Registered No: 00690597

Hewlett-Packard Limited

Report and Financial Statements

31 October 2021

Company Information

Directors
P Oram - resigned on 5 April 2022
M Waters
S Marston - appointed on 28 April 2022

Auditors
Ernst & Young LLP
2 Blagrave Street
Reading
Berkshire
RG1 1AZ

Registered Office
Ground Floor
210 Wharfedale Road
Winnersh Triangle
Berkshire
RG41 5TP

Strategic report

The directors present their strategic report for the year ended 31 October 2021.

Review of the business

During the year, the Company continued to provide a broad portfolio of services-led and software-enabled infrastructure and solutions including secure, software-defined servers, storage, data center networking and HPE Pointnext services. The Company also maintained its reputation for customer service, support and satisfaction.

The profit for the year, after taxation, amounted to £87,000 (2020 profit: £22,062,000).

The directors do not recommend a final ordinary dividend, making the total of ordinary dividends paid for the year £nil (2020: £nil).

The directors monitor the financial performance of the company's operations on a regular basis. Details of the most significant key performance indicators (KPI's) used by the company are as follows:

	2021	*2020*
	£m	*£m*
Revenue	919	838
Gross profit	205	201
(Loss)/profit before tax	(10)	22

Revenue increased by 10% during the year mainly as a result of the improving economic environment after the COVID-19 pandemic and related lock downs. The Company is continuing to launch certain initiatives that aim to generate revenue growth in future years, improving our service delivery for higher quality and lower cost.

Gross profit for the year increased by 2%, which was predominantly driven by the increase of revenue. Gross profit as a proportion of revenue represents 22% in 2021, compared to 24% in 2020.

The increase of gross profit was partially offset by additional restructuring expenses of £9m year over year. A loss before tax of £10m has been recorded in 2021, compared to a profit before tax of £22m in 2020.

In 2021 the Company continued with several cost reduction programs, that the directors believe will benefit the Company in the future. The directors recognise that achieving the balance of long-term and short-term objectives is key to future profitability. This profitability allows the Company to reinvest in new and emerging business opportunities and is highly correlated to generating cash which brings more flexibility to the business at a lower cost.

Market share

As at 31 October 2021, the Company aimed to be positioned as number 1 and 2 in the majority of markets in which it operates. The Company aims to maintain this position and to extend its market share by continually providing useful and significant products, services and solutions to markets it already serves and to expand into new areas that build on Hewlett Packard Enterprise technologies, competencies and customer interests.

Market share data is extremely dynamic and based on diverse areas of the business. Hewlett-Packard Limited uses independent industry analyst reports for market share data which is publicly available at www.uk.idc.com. These should be referred to for up to date market share positions.

Strategic report (continued)

Pensions

The Company offers both defined benefit and defined contribution pension schemes as benefits to employees. Details of the defined benefit schemes and the amounts included within these financial statements can be found in note 20. The sponsored defined benefit schemes operated by the Company have been closed to new individual members for a number of years. All new individual employees joining the Company are invited to join the defined contribution schemes.

At 31 October 2021 the net pension asset reported is £20,672,000 (2020: £26,241,000).

The Company continues to support these schemes with the current funding arrangements for the next year.

Research and development

The Company maintained an extensive programme of research and development during the year which included an appreciable amount of innovation. As the industry and consumer needs constantly evolve, there is an increasing demand for a fully integrated hardware, software-defined infrastructure and services solution. Hewlett Packard Enterprise Company has reacted to this through a focus in its research and development activities to increase the breadth of services it can provide, across multiple business units, into a combined solution. Hewlett Packard Enterprise Company will continue to have significant research and development expenditure in the future to support the design and development of innovative, high quality products, services and solutions to maintain and enhance our competitive position. The research and development spend by the Company in the current year was £1,868,000 (2020: £1,836,000).

Principal risks and uncertainties

The Company is managed on a group basis and the principal risks and uncertainties facing it are therefore integrated with those facing the Hewlett Packard Enterprise Group as a whole. There are a range of risks and uncertainties facing the Company and the list below is not intended to be exhaustive. The focus is on those specific risks and uncertainties that the directors believe could have a significant impact on the Company's position, performance and future developments, as analysed by its key performance indicators.

- *Market conditions*

Levels of business activity will vary for each of the markets in which Hewlett Packard Enterprise Company operates, but ultimately this is dependent on factors such as economic cycles, customer confidence and growth of the economy. A weak economy could affect the level of customer spending on Hewlett Packard Enterprise products and the profitability of the Company. Through developing a greater understanding of partner and customer needs, Hewlett Packard Enterprise Company has been able to implement global cost reduction strategies to ensure that despite the challenging economic climate the Company can maintain its underlying profitability.

- *Competitive pressures*

The Company operates in a number of highly competitive markets with differing characteristics. Market share and the level of customer spending could be affected by the emergence of new competitors, product distribution issues, quality, pricing, and reputation. The Company must be able to maintain its ability to continue to provide an innovative service to the local customer base and develop in a profitable way in an increasingly price sensitive market to remain competitive. Hewlett Packard Enterprise Company as a group has reacted to this by increasing their commitment to partners and customers through targeting their individual requirements and creating innovations that align these needs with their business strategy. Targeting their individual requirements has enabled Hewlett Packard Enterprise Company to provide more advanced end-to-end personalised and unique solutions.

Strategic report (continued)

Principal risks and uncertainties (continued)

- ***Reliance on parent company – exposure to credit, liquidity and cash flow risk***

Hewlett-Packard Limited is a wholly owned group subsidiary of Hewlett Packard Enterprise Company and is dependent on this ultimate parent company for the supply of products and for its brand strength. The Company also holds short-term loans with Hewlett Packard Enterprise subsidiaries denoted in both Sterling and US Dollars. The financing structure of the Company gives rise to interest rate and foreign currency risks. Interest rate risk is the risk of exposure to fluctuations in interest rates that will increase the cost of debt on the financial borrowings of the Company. Foreign currency risk is the risk of exposure to fluctuations in the value of specific currencies that are used to value the financial assets and liabilities of the Company.

Hewlett Packard Enterprise Company, the ultimate parent company has a centralised treasury function which manages the overall group's Treasury policy, risks and requirements, including Hewlett-Packard Limited. The centralised treasury function manages foreign currency risk to mitigate any potential exposure to the Company. Interest rate risk is managed primarily through the use of fixed rate loans. Debt is issued as required at the lowest possible cost based upon assessment of the future interest rate environment. The centralised treasury function in conjunction with the directors continually assess the performance of the Company, the subsidiary undertakings and the financing structure. This is to ensure that where the requirement for support arises, this is identified and that the Company providing the support has the appropriate financial availability to satisfy this.

Any risks impacting the ultimate parent company providing the support will cascade to Hewlett-Packard Limited. A full description of the risks and uncertainties impacting Hewlett Packard Enterprise Company can be found in the Hewlett Packard Enterprise Company group financial statements.

Section 172 Statement

Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In exercise of this duty, s.172(1) requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their section 172 duties, the directors have had regard to the stakeholders and factors set out above as well as other matters which they consider relevant to the decision being made. This includes the group's overall strategic aims as well as the views of other stakeholders such as regulators, government and non-government organisations and the Company's pensioners. The directors have to balance a broad range of views, perspectives and conclusions when making decisions meaning that a decision may not necessarily result in a positive outcome for all stakeholders.

Strategic report (continued)

Section 172 Statement (continued)

Whilst the board does engage directly with stakeholder groups on particular issues, the size and spread of the Company's stakeholders and of the Hewlett Packard Enterprise group means that stakeholder engagement generally takes place at an operational and/or group level being a more efficient and effective approach. Engagement at a group level helps achieve a greater positive impact on environmental, social, governance and other issues than by working alone as an individual company, in particular where matters are of group-wide significance or have the potential to impact the reputation of the group (and thereby the Company).

