	**205**	**186**

Audit fees are borne by another group entity and recharged to the Company quarterly.
As at 31 December 2016 and 2015, the Company had no employees.

5 Other income

	2016	2015
	£'000	£'000
Dividends received from subsidiaries	92,540	-
Total other income	**92,540**	-

In September 2016, dividend income of £46.6 million was received from the following subsidiaries: Xerox AG, Xerox Finance AG and Xerox Sverige AB.

In October and December 2016, a total dividend income of £45.9 million was received from Xerox (UK) Limited.

The list of all investment in subsidiaries are detailed in note 8.

6 Directors' remuneration

Directors' remuneration for the year was Nil (2015: Nil). This remuneration was borne by another group entity.

7 Tax on ordinary activities

	2016	2015
	£'000	£'000
(a) Analysis of charge for the year		
Current tax		
There are no current tax movements	-	-
Deferred tax		
There are no deferred tax movements	-	-
(b) Factors affecting tax charge for the year The tax assessed for the period is at the standard rate of 20.00% (2015: 20.25%)		
The differences are explained below:		
Profit/(loss) on ordinary activities before tax	99,345	7,194
Profit/(loss) on ordinary activities multiplied by the standard rate	19,869	1,457
Group relief claimed from other UK Group companies	(1,271)	(1,370)
Non-taxable dividend income	(18,508)	-
Other	(90)	(87)
Total tax charge for the period	-	-

Notes to the Financial Statements (continued)

The current year group relief of £1,271K was received from Xerox Overseas Holdings Limited at no cost to the Company (2015: £1,370K).

(c) Factors that may affect future tax charges
Changes to the UK corporation tax rate were enacted as part of the Finance Act 2015 on 18 November 2015 and Finance Act 2016 on 15 September 2016. These include reductions to the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

8 Investment in subsidiary	2016 £'000	2015 £'000
The Company's investments in the share capital of subsidiary undertakings comprised:		
At 1st January	359,844	359,844
Additions	64,709	-
At 31st December	**424,553**	**359,844**

Investment in subsidiaries are considered tested for impairment at least annually. The recoverable amount of those investments has been based on value in use as represented by the net present value of future cash flows. The selected discount rates consider the risk and nature of the respective reporting units' cash flows and an appropriate capital structure and rates of return that market participants would require to invest their capital in our reporting units.

Subsequent to our impairment test, we did not identify any indicators of potential impairment that required an update to the annual impairment test (2015: Nil).

Notes to the Financial Statements (continued)

Details of the principal subsidiary undertakings held at 31 December 2016 are as follows:

Name	Address of registered office	% holding in ordinary share capital
Xerox AG	Sägereistrasse 29, 8152 Glattbrugg, Switzerland	100%
Xerox Finance AG	Sägereistrasse 29, 8152 Glattbrugg, Switzerland	100%
Xerox A/S	Industriparken 21 A 2750 Ballerup, Denmark	100%
Xerox Sverige AB	Kronborgsgränd 1 S-16446 Kista, Sweden	100%
Xerox (UK) Limited	Waterside, Oxford Road, Uxbridge, Middlesex UB8 1HS, England	100%
Xerox IBS Limited	c/o Xerox (Europe) Limited, Ballycoolin Business Park, Ballycoolin, Blanchardstown, Dublin 15, Dublin, Ireland	100%
Xerox IBS NI Limited	The Hangar, 6 Heron Road, Airport Road West, Belfast, BT3 9LE, Northern Ireland	100%
Concept Group Limited	Concept House, Fairbairn Road, Livingston, West Lothian, EH54 6TS, England	100%
Xerox Manufacturing (Nederland) B.V.	Maasheseweg 89-91 5804 AB VENRAY, Netherlands	100%
Xerox (Nederland) B.V.	De Corridor 5, Breukelen, 3621 ZA, the Netherlands	100%

On 2nd November 2016, the Company acquired the entire issued share capital of Xerox Manufacturing (Nederland) B.V. and Xerox (Nederland) B.V. being wholly-owned subsidiaries of Affiliated Computer Services B.V. ("ACSIBV"). The consideration paid was £64.7M.

Irish Business Systems Limited changed its name to Xerox IBS Limited effective 7th March 2017 Imaging Business Systems (N.I.) Limited changed its name to Xerox IBS NI Limited effective 14th February 2017.