As is normal for large companies, the directors delegate authority for day-to-day management of the Company and its operations to managers and functions, and then engage management in setting, approving and monitoring execution of the business strategy and related policies. Throughout the financial year, the directors met regularly with management and functions of the Company and the wider Hewlett Packard Enterprise group to discuss information across the organisation to:

- help understand the interests and views of key stakeholders;
- discuss employee engagement;
- review strategy, operational and financial performance;
- review the impacts of the Company's operations;
- review and action key risks and matters affecting the Company; and
- ensure legal and regulatory compliance by the Company.

In consideration of the above, the directors received information in multiple formats including reports and presentations on the company's financial and operational performance, KPIs, risk, surveys, business outcomes as well as pertaining to environmental, social and corporate governance matters.

Accordingly, the approach taken by the board in conjunction with the wider engagement at a group level has allowed the directors to understand the nature of stakeholder interests together with other relevant matters to comply with their section 172 duty to promote success of the company.

The following are certain considerations the directors have had regarding the matters set out s.172(1)(a)-(f) in the discharge of their duties.

Likely Consequences of any Decisions in the Long-Term	The directors in consultation with the senior management of the Company during the year developed and approved business plans and targets for the current and proceeding financial years following which the directors closely monitored the Company's implementation throughout the year. In developing such business plans and targets, the directors, in addition to considering the views of stakeholders and the wider group objectives of the Hewlett Packard Enterprise group as explained hereunder, also considered other factors such as economic, political and ongoing challenges within the technology sector to ensure both financial and operating strategy is set at sustaining levels in achieving the long term success of the Company.
Need to Foster the Company's Business Relationships with Suppliers, Customers and Others	The directors oversaw a broad program of stakeholder engagement by the Company in ensuring good corporate citizenship as well as bilateral and multilateral dialogue with key stakeholders throughout the year as follows: • in addition to the engagement performed at a group level as explained on page 5, the directors and management regularly engaged and consulted with the Company's customers, suppliers and partners in a variety of

Strategic report (continued)

Need to Foster the Company's Business Relationships with Suppliers, Customers and Others (continued)	forums and through everyday operations to obtain feedback, build closer relationships and resolve day-to-day business matters; • the Company employed various customer experience insight tools and obtained customer satisfaction and other related data through customer surveys; • the Company participated in a number of customer and industry events at a local and group-wide level including HPE Discover; • government and industry engagement is regularly undertaken including through membership of recognized organisations such as the Confederation of British Industry and Tech UK; and • the Company's pension and treasury functions regularly engaged with, and where appropriate consulted, the trustees of the Company's pension schemes – the board was updated and consulted as appropriate on key matters and decisions.
Interests of the Company's Employees	The directors of the Company and senior management engage with and take into account the views of employees in making decisions which are likely to affect their interests through a number of initiatives including: • group-wide 'Voice of the Workforce' employee surveys conducted annually as well as other ad-hoc surveys on employee experience and workplace related matters; • the Company's Employee Works Council establishes a forum for a dialogue between people leaders and employees who through their representatives are informed and consulted on key business issues that are likely to have a substantial impact on their working environment as well as making recommendations to improve employee experience and well-being; • regular employee communications including newsletters, town halls and business updates; • sponsorship of a Site Leader Program where each site leader at the Company's offices is responsible for employee communication and engagement at their sites through activities that reflect Hewlett Packard Enterprise's values as well as employee engagement initiatives and events that foster a positive and inclusive work environment; • supporting a growing number of active employee-led networks on matters including diversity and inclusion, gender equality, LGBTQI+ and religious and cultural understanding; • supporting a number of group-wide and local health and wellness initiatives which includes encouraging employees to leave the office early on a designated Friday each month to volunteer, focus on physical or emotional health, or spend time on personal and/or career development; and • the group-wide Inclusion & Diversity Council is made up of team members from across the group's business and functions who create and review detailed plans to ensure accountability and achievement of diversity goals across the group.

Strategic report (continued)

Interests of the Company's Employees (continued)	Further examples of how the directors engaged and considered the intersts of employees are explained in the the Company's employee engagement statement in the Directors' Report on page 10.
Impact of the Company's Operations on the Community and Environment	Throughout the year, the directors and management of the Company actively encouraged the Company's employees to participate in a number of activities including: • the Hewlett Packard Enterprise group's Global Volunteer Policy allows employees of the Company 60 hours of unpaid annual leave to donate their time and talent to their local community; and • the Hewlett Packard Enterprise Foundation runs a group-wide program which allows employees to apply for matching donations and credits to donate to good causes; The Hewlett Packard Enterprise group is committed to providing products and services that are environmentally safe throughout their lifecycles and conduct operations in an environmentally responsible and sustainable manner. Accordingly, the Company participates in a number of group-wide initiatives on environmental responsibility and sustainability, further details of which can be found in Hewlett Packard Enterprise's annual corporate responsibility report found at https://www.hpe.com/us/en/living-progress.html. Further information is also included on page 9.
Desirability of the Company Maintaining a Reputation for high Standards of Business Conduct	The Hewlett Packard Enterprise group has group-wide policies as well as mandatory annual Standards of Business Conduct training which apply to the Company's entire workforce and govern business practices and provides guidance for ethical decision making. These group-wide policies govern conduct with the Company's customers, suppliers, partners as well as matters relating to anti-corruption, conflicts of interest, amenities, workplace harassment and supply chain responsibility amongst many other key matters. More detailed information on Hewlett Packard Enterprise's Standards of Business Conduct and related group-wide policies can be found at https://investors.hpe.com/governance/sbc. The Hewlett Packard Enterprise group has a separately designated standing Audit Committee and related function which from time-to-time conducts internal compliance audits of the group's business operations and functions including those of the Company. Further information is available at https://investors.hpe.com/governance/committees/audit-committee. The Company also continues to be a signatory to the Prompt Payment Code set by the Office of the Small Business Commissioner on behalf of BEIS.
Need to Act Fairly as Between Members of the Company	The company has one member, Hewlett Packard Holdings Limited, a holding company and wholly owned subsidiary of the Hewlett Packard Enterprise group.

Strategic report (continued)

Future developments

The business has been able to diagnose those areas in which efficiencies and improvements can be made and implement plans to reduce costs. The Company aims to execute further cost reduction strategies within the organisation to continue to stabilise, if not improve, profitability for the next financial year. This has also enabled a renewed focus on the growth of revenue for the next financial year through the use of more rationalised and effective go to market strategies to capture new opportunities in the market. This in turn is expected to have a positive impact on the market share of the business.

Risks, uncertainties and assumptions include the need to address the many challenges facing Hewlett Packard Enterprise's businesses including the impact of macroeconomic and geopolitical trends and events, pandemics and public health problems, the execution and performance of contracts by Hewlett Packard Enterprise and its suppliers, customers, clients and partners, including any impact thereon resulting from events such as the coronavirus. The COVID-19 pandemic has resulted in a global slowdown of economic activity, including travel restrictions, prohibitions of non-essential activities in some cases, disruption and shutdown of businesses and greater uncertainty in global financial markets. We are unable to predict the extent to which the global COVID-19 pandemic may adversely impact our business operations, financial performance and results of operations.

Post balance sheet events

There were no material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements for the twelve month period ended on 31 October 2021 were prepared.

Strategic report (continued)

The environment

Hewlett Packard Enterprise's goals are to provide products and services that are safe and environmentally sound throughout their lifecycles, and conduct operations in an environmentally responsible manner.

To accomplish this, Hewlett Packard Enterprise Company will:

- pursue pollution prevention, energy conservation and waste reduction in operations;
- design and manufacture products to be safe to use and to minimise their environmental impact;
- offer customers environmentally responsible end-of-life management services for products; and
- require suppliers to conduct their operations in a socially and environmentally responsible manner.

The Company achieves this by integrating these objectives into business planning, decision-making, performance tracking and review processes to ensure that goals are reached and continually improved upon.

Hewlett Packard Enterprise Company, for which Hewlett-Packard Limited is a subsidiary, publishes an annual corporate responsibility report where detailed companywide environmental commitments, initiatives and key performance indicators can be found. A copy of the 2021 report is available from https://www.hpe.com/us/en/living-progress.html. Given the integrated nature of the overall Hewlett Packard Enterprise Group and the way carbon and environmental performance is measured and monitored across the Group, Hewlett-Packard Limited has not reported separate entity metrics under the UK government's Streamlined Energy and Carbon Reporting (SECR) policy.