9 Debtors

	2016 £'000	2015 £'000
Falling due within one year		
Amounts owed from group undertakings (1)	13,250	374,163
Total due within one year	**13,250**	**374,163**
Falling due after more than one year		
Amounts owed from group undertakings (1)	360,695	-
Total due after more than one year	**360,695**	-

(1) Amounts owed from Group undertakings includes accrued interest of £555K (2015: £1,095K).

Notes to the Financial Statements (continued)

"Group undertakings" relate to parent and fellow subsidiary undertakings of the Xerox Corporation group of companies. There are no amounts pledged as collateral for any of the above loans and none of the above loans are past due or impaired. Interest is charged based on GBP LIBOR plus a margin.

10 Cash at bank

	2016	2015
	£'000	£'000
Cash at bank	**44**	**44**

Cash at bank represents on demand current accounts in multiple currencies, all due within three months.

11 Creditors

	2016	2015
	£'000	£'000
Amounts due within one year		
Amounts owed to group undertakings (2)	292,582	327,436
Total due within one year	**292,582**	**327,436**

(2) Amounts owed to group undertakings includes accrued interest of £185K (2015: £349K).

"Group undertakings" relate to parent and fellow subsidiary undertakings of the Xerox Corporation group of companies. Interest is charged based on GBP LIBOR plus a margin.

12 Risk management and the use of derivatives

Global treasury policy is to identify and mitigate the impact of financial risk on the cash flows of the Company from foreign currency fluctuations, including the use of derivative instruments. It also seeks to minimise the impact of adverse financial market fluctuations that affect the Company's future cash flows. The Company's hedging methodology seeks to minimise the volatility and uncertainty of underlying cash flows at their source, thereby affording Xerox the desired economic protection for its financial activities.

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

Global treasury activities are regularly reviewed by senior management through formal Risk Management Reviews of liquidity and currency risk. On a global basis short and intermediate term cash forecasting disciplines are maintained to ensure there is appropriate continuing financial liquidity available. Currency exposure is further managed by maximising the opportunity for internal netting of currency flows. Foreign exchange derivatives are used to hedge currency exposures, these are treated as undesignated foreign currency hedges.

The Company provides treasury management and cash pooling and lending services, within the Xerox Corporation group.

Throughout 2016 the Company's activities were funded by retained earnings and related companies.

Notes to the Financial Statements (continued)

Impairment risk
Impairment of the carrying value of subsidiaries is addressed by carrying out impairment assessments on the value of these investments. The recoverability of intercompany positions is not deemed a significant risk due to the overall financial position of the Xerox Group.

Interest Rate Risk
The Company has no significant interest bearing asset or interest bearing liabilities with third parties.

Interest is charged on the basis of arm's length commercial rates on rolling monthly or quarterly balances with other affiliated companies. Xerox Corporation manages all significant relationships with the external debt market.

Liquidity risk
Liquidity risk is the risk that the Company will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by the maturity structure of loans and investments held by the Company. Tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Company's liquidity needs can be met. This takes into account of the Company's access to unsecured funding.

The tables below summarise the maturity profile of the Company's assets and liabilities. The maturity profiles are based on the remaining contractual maturity period at the statement of financial position date. There are no material differences between discounted and undiscounted cash flows for liabilities due to the short-term nature of the assets and liabilities. All loans are operating within credit terms. There are no amounts past due or impaired as at 31 December 2016. The carrying values of each of the below loans are reasonable approximations of the fair values of the respective loans. This arises as a result of all loans either maturing within twelve months of the year-end dates, or having rate resets close to the year-end dates. The interCompany current account attracts a daily interest rate and therefore its carrying value equals its fair value.

Liquidity risk profile tables

	Less than 1 year	2-5 years	More than 5 years	Total
2016	£'000	£'000	£'000	£'000
Non-interest bearing assets				
Investment in subsidiary	-	-	424,553	424,553
Fixed rate instruments				
Assets				
Cash at bank	44	-	-	44
Amounts due from Group companies	13,250	-	-	13,250
Total fixed rate and non-interest bearing assets	**13,294**	**-**	**424,553**	**437,847**
Liabilities: amounts due to Group companies	(228,772)	-	-	(228,772)
Total fixed rate liabilities	**(228,772)**	**-**	**-**	**(228,772)**
Floating rate instruments				
Assets				
Amounts due from Group companies	-	360,695	-	360,695
Total floating rate assets	**-**	**360,695**	**-**	**360,695**
Liabilities: amounts due to Group companies	(63,810)	-	-	(63,810)
Total floating rate liabilities	**(63,810)**	**-**	**-**	**(63,810)**
Total net position	**(279,288)**	**360,695**	**424,553**	**505,960**