Approved by the Board

Stuart Marston

Stuart Marston
Director

Date: 24 June 2022

Directors' report

The directors present their report for the year ended 31 October 2021.

Directors

The directors during the year, and to date, were as follows:

P Oram - resigned on 5 April 2022
M Waters
S Marston - appointed on 28 April 2022

During the year, and up to the date of approval of the financial statements, the Company had in place third party indemnity provision for the benefit of all the directors of the Company.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements.

Employee involvement

The Company continues to place importance upon the education and development of its people. Details of how management engage with employees is included on page 6.

Employees who have completed minimum periods of service are eligible to join both the Company performance bonus and share purchase schemes of Hewlett Packard Enterprise Company.

Hewlett Packard Enterprise's goal is to create health and safety practices and work environments that enable employees to work injury-free. This is accomplished by continually reducing occupational injury and illness risks while promoting employee health and well-being.

The Company believes that a diverse workforce encourages creativity and innovation and helps build an exciting and stimulating work environment. A diverse workforce, reflecting the demographics of the many different markets where Hewlett Packard Enterprise operates, also provides a competitive advantage and helps acquire new business.

Hewlett Packard Enterprise Company, for which Hewlett-Packard Limited is a subsidiary, publishes an annual corporate responsibility report where detailed company-wide employee commitments, initiatives and key performance indicators can be found.

Employment of disabled employees

All applications from disabled persons are fully considered. Should an employee become disabled, it is the Company's practice to continue their current employment where possible or offer suitable alternatives. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Stakeholder Engagement

Further information on how the Company has engaged with its stakeholders can be found in the Strategic Report.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and review of business risk are described in the Strategic report on pages 2 to 8.

Directors' report (continued)

Going concern (continued)

While great progress has been made in the fight against the novel coronavirus pandemic ("COVID-19" or "pandemic"), it remains a global challenge. In fiscal 2021, due to an unprecedented demand for electronic devices and related industry-wide supply constraints, the global economy encountered a challenging supply chain environment. The pandemic continues to have an impact on our financial performance and we are currently unable to predict the extent to which it may adversely impact our future business operations, financial performance and results of operations.

The COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all of the regions in which we sell our products and services and conduct our business operations. The pandemic has resulted in a global slowdown of economic activity, including travel restrictions, prohibitions of non-essential activities in some cases, disruption and shutdown of businesses and greater uncertainty in global financial markets. Our operations have been affected by a range of external factors related to the COVID-19 pandemic that are not within our control, including the various restrictions imposed on our employees, customers, partners and suppliers designed to limit the spread of COVID-19. Although the immediate impacts of the COVID-19 pandemic have been assessed, the long-term magnitude and duration of the disruption and resulting decline in business activity is still highly uncertain and cannot currently be predicted.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly, the Board continues to adopt the going concern basis in preparing the financial statements. In making this assessment the directors have considered contractual arrangements in place with the parent company which underpin the intercompany trading agreements and also the parents ability to ensure such arrangements can be honoured for a period until at least end of June 2023.

Corporate Governance Statement

The board is committed to maintaining high standards of corporate governance and compliance mechanisms to deliver against the Company's core values and objectives for its long term success. Throughout the year, the directors met regularly with key stakeholders, management and functions to ensure that they had considered a range of views and perspectives amongst other factors when making their decisions – further information can be found in the s.172 Statement on page 4.

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the directors are to report on what corporate governance arrangements were applied by the Company. Whilst recognizing the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') and other similar codes as being of considerable value, the Company did not adopt a governance code and applied its own corporate governance arrangements as certain aspects of such codes were considered not be applicable or appropriate given the Company's status. The Company is a wholly subsidiary of the Hewlett Packard Enterprise group whose ultimate parent is Hewlett Packard Enterprise Company, a New York Stock exchange listed company. Accordingly, the board's approach on corporate governance is based upon a framework of group-wide policies which cover key aspects of corporate, ethical, environmental and social responsibility. Explained below are the governance arrangements and group policies that underpin the Company's approach for effective decision making for the year, grouped by the Wates Principles, which, whilst the Company did not adopt, are considered by the directors to be a useful frame of reference.

Directors' report (continued)

Principle 1 - Board Leadership and Company Purpose	The Company is a wholly owned subsidiary of the Hewlett Packard Enterprise group whose purpose is to advance the way people live and work by being the premier Edge-to-Cloud company. This purpose and related strategic objectives and goals are set at a group-wide level and the directors determine how these are best implemented for the success of the Company (and the overall group) in the long term to ensure both the financial and operating strategy of the Company is set at sustaining levels by: • developing appropriate business plans and targets; • considering the impact of the Company's operations and the views of stakeholders; and • considering other factors such as economic, political and ongoing challenges within the technology sector and relevant markets. The board seeks to apply this purpose and principles to its decision making process and actively promotes them through regular communications to the Company's workforce to encourage employees to apply them in their everyday work as well as its stakeholders to ensure transparency and alignment of strategy and goals.
Principle 2 – Board Composition	The composition of the Company's board is driven by the group's global board policy which ensures that boards of subsidiaries appoint persons whose roles bring the necessary expertise and skills for effective decision making in the operation and oversight of the company. In accordance with the policy and subject to local law, the local group managing director and finance director are appointed to the boards of operating subsidiaries which together bring an appropriate balance of skills, backgrounds, experience and knowledge on a mix of business, finance and other related matters. Accordingly, the directors of the Company are the regional Managing Director and Finance Director.
Principle 3 – Director Responsibilities	Whilst the Company is a wholly owned subsidiary of the Hewlett Packard Enterprise group, the board's overriding duty is to exercise independent judgement to act in the best interests of the Company. In doing so, the directors have regard for the strategic purpose, objectives and goals set at a group-wide level and how these are best implemented for the long term success of the Company whilst challenging decisions where necessary. Notwithstanding that the directors work together on a day-to-day basis given their roles as regional Managing Director and Finance Director of the group, the board met at least once a quarter throughout the year to discuss key matters relating to the Company including: • the interests and views of key stakeholders; • employee engagement; • strategy, operational and financial performance; • impacts of the Company's operations; • key risks and matters affecting the Company; and • legal and regulatory compliance by the Company.

Directors' report (continued)

Principle 3 – Director Responsibilities (continued)	As is normal for large companies, whilst the directors are ultimately responsible for the oversight and operations of the Company, the directors delegate authority for day-to-day management of the Company and its operations to managers and functions, and then engage management regularly in setting, approving and monitoring execution of the business strategy and related policies. In consideration of the above, the directors received information in multiple formats including reports and presentations on the company's financial and operational performance, KPIs, risk, surveys, business outcomes as well as pertaining to environmental, social and corporate governance matters. The directors also regularly met and took advice and training on a range of business, compliance and governance matters from Legal and other functions of the group. The directors are subject to the group's Conflicts of Interest and Standards of Business Conduct policies which requires the declaration of any conflicts that the directors may have with the interests of the Company and/or the wider group and governs how such conflicts are managed. Further information about the group wide policies on ethical behavior and maintaining high standards of business conduct applied by the Company during the year can be found in the Section 172 statement on page 4 together with further information on how the board has acted responsibly in regards to the Company's stakeholders.
Principle 4 – Opportunity and risk	As explained on page 8, the long term strategic opportunities are identified through the business planning and target setting process which includes inputs from all areas of the business and management. The Hewlett Packard Enterprise group maintains a framework of risk management policies in respect of the continuity and security of the group's operations which apply to the Company. A comprehensive list of risks applicable to the group, some of which are applicable and relevant to the Company, are disclosed in detail in Hewlett Packard Enterprise's latest reports filed with the U.S. Securities and Exchange Commission available at https://investors.hpe.com/financial/sec-filings.
Principle 5 – Remuneration	The Company does not have a remuneration committee. The directors, executives and employees of the Company are remunerated in line with the group's HR policies and remuneration frameworks. See Note 8 to these financial statements for further information.
Principle 6 – Stakeholder Relationships and Engagement	The board places a great deal of consideration and emphasis on the views and perspectives of the Company's stakeholders when making decisions. Whilst the board does engage directly with stakeholder groups on particular issues, the size and spread of the Company's stakeholders and of the Hewlett Packard Enterprise group means that stakeholder engagement generally takes place at an operational and/or group level being a more efficient and effective approach.

Directors' report (continued)

Principle 6 – Stakeholder Relationships and Engagement (continued)	Further information regarding the Company's stakeholder engagement can be found on pages 5 and 6.

Strategic report

In accordance with Section 414C(11) of the Companies Act 2006, the following information has been included in the company's strategic report which would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the directors' report:

- The financial risk management objectives and policies of the Company and exposure of the Company to risk in relation to the use of financial instruments;
- Future developments of the Company and activities of the Company in the field of research and development (including post balance sheet events); and
- Dividend recommendations.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Ernst & Young LLP continue as the Company's auditor. In accordance with section 487 of the Companies Act 2006, Ernst & Young LLP shall be deemed to be re-appointed as auditors of the Company.

By order of the Board

Stuart Marston

Stuart Marston
Director

Date: 24 June 2022

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations and Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Independent auditor's report
to the members of Hewlett-Packard Limited

Opinion

We have audited the financial statements of Hewlett-Packard Limited for the year ended 31 October 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 October 2021 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process through discussions with management and review of its going concern assessment.
- We obtained management's going concern assessment and determined whether it had taken into account all relevant information that we have become aware of as a result of the procedures we performed during the audit;
- We obtained and reviewed the contractual agreements in place with the parent company which underpin the Companies cash flows and income.
- We worked with the parent company auditor to assess the ability of the parent company to continue with the contractual trading agreements in place for no less than 12 months from the date of approval of the financial statements. We have performed a reverse stress test, challenging key assumptions and concluded that the possibility of a downside scenario where the trading performance of the group would impact the going concern conclusion was appropriately remote.
- We considered the potential impact of COVID-19 in relation to going concern and ensured appropriate disclosures were made in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2023 being at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report
to the members of Hewlett-Packard Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and UK company legislation, being principally the Companies Act 2006, and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations including health and safety, employees, data protection and anti-bribery and corruption regulations.
- We understood how Hewlett-Packard Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities, where applicable.
- We assessed the susceptibility of the company's financial statements to material misstatement through error or fraud, including making inquiries of management. We used a data analytics approach to test for unusual revenue recognition and other journal entries. Our work included identifying specific risk journals and vouching them to supporting documentation and ensuring such transactions were valid and appropriate.
- We designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included a review of board minutes to identify any noncompliance with laws and regulations, assessment of financial statement disclosures to ensure compliance with relevant reporting frameworks and enquiries of management.

Independent auditor's report
to the members of Hewlett-Packard Limited

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Adrian Bennett (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date 29 June 2022

Statement of comprehensive income

for the year ended 31 October 2021

	Note	2021 £'000	2020 £'000
Revenue	3	918,584	837,732
Cost of sales		(713,743)	(636,609)
Gross profit		204,841	201,123
Distribution costs		(144,648)	(143,064)
Administration expenses		(37,147)	(18,452)
Exceptional items	5	(34,628)	(26,332)
Operating (loss)/profit	4,5	(11,582)	13,275
Analysed between:			
Operating profit on ordinary activities before exceptional items		23,046	39,607
Exceptional item – restructuring expenses	5	(33,355)	(24,330)
Exceptional item – loss on disposal of assets held for sale	5	-	(965)
Exceptional item – right-of-use asset impairment	5	(1,273)	(1,037)
Interest receivable and similar income	9	7,738	14,310
Interest payable	10	(5,993)	(5,637)
(Loss)/profit on ordinary activities before taxation		(9,837)	21,948
Tax on loss on ordinary activities	11	9,924	114
Profit for the financial year		87	22,062
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Remeasurement gains on defined benefit pension plan	20	9,000	9,731
Tax on items relating to components of other comprehensive income		(1,517)	(2,036)
Total other comprehensive income for the year, net of tax		7,483	7,695
Total comprehensive income for the year		7,570	29,757

All of the activities of the Company are classed as continuing.

Statement of changes in equity

for the year ended 31 October 2021

	Share capital *£000*	Share premium *£000*	Merger Reserve *£'000*	Retained earnings *£000*	Total Equity *£000*
At 1 November 2019	104,772	492,017	(17,279)	36,431	615,941
Profit for the financial year	-	-	-	22,062	22,062
Other comprehensive income for the year	-	-	-	7,695	7,695
Share-based payments (note 7)	-	-	-	6,261	6,261
Recharge for share-based payments	-	-	-	(6,429)	(6,429)
At 31 October 2020	104,772	492,017	(17,279)	66,020	645,530
Profit for the financial year	-	-	-	87	87
Other comprehensive income for the year	-	-	-	7,483	7,483
Share-based payments (note 7)	-	-	-	6,016	6,016
Recharge for share-based payments	-	-	-	(6,366)	(6,366)
At 31 October 2021	104,772	492,017	(17,279)	73,240	652,750

Balance sheet
at 31 October 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Tangible assets	12	13,341	13,692
Intangible assets	13	52,484	47,905
Right-of-use assets	14	36,158	38,590
		101,983	100,187
Current assets			
Stocks	16	61,726	5,978
Debtors: amounts falling due within one year	17	1,044,999	1,022,100
Debtors: amounts falling due after one year	17	6,419	4,692
Cash at bank and in hand		11,680	44,973
Deferred tax	11	31,468	23,304
		1,156,292	1,101,047
Creditors: amounts falling due within one year	18	(464,456)	(434,560)
Net current assets		691,836	666,487
Total assets less current liabilities		793,819	766,674
Creditors: amounts falling due after one year	18	(148,665)	(134,306)
Provisions for liabilities and charges	19	(13,076)	(13,079)
Pension asset	20	20,672	26,241
Net assets		652,750	645,530
Capital and reserves			
Called up share capital	21	104,772	104,772
Share premium account		492,017	492,017
Merger reserve	22	(17,279)	(17,279)
Retained earnings		73,240	66,020
Total equity		652,750	645,530

The financial statements on pages 19 to 58 were approved by the board of directors on and signed on its behalf by:

Stuart Marston

Stuart Marston
Director
Date: 24 June 2022

Notes to the financial statements

at 31 October 2021

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Hewlett-Packard Limited (the "Company") for the year ended 31 October 2021 were authorised for issue by the board of directors on 24 June 2022 and the Balance sheet was signed on the board's behalf by Stuart Marston. The Company is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non-amortisation of goodwill (note 13).

The Company's financial statements are presented in Pound Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

The Company is a wholly owned subsidiary of Hewlett Packard Enterprise Company, the consolidated financial statements of which are publicly available.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting Policies

2.1. Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2021. The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are fair values in accordance with the respective guidance.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;

(c) the requirements of IFRS 7 Financial Instruments: Disclosures;

(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and

(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(e) the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;

(f) the requirements of IAS 7 Statement of Cash Flows;

(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;

(i) 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;

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.1. Basis of preparation (continued)

(j) the requirements of paragraphs 91 to 99 of IFRS 13, Fair Value Measurement;

(k) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue Recognition;

l) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 as well as the requirements of paragraph 58 of IFRS 16.

2.2. Going concern

While great progress has been made in the fight against the novel coronavirus pandemic ("COVID-19" or "pandemic"), it remains a global challenge. In fiscal 2021, due to an unprecedented demand for electronic devices and related industry-wide supply constraints, the global economy encountered a challenging supply chain environment. The pandemic continues to have an impact on our financial performance and we are currently unable to predict the extent to which it may adversely impact our future business operations, financial performance and results of operations.

The COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all of the regions in which we sell our products and services and conduct our business operations. The pandemic has resulted in a global slowdown of economic activity, including travel restrictions, prohibitions of non-essential activities in some cases, disruption and shutdown of businesses and greater uncertainty in global financial markets. Our operations have been affected by a range of external factors related to the COVID-19 pandemic that are not within our control, including the various restrictions imposed on our employees, customers, partners and suppliers designed to limit the spread of COVID-19. Although the immediate impacts of the COVID-19 pandemic have been assessed, the long-term magnitude and duration of the disruption and resulting decline in business activity is still highly uncertain and cannot currently be predicted.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly, the Board continues to adopt the going concern basis in preparing the financial statements. In making this assessment the directors have considered contractual arrangements in place with the parent company which underpin the intercompany trading agreements and also the parents ability to ensure such arrangements can be honoured for a period until at least end of June 2023 .

2.3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

Management judgement is also required in determining the deductibility of costs within the tax computation, in accordance with the tax legislation.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.3. Judgements and key sources of estimation uncertainty (continued)

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuations involved making assumptions about discount rates, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligations.

The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increase and pension increase are based on expected future inflation rates. The sensitivity to changes in pension increase assumptions is disclosed in note 20.

Lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the options to renew or terminate.

The Company excluded any renewal period from the lease term for all leases of property, regardless of the length of non-cancellable period, as due to the continually evolving real estate strategy these are not reasonably certain to be exercised. In addition, any renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than four years, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease only when they are reasonably certain not to be executed.

Leases - Estimating the incremental borrowing rate IFRS 16.26

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Revenue from contracts with customers

As a result of adopting IFRS 15 'Revenue from Contracts with Customers', the Company now accounts for a contract with a customer when both parties have provided written approval and are committed to perform, each party's rights including payment terms are identified, the contract has commercial substance, and collection of consideration is probable.

The Company enters into contracts with customers that may include combinations of products and services, resulting in arrangements containing multiple performance obligations for hardware and software products and/or various services. The Company determines whether each product or service is distinct in order to identify the performance obligations in the contract and allocate the contract transaction price among the distinct performance obligations.

Arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract.

The Company classifies its hardware, perpetual software licenses, and software-as-a-service ("SaaS") as distinct performance obligations. Term software licenses represent multiple obligations, which include software licenses and software maintenance. In transactions where the Company delivers hardware or software, it is typically the principal and records revenue and costs of goods sold on a gross basis.

Revenue from contracts with customers is recognised when, or as, control of promised products or services is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services. Transfer of control occurs once the customer has the contractual right to use the product, generally upon shipment or once delivery and risk of loss has transferred to the customer. Transfer of control can also occur over time for maintenance and services as the customer receives the benefit over the contract term.

Variable consideration offered in contracts with customers, partners and distributors may include rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs. Variable consideration is estimated at contract inception and updated at the end of each reporting period as additional information becomes available and recognised only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. On its product sales, the Company records consideration from shipping and handling on a gross basis within net product sales.

The Company's hardware and perpetual software licenses are distinct performance obligations where revenue is recognised upfront upon transfer of control. Term software licenses include multiple performance obligations where the term licenses are recognised upfront upon transfer of control, with the associated software maintenance revenue recognised rateably over the contract term as services and software updates are provided. SaaS arrangements have one distinct performance obligation which is satisfied over time with revenue recognised rateably over the contract term as the customer consumes the services. Revenue for extended service agreements / maintenance warranties is recognised over the term of the contracts as the services are provided on a straight line basis. Any unrecognised revenue element is disclosed separately in the balance sheet as a contract liability.

Revenue is recorded net of any associated sales taxes. No element of financing is deemed to be present as the sales are made with credit terms in general between 30 and 60 days, which is consistent with market practice.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

The company recognises incremental direct costs to obtain a contract, primarily consisting of sales commissions, and the cost of these is deferred and amortised over the contract term.

The Company allocates the transaction price for the contract among the performance obligations on a relative standalone selling price basis. The standalone selling price ("SSP") is the price at which an entity would sell a promised product or service separately to a customer. The Company establishes SSP for most of its products and services based on the observable price of the products or services when sold separately in similar circumstances to similar customers. When the SSP is not directly observable, the Company estimates SSP based on management judgment by considering available data such as internal margin objectives, pricing strategies, market/competitive conditions, historical profitability data, as well as other observable inputs. The Company establishes SSP ranges for its products and services and reassesses them periodically.

Judgment is applied in determining the transaction price as the Company may be required to estimate variable consideration when determining the amount of revenue to recognise. Variable consideration may include various rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs that are offered to customers, partners and distributors.

When determining the amount of revenue to recognise, the Company estimates the expected usage of these programs, applying the expected value or most likely estimate and updates the estimate at each reporting period as actual utilisation becomes available. The Company also considers the customers' right of return in determining the transaction price, where applicable.

Royalty income is recognised when it is the Company's right to receive payment in accordance with the licensing agreement.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Interest income

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Business Combinations

Business combinations which are in scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For transactions which are under common control and which therefore fall outside of the scope of IFRS 3, the pooling of interests method is used. Under the acquisition method, the excess of the purchase price over the fair value of the net assets acquired is recognised as goodwill, whereas this is taken to the merger reserve under the pooling of interest method.

The UK Companies Act 2006 requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, as the value is not considered by the Directors' to reduce gradually over its life, but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Business Combinations (continued)

The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act as by recognising impairments as they arise, this better reflects the true carrying value of the goodwill. For goodwill arising on acquisition, given the small size of the businesses acquired as a proportion of the overall legal entity, the Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Intangible Assets

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

Notes to the financial statements (continued)

at 31 October 2021

2. **Accounting Policies (continued)**

2.4 **Significant accounting policies (continued)**

Research and development

Research costs are expensed as incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the assets capable of operating as intended.

Land and construction-in-progress are not depreciated. Other tangible fixed assets are depreciated so as to write-off their costs to residual values on a straight-line basis over their useful lives which are estimated to be:

Freehold buildings and long leasehold property	- straight-line over a period of 40 years/length of lease if less than 40 years
Short leasehold property	- straight-line over the period of the lease
Machinery and equipment	- straight-line over a period of 3 - 10 years

The carrying values of property, machinery and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, machinery and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying value is to be recovered principally through a sale as opposed to continuing use. The sale must be considered to be highly probable and to be achieved within twelve months. Held for sale assets are carried at the lower of the carrying value and fair value less costs to sell. Assets are not depreciated or amortised once classified as held for sale.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Financial assets

Recognition and measurement

Financial assets are recognised in the balance sheet when the Company becomes part to the contractual provision of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company has the following types of financial asset:
Trade and other receivables

Trade and other receivables are recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Receivables that do not contain a significant financing component are measured at the transaction price and are subsequently measured at amortised cost.

At each balance sheet date, the Company recognises provisions for expected credit losses on financial assets measured at amortised cost, based on 12-month or lifetime losses, depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

Intercompany receivables

Intercompany receivables are recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Intercompany receivables that do not contain a significant financing component are measured at the transaction price and are subsequently measured at amortised cost.

The company calculates impairment for intercompany receivables using the IFRS 9 general impairment approach which involves calculating an amount equal to 12 months expected credit losses. Changes in credit risk associated with these assets are assessed on both an individual and collective basis. To date there has been no indication of impairment on an individual or collective basis.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Financial assets (continued)

Factoring

The Company has entered into a Receivables Purchase Agreement with Wells Fargo, this program applies to the eligible receivables from selected resellers.

Transfers for all eligible receivables under the Factoring program are recorded as sales in accordance with IFRS 9 – Financial Instruments. Wells Fargo receives a percentage based on the gross invoice value as a factoring fee. The factoring fee is recognised as a financing cost in the statement of comprehensive income.