Notes to the Financial Statements (continued)

	Less than 1 year	2-5 years	More than 5 years	Total
2015	£'000	£'000	£'000	£'000
Non-interest bearing assets				
Investment in subsidiary	-	-	359,844	359,844
Fixed rate instruments				
Assets				
Cash at bank	44	-	-	44
Amounts due from Group companies	13,292	-	-	13,292
Total fixed rate and non-interest bearing assets	**13,336**	**-**	**359,844**	**373,180**
Liabilities: amounts due to Group companies	(304,998)	-	-	(304,998)
Total fixed rate liabilities	**(304,998)**	**-**	**-**	**(304,998)**
Floating rate instruments				
Assets				
Amounts due from Group companies	360,871	-	-	360,871
Total floating rate assets	**360,871**	**-**	**-**	**360,871**
Liabilities: amounts due to Group companies	(22,438)	-	-	(22,438)
Total floating rate liabilities	**(22,438)**	**-**	**-**	**(22,438)**
Total net position	**46,771**	**-**	**359,844**	**406,615**

Credit Risk

The Company has limited exposure to credit risk as the majority of its transactions are within the Xerox Group (as shown in the tables below). There are structures and processes in place to provide continuous monitoring of Xerox Group transactions.

Fair Value Profile

Fair value estimation

Under IFRS 7 the fair value valuation inputs have been defined as follows:

(a) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b) Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
(c) Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

InterCompany Loans

All loans are operating within credit terms. The intercompany current account attracts a daily interest rate and therefore its carrying value equals its fair value. There are no amounts past due or impaired as at 31 Dec 2016.

Cash at bank

The carrying value equals the fair value for cash at bank. Cash at bank represents on demand current accounts in multiple currencies, all due within three months.

Notes to the Financial Statements (continued)

Fair Value, Maturity Analysis & Credit Risk Profile 2016

	Credit Rating	Rate Type	Maturity Date	Interest Rate	Carrying Value	Fair Value
	**				£,000	£,000
Investment in subsidiaries	BBB-	N/A	-	-	424,553	424,553
Total non-current assets					**424,553**	**424,553**
Xerox Overseas Holdings Ltd	BBB-	Fixed	17/02/2017	2.5996%	13,295	13,272
Xerox Overseas Holdings Ltd*	BBB-	Floating rate with annual rate resets	21/12/2021	2.3986%	360,695	360,695
Cash at bank	A-1	N/A	-	-	44	44
Total current assets					**374,034**	**374,011**
Xerox UK-iON		Fixed	17/02/2017	0.8996%	13,102	13,317
Xerox UK Ltd		Fixed	31/05/2017	0.4666%	145,080	145,080
Xerox UK Continua		Fixed	31/05/2017	0.4666%	23,651	23,651
Xerox UK-iON		Fixed	31/05/2017	0.6270%	32,902	32,902
X Bermuda XIB		Fixed	29/12/2017	0.0000%	14,037	14,037
Xerox Ltd		Daily floating	Current Account	Daily rate	63,810	63,810
Q4 Treasury Recharge		N/A	Jan-16	N/A	45	45
Total Liabilities (all due within one year)					**292,627**	**292,842**
Net Assets					**505,960**	**505,722**

* Current on demand loans

** Credit rating source: Standard & Poor's'

The interest rate, or "all up" rate, is comprised of the fixed/floating rate and a spread which represents the entities cost of funds. The spread may vary depending on the group's cost of funds at any given time.

Notes to the Financial Statements (continued)