In accordance with IFRS 9 – Financial Instruments the Company recognises the factored debt as a receivable and records the consideration received as a liability within other creditors in respect of the proceeds received from the factor under separate presentation, until the receivable is collected by Wells Fargo.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Financial liabilities

Recognition and measurement
The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts. Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use underlying assets. The asset and liability are recognised at the date at which the leased asset is available for use by the Company.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease, being the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities and any estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property	- over term of lease or useful life (whichever is shorter)
Motor vehicles	- over term of lease or useful life (whichever is shorter)

The right-of-use assets are also subject to impairment. Refer to the accounting policies section 'Impairment of non-financial assets'.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include, where necessary, the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses:

- Its incremental borrowing rate at the commencement date for property leases because the interest rate implicit in the lease is not readily determinable; and
- The interest rate implicit in vehicle leases because this is readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments by reference to a change in an index or rate or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in creditors, as set out in note 18.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Stocks

Stocks are valued the lower of cost and net realisable value after making allowance for obsolete or slow moving stocks. Cost is determined on a first in first out basis and includes transport and handling costs; in the case of finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Share-based payments – equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above.

The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income with a corresponding entry in equity.

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Share-based payments – equity settled transactions (continued)

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of comprehensive income.

The Company records the charge payable to Hewlett Packard Enterprise Company for the difference between the market value of exercised options and the exercise price of those options when the liability is due to equity.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, the expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

The Company makes provision for the cost of restoring the existing leased office to their original condition based on publicly available estimated costs per square foot.

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them merits separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Pensions

The Company operates both defined benefit and defined contribution pension schemes. The assets of the schemes are held separately from those of the Company.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line bases over the vesting period or immediately if benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Notes to the financial statements (continued)

at 31 October 2021

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

Pensions (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statements as finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the cast of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expected to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

2.5. New standards amendments or interpretations not yet effective

The Company has not early adopted any standard, amendment or interpretation that has been issued but is not yet effective.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	2021	*2020*
	£'000	*£'000*
IT Products and Solutions	918,584	837,732

The segmental analysis for revenue by geographical split has not been provided as it is the opinion of the directors that any disclosure would be seriously prejudicial to the interests of the Company and therefore has not been disclosed.

No revenue was derived from exchanges of goods or services (2020: £nil).

Notes to the financial statements (continued)

at 31 October 2021

4. Operating (loss)/profit

This is stated after charging/(crediting):

		2021	*2020*
		£'000	*£'000*
Auditor's remuneration	- audit services	184	184
Foreign exchange loss		83	2,135
Amortisation of Customer relationships		663	663
Depreciation	- owned assets	2,591	2,487
	- right-of-use assets	4,097	9,360
Impairment	- right-of-use assets	1,273	1,037
Loss on disposal of assets held for sale		-	965
Loss on disposal of fixed assets		1,709	31
Income from subleasing right-of-use assets		(585)	(7,953)
Increase/(Release) of credit loss provision for IC loan		941	(12,753)
Credit loss provision for trade receivables		988	694
Cost of stocks recognised as an expense (within cost of sales)		604,201	492,003
Research and development expenditure		1,868	1,836

Notes to the financial statements (continued)

at 31 October 2021

5. Exceptional items

	2021 £'000	2020 £'000
Recognised in arriving at operating (loss)/profit:		
Restructuring costs	33,355	24,330
Loss on disposal of assets held for sale	-	965
Impairment of right-of-use asset	1,273	1,037

During 2021, the Company continued with certain employee redundancy and property rationalisation programmes at a cost of £33,355,000 (2020: £24,423,000).

At 31 October 2020 as a result of the final sale of the Bracknell site land and freehold in 2020 the Company recorded a loss on disposal of the assets held for sale for the amount of £965,000.

In addition, in 2021, the Company made an impairment expense of £1,273,000 related to right-of-use assets (2020: £1,037,000).

6. Staff costs

	2021 £'000	2020 £'000
Wages and salaries	196,293	192,806
Social security costs	24,595	24,712
Other pension costs	36,449	33,597
Equity-settled share-based payments (note 7)	6,016	6,261
	263,353	257,376

The average number of staff employed by the Company during the year amounted to:

	2021 No.	2020 No.
Sales and services	1,866	2,053
Research and development	185	185
	2,051	2,238

The above aggregate payroll costs include amounts expensed in relation to employee redundancy costs which is shown separately in note 5 as an exceptional item.

Other pension costs above do not include amounts within other interest payable (note 10) and amounts recognised through other comprehensive income in respect of defined benefit pension schemes.

Notes to the financial statements (continued)

at 31 October 2021

7. **Share based payments**

The Company recognises stock-based compensation expense for all share-based payment awards, net of forfeitures. The recognised costs are for only those shares expected to meet the service and performance vesting conditions over the requisite service period of the awards.

The Company has the following stock purchase and incentive compensation plans:

Employee stock purchase plan

Effective 1 November 2015, the Company adopted the Hewlett Packard Enterprise Company 2015 Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible employees to contribute up to 10% of their eligible compensation to purchase Hewlett Packard Enterprise's common stock. The Plan provides for a discount not to exceed 15% and an offering period up to 24 months. The Company currently offers 6 month offering periods during which employees have the ability to purchase shares at 95% of the closing market price on purchase date.

Incentive compensation plans

The Company adopted the Hewlett Packard Enterprise Company 2015 Stock Incentive Plan (the "Plan"). The Plan became effective on 1 November 2015. The Plan provides for the grant of various types of awards including restricted stock awards, stock options, and performance-based awards. These awards generally vest over three years from the grant date. The Company's stock-based incentive compensation program also includes various equity plans assumed through acquisitions under which stock-based awards are outstanding.

Stock options

Stock options granted under the Plan are generally non-qualified stock options. Stock options generally vest over three to four years from the date of grant. The exercise price of a stock option is equal to the closing price of the Company's common stock on the option grant date. The majority of the stock options issued by the Company contain only service vesting conditions. The Company also issued performance-contingent stock options that vest only on the satisfaction of both service and market conditions. In fiscal 2021, the Company did not issue stock options other than those that were replacement awards through the acquisition of Silver Peak.

The Company utilizes the Black-Scholes-Merton option pricing formula to estimate the fair value of stock options subject to service-based vesting conditions.

During the year 4,583 (2020: 11,773) share options were exercised. The weighted average share price at the date of exercise for share options exercised during the year was $14.19 (2020: $12.51).

Notes to the financial statements (continued)

at 31 October 2021

7. Share based payments (continued)

At the reporting date there were 184,927 (2020: 50,669) outstanding share options. The range of exercise prices for stock options outstanding at the end of the year and associated weighted average remaining contractual life is set out below:

	2021		*2020*	
Range of Exercise Prices	*Shares outstanding*	*Weighted-average remaining life in years*	*Shares outstanding*	*Weighted-average remaining life in years*
$0.01 -$9.99	161,674	6.78	19,816	2.63
$10 - $19.99	23,253	2.91	30,853	3.13
	184,927	6.29	50,669	2.94

Restricted stock awards

Restricted stock awards are non-vested stock awards and are generally subject to forfeiture if employment terminates prior to the lapse of the restrictions. Such awards generally vest over three years from the date of grant. During the vesting period, ownership of the restricted stock cannot be transferred. Restricted stock units have dividend equivalent rights equal to the cash dividend paid on common stock. Restricted stock units do not have the voting rights of common stock, and the shares underlying the restricted stock units are not considered issued and outstanding upon grant.

The fair value of the restricted stock units is the closing price of the Company's common stock on the grant date of the award. The Company expenses the fair value of restricted stock awards, as determined on the date of grant, rateably over the period during which the restrictions lapse.

During the year 611,259 (2020: 534,348) non-vested restricted stock units were exercised.

At the reporting date there were 1,287,038 (2020: 1,183,855) outstanding non-vested restricted stock units.

8. Directors' emoluments

The aggregate remuneration for directors who have performed qualifying services for this Company amounted to £1,123,528 (2020: £886,000) with pension contributions of £nil (2020: £nil).

The emoluments of the highest paid director were remuneration of £840,928 (2020: £582,000) and pension contributions to money purchase schemes of £nil (2020: £nil).

No director participated in the Company's defined contribution pension scheme during the year ended 31 October 2021 (2020: None).

One director participated in the fellow group company's defined benefit pension scheme during the year ended 31 October 2021 (2020: One).