Fair Value, Maturity Analysis & Credit Risk Profile 2015

	Credit Rating **	Rate Type	Maturity Date	Interest Rate	Carrying Value £,000	Fair Value £,000
Investment in subsidiaries	BBB-	N/A	-	-	359,844	359,844
Total non-current assets					**359,844**	**359,844**
Xerox Overseas Holdings Ltd	BBB-	Fixed	17/02/2016	2.5776%	13,292	13,292
Xerox Overseas Holdings Ltd*	BBB-	Floating rate with annual rate resets	21/12/2016	2.6265%	360,871	360,871
Cash at bank	A-1	N/A	-	-	44	44
Total current assets					**374,207**	**374,207**
Xerox UK-iON		Fixed	17/02/2016	0.9776%	13,099	13,099
Xerox UK Ltd		Fixed	24/03/2016	0.6531%	86,254	86,254
Xerox UK Ltd		Fixed	24/03/2016	0.4700%	137,847	137,847
Xerox UK Continua		Fixed	31/05/2016	0.6270%	21,012	21,012
Xerox UK-iON		Fixed	31/05/2016	0.6270%	32,700	32,700
X Bermuda XIB		Fixed	30/12/2016	0.0000%	14,037	14,037
Xerox Ltd		Daily floating	Current Account	Daily rate	22,438	22,438
Q4 Treasury Recharge		N/A	Jan-16	N/A	49	49
Total Liabilities (all due within one year)					**327,436**	**327,436**
Net Assets					**406,615**	**406,615**

* Current on demand loans

** Credit rating source: Standard & Poor's'

The interest rate, or "all up" rate, is comprised of the fixed/floating rate and a spread, which represents the entities, cost of funds. The spread may vary depending on the group's cost of funds at any given time.

Currency Risk

The Company is a sterling functional currency entity with de minimis foreign currency bank account balances. The entity does not enter into any foreign exchange derivatives for hedging purposes, as there are immaterial underlying non-functional currency balances. The Company does not have any translation risk on non-monetary items.

Notes to the Financial Statements (continued)

Currency Profile Table

Net Assets Currency Portfolio 2016

	Total	Amounts due to/from Subsidiaries	Cash at bank	Other
	£'000	£'000	£'000	£'000
GBP	**506,005**	81,408	43	424,554
EUR	**(45)**	(46)	1	-
	505,960	**81,362**	**44**	**424,554**

Net Assets Currency Portfolio 2015

	Total	Amounts due to/from Subsidiaries	Cash at bank	Other
	£'000	£'000	£'000	£'000
GBP	**406,663**	46,777	43	359,843
EUR	**(48)**	(49)	1	-
	406,615	**46,728**	**44**	**359,843**

13 Share capital

	2016 £'000	2015 £'000
Authorised ordinary shares of £1 each	100,000	100,000
Issued and fully paid ordinary shares of £1 each	85,000	85,000

14 Capital and other commitments

The Company had no capital commitments at 31 December 2016, (2015: nil).

Commercial paper
Xerox Corporation (the Company's ultimate parent) has a private placement commercial paper (CP) program in the U.S. under which it may issue CP up to a maximum amount of $2.0 billion outstanding at any time. Aggregate CP and Credit Facility may not exceed $2.0 billion at any time. Xerox Corporation's CP outstanding at December 31, 2016 and 2015, was $0 and $0, respectively.

Notes to the Financial Statements (continued)

Credit facility

On 18th March 2014, Xerox Corporation entered into an Amended and Restated Credit Agreement that extended the maturity date of the $2.0 billion unsecured revolving Credit Facility to 2019 from 2016.

The Credit Facility provides the backstop to Xerox Corporation's $2.0 billion CP program. Proceeds from any borrowings under the Credit Facility can be used to provide working capital for Xerox Corporation and its subsidiaries for general corporate purposes.

At 31 December 2016 and 31 December 2015 Xerox Corporation had $0 borrowings under the $2 billion Credit Facility.

15 Contingent liabilities

The Company had no contingent liabilities at 31 December 2016, (2015: nil).

16 Controlling party

The Company's immediate parent is Xerox Limited, which is incorporated in England and Wales.
The Company's ultimate parent is Xerox Corporation, which is incorporated in the United States of America. The largest group in which the results of the Company are consolidated is that of Xerox Corporation. Copies of the Xerox Corporation Annual Report and Financial Statements may be obtained from:

The Investor Relations Department
Xerox Corporation
PO Box 4505
201 Merritt 7
Norwalk
Connecticut 06856-4505 World Wide Web http://www.xerox.com

The smallest group in which the results of the Company are consolidated, is that of Xerox Investments Europe B.V. for which the Annual Report and Financial statements are available from:
Xerox Investments Europe B.V., De Corridor 5, 3621 ZA Breukelen, the Netherlands.

17 Events after the Balance Sheet Date

There were no significant events after the balance sheet date 31 December 2016.

18 Approval of the financial statements

The board of Directors approved these financial statements on 27 JULY 2017