Two directors exercised share options during the year ended 31 October 2021 (2020: Two).

Two directors acquired shares through the vesting of previously granted restricted stock units (2020: Two).

Notes to the financial statements (continued)

at 31 October 2021

9. Interest receivable and similar finance income

	2021 *£'000*	*2020* *£'000*
Interest receivable from group undertakings	7,695	14,242
Other finance income	43	68
	7,738	14,310

10. Interest payable

	2021 *£'000*	*2020* *£'000*
Interest payable to group undertakings	-	3
Other interest payable	5,993	5,634
	5,993	5,637

Included within other interest payable at 31 October 2021 is interest payable associated with debt financing arrangements of £2,587,000 (2020: £2,746,000).

Notes to the financial statements (continued)

at 31 October 2021

11. Taxation on (loss)/profit on ordinary activities

(a) Analysis of tax credit in the income statement

	2021 £'000	2020 £'000
Current tax:		
United Kingdom corporation tax on (loss)/profit for the year at 19.00% (2020: 19.00%)	-	3,164
Amount transferred to other comprehensive income	142	91
Foreign Tax	7	11
Total current tax in relation to current year	149	3,266
Over provision in prior year	(250)	-
Total current tax	(101)	3,266
Deferred tax:		
Origination and reversal of timing differences – current year	(4,261)	(600)
Origination and reversal of timing differences – prior year	857	(447)
Effect of decreased tax rate	(6,419)	(2,333)
Total deferred tax	(9,823)	(3,380)
Tax income in the income statement	(9,924)	(114)

(b) Tax relating to items charged or credited to other comprehensive income

	2021 £'000	2020 £'000
Current tax:		
Actuarial loss on defined benefit pension plans	(142)	(91)
Deferred tax:		
Actuarial gain on defined benefit pension plans	2,250	1,849
Share Based Payments	(591)	311
Change in tax rates	-	(33)
Total deferred tax	1,659	2,127
Tax expense in the statement of other comprehensive income	1,517	2,036

Notes to the financial statements (continued)

at 31 October 2021

11. Taxation on (loss)/profit on ordinary activities (continued)

(d) Reconciliation of the total tax charge

The tax assessed on the loss on ordinary activities for the year is different to the standard rate of corporation tax in the United Kingdom of 19.00% (2020: 19.00%). The differences are reconciled below:

	2021 *£'000*	*2020* *£'000*
Profit/(loss) on ordinary activities before tax	(9,837)	21,948
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2020: 19.00%)	(1,869)	4,170
Effects of:		
Disallowable expenses	(2,505)	(1,515)
Depreciation and similar items in excess of capital allowances	255	-
Foreign Tax	7	11
Effect of decreased tax rate	(6,419)	(2,333)
Total current tax in relation to current year	(10,531)	333
Over provision in prior year	607	(447)
Total tax credit (note 11(a))	(9,924)	(114)

(e) Deferred tax

	2021 *£'000*	*2020* *£'000*
The deferred tax included in the balance sheet is as follows:	31,468	23,304

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2021 *£'000*	*2020* *£'000*
Excess of depreciation over taxation allowances	11,960	10,255
Pension (surplus)	(5,173)	(4,968)
Losses carried forward	20,852	14,460
Other timing differences	3,829	3,557
Total deferred tax asset	31,468	23,304

Notes to the financial statements (continued)

at 31 October 2021

11. Taxation on (loss)/profit on ordinary activities (continued)

(e) Deferred tax (continued)

A deferred tax asset has been recognised as the directors believe that, based on forecast results, it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

	2021 *£'000*	*2020* *£'000*
At 1 November 2020	23,304	22,051
Deferred tax expense to the income statement	9,823	3,380
Deferred tax (income) to statement of other comprehensive income	(1,659)	(2,127)
At 31 October 2021	31,468	23,304

(e) Factors that may affect future tax charges

The Finance Bill 2021 announced that the corporation tax main rate will increase to 25% from April 2023. As a result, the deferred tax balance as at 31 October 2021 have been recognized at the rate at which they are expected to unwind.

Notes to the financial statements (continued)

at 31 October 2021

12. Tangible fixed assets

	Property	*Assets under construction*	*Machinery and equipment*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost:				
At 1 November 2020	12,025	4,276	9,726	26,027
Additions	-	3,434	1,041	4,475
Transfers	7,335	(7,363)	28	-
Disposals	(2,953)	-	(1,300)	(4,253)
At 31 October 2021	16,407	347	9,495	26,249
Depreciation:				
At 1 November 2020	5,558	-	6,777	12,335
Charge for the year	1,329	-	1,262	2,591
Disposals	(1,303)	-	(715)	(2,018)
At 31 October 2021	5,584	-	7,324	12,908
Net book value:				
At 31 October 2021	10,823	347	2,171	13,341
At 1 November 2020	6,467	4,276	2,949	13,692

Analysis of property

	2021 Cost	*2021 Depreciation*	*2021 Net*	*2020 Net*
	£'000	*£'000*	*£'000*	*£'000*
Freehold buildings and long leasehold	347	-	347	4,276
Short leaseholds	16,407	5,584	10,823	6,467
Total property	16,754	5,584	11,170	10,743

Notes to the financial statements (continued)
at 31 October 2021

13. Intangible fixed assets

	Goodwill	*Customer relationships*	*Total Intangibles*
	£'000	*£'000*	*£'000*
Cost:			
At 1 November 2020	45,917	1,988	47,905
Additions – acquisition of business	5,242	-	5,242
Amortisation of customer relationships	-	(663)	(663)
At 31 October 2021	51,159	1,325	52,484

Additions

On 1 February 2021, the Company purchased the business and certain assets of Silver Peak System Limited, resulting in goodwill of £5,242,000 being recognised.

Amortisation of customer relationships

The customer relationships acquired as part of the RedPixie acquisition are being amortised evenly over the directors estimate of its useful economic life of 6 years.

14. Leases

The Company has lease contracts for various items of property and motor vehicles used in its operations. Leases of property generally have lease terms between 5 and 10 years, while motor vehicles generally have lease terms of 5 years. Lease payments made under the lease contract obligations constitute fixed term payments only. There are several lease contracts that include extension and termination options, which are further discussed below.

Amounts recognised in the balance sheet

Set out below are the carrying amounts of right-to-use assets recognised and the movements during the period:

	Property	*Motor vehicles*	*Total*
	£'000	*£'000*	*£'000*
As 1 November 2020	38,471	119	38,590
Additions	22,254	28	22,282
Terminations	(19,344)	-	(19,344)
Depreciation expense	(4,049)	(48)	(4,097)
Impairment	(1,273)	-	(1,273)
At 31 October 2021	36,059	99	36,158

Notes to the financial statements (continued)
at 31 October 2021

14. Leases (continued)

Set out below are the carrying amounts of the lease liabilities (included in creditors) and the movements during the period:

As at 1 November 2020	43,577
Additions	21,423
Terminations	(23,110)
Accretion of interest	814
Payments	(3,461)
At 31 October 2021	39,243
Current (note 18)	3,450
Non-current (note 18)	35,793

Amounts recognised in the income statement

The following are the amounts recognised in income statement:

	2021 *£'000*	*2020* *£'000*
Depreciation expense of right-of-use assets	4,097	9,360
Impairment on right-of-use assets	1,273	1,037
Interest expense on lease liabilities	814	825
Income from subleasing right-of-use assets	(585)	(7,953)
Total amount recognised in income statement	5,599	3,269

Operating lease commitments

Future minimum sublease payments expected to be received under non-cancellable sublease agreements are as follows:

	2021 *Land and buildings* *£'000*	*2020* *Land and buildings* *£'000*
- not later than one year	282	749
- after one year but not more than 5 years inclusive	424	-
- after 5 years	-	-
	706	749

Notes to the financial statements (continued)

at 31 October 2021

15. Investments

The Company holds investments in the following direct subsidiaries with the collective carrying value of £4 (2020: £8):

Name	*Country of incorporation*	*Principal activity*	*Percentage of ordinary shares held*
Hewlett Packard Enterprise UK Pension Trustee Limited	England and Wales	Trustee	100%

The registered office of Hewlett Packard Enterprise UK Pension Trustee is 210 Wharfedale Road, Winnersh, Berkshire, RG41 5TP.

16. Stocks

	2021 *£'000*	*2020* *£'000*
Finished goods for resale	61,726	5,978

17. Debtors

	2021 *£'000*	*2020* *£'000*
Trade debtors	185,186	179,928
Provision for expected credit loss	(988)	(694)
Net trade debtors	184,198	179,234
Amounts owed by group undertakings	846,282	831,293
Corporation Tax	280	-
Other debtors	615	1,190
Deferred contract costs	5,805	6,924
Prepayments and accrued income	7,819	8,151
	1,044,999	1,026,792

In 2021, the Company continued to operate under the Receivables Purchase Agreement with Wells Fargo and this program applies to the eligible receivables from selected resellers. Included in trade debtors at 31 October 2021 are assets associated with debt financing arrangement of £107,558,000 (2020: £103,367,000).

Included within amounts owed by group undertakings is a loan due from a fellow group company in the amount of £669,976,000 (2020: £710,208,000) with an interest rate of 0.95213% (2020: 1.60875%). As at 31 October 2021 the Company recognised a credit loss provision for this loan in the amount of £4,904,228 (using expected credit loss rate of 1.22%). The credit loss provision as at 31 October 2020 was equal to £3,963,000 (using expected credit loss rate of 0.95213%) hence an increase by £941,265 provision has been included in the profit and loss in the current year. On 17 February 2022, the intercompany loan with Hewlett-Packard Holdings Limited matured and a new loan was put in place with a principal amount of £671,851,000. The intercompany loan carries a fixed interest rate at 3.0382% and is due to mature on 16 February 2023.

Notes to the financial statements (continued)

at 31 October 2021

17. Debtors (continued)

The credit risk exposure on the Company's trade receivables is set out below. Trade receivables are generally non-interest bearing and on 30-90 day terms.

At 31 October 2021	£'000 <90 days	£'000 >90 days	£'000 Total
Trade receivables	183,558	1,628	185,186
Expected credit loss rate	0.7%	35.5%	1.2%
Net trade receivables	183,062	1,136	184,198

At 31 October 2020	<90 days	>90 days	Total
Accounts Receivables	177,820	2,108	179,928
Expected credit loss rate	0.2%	17.0%	0.4%
Net trade receivables	177,483	1,751	179,234

The debtors above include the following amounts falling due after more than one year:

	2021 *£'000*	*2020* *£'000*
Deferred contract costs	5,457	3,777
Other	962	611
	6,419	4,388

Notes to the financial statements (continued)

at 31 October 2021

18. Creditors

Amounts falling due within one year:

	2021 *£'000*	*2020* *£'000*
Trade creditors	9,811	21,321
Amounts owed to group undertakings	136,717	73,546
Lease liabilities	3,450	5,621
Other taxation and social security	39,064	44,135
Other creditors	75,900	89,657
Corporation tax	-	265
Accruals and deferred income	199,514	200,015
	464,456	434,560

Included within other creditors at 31 October 2021 are liabilities associated with debt financing arrangements of £75,900,000 (2020: £89,657,000).

Amounts falling due after more than one year:

	2021 *£'000*	*2020* *£'000*
Accruals and deferred income	112,872	96,349
Lease liabilities	35,793	37,957
	148,665	134,306

19. Provisions for liabilities and charges

Provisions for liabilities and charges for the Company can be analysed as follows:

	Onerous lease provisions	*Warranty*	*Total*
At 1 November 2020	3,595	9,484	13,079
Amounts provided in the year	3,402	6,249	9,651
Unwinding of discounted amount	124	-	124
Amounts utilized during the year	(1,263)	(6,249)	(7,512)
Amounts released during the year	(1,702)	(564)	(2,266)
At 31 October 2021	4,156	8,920	13,076

Notes to the financial statements (continued)

at 31 October 2021

19. Provisions for liabilities and charges (continued)

Onerous lease provisions
Onerous lease provisions represent the net present value of the costs associated with early termination of certain contractual obligations for leasehold premises which are no longer used in operations, following a group property rationalisation program. It is expected that these costs will have been incurred within 3 years of the balance sheet date in accordance with the respective contractual obligations. The onerous lease provision represents the present value of the amount to be paid discounted at an average rate of 3.82% (2020: 4.50%).

Warranty
Provision is made for expected warranty claims on products with unexpired warranty periods. Standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. Estimated warranty obligation is based on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of baseline experience. It is expected that these costs will have been incurred within 3 years of the balance sheet date in accordance with the respective contractual obligations.

20. Pensions and other post-retirement benefits

Defined contribution scheme

Hewlett-Packard Limited operates defined contribution pension schemes for the benefit of certain employees. The assets of these schemes are held separately from those of the Company in an independently administered fund. The cost for the year amounted to £17,762,000 (2020: £18,450,000). The outstanding liability relating to the scheme at 31 October 2021 was £1,410,000 (2020: £1,522,000).

Defined benefit pension scheme

The Company operates two defined benefit pension schemes for the benefit of certain employees:

– The Hewlett-Packard Limited Retirement Benefits Plan - Digital Section

– The Hewlett-Packard Limited Retirement Benefits Plan – Hewlett-Packard Section

The Digital section contains employees and ex-employees of both Hewlett-Packard Limited and Hewlett-Packard Manufacturing Limited.

These schemes provide benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company in separate trustee administered funds to meet long-term pension liabilities to past and present employees. This scheme is closed to new individual members. New individual employees are invited to join the defined contribution scheme operated by Hewlett Packard Enterprise (see above).
The valuation for the disclosures has been based on the most recent data as at 31 October 2021 and was updated by AON Hewitt Limited to take account of the requirements of FRS 101 in order to assess the scheme liabilities at 31 October 2021. The latest formal actuarial valuation of the Sections as at 31 October 2021 is currently underway. The next valuation is due as at 31 October 2024. Scheme assets are stated at their market values at the respective balance sheet dates.

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

The assets and liabilities of the schemes are:

At 31 October 2021

	Digital Section	*Hewlett-Packard Section*	*Total*
	£000	*£000*	*£000*
Scheme assets at fair value			
Equities	218,133	208,105	426,238
Low risk	1,281,539	1,145,797	2,427,336
Property	-	15	15
Liability driven investments	565,521	647,354	1,212,875
Cash/other	39,684	37,372	77,056
Fair value of scheme assets	2,104,877	2,038,643	4,143,520
Present value of scheme liabilities	(1,816,362)	(1,725,611)	(3,541,973)
Defined benefit pensions scheme asset	288,515	313,032	601,547
Unrecognised surplus	(281,983)	(298,892)	(580,875)
Asset recognised before consideration of minimum funding requirement	6,532	14,140	20,672
Asset recognised on the balance sheet	6,532	14,140	20,672

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

At 31 October 2020

	Digital Section	*Hewlett-Packard Section*	*Total*
	£000	*£000*	*£000*
Scheme assets at fair value			
Equities	204,395	193,441	397,836
Low risk	1,215,225	1,143,021	2,358,246
Property	-	18	18
Liability driven investments	623,421	615,149	1,238,570
Hedge funds	60	54	114
Cash/other	30,598	32,770	63,368
Fair value of scheme assets	2,073,699	1,984,453	4,058,152
Present value of scheme liabilities	(1,868,982)	(1,741,881)	(3,610,863)
Defined benefit pensions scheme asset	204,717	242,572	447,289
Unrecognised surplus	(195,750)	(225,298)	(421,048)
Asset recognised before consideration of minimum funding requirement	8,967	17,274	26,241
Asset recognised on the balance sheet	8,967	17,274	26,241

The pension plans have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The disclosures have been based on the assumption that the Company does not have an unconditional right to recoup any surplus arising in the Plan. Therefore, the provisions of IAS 19 have resulted in the amount of surplus shown in the balance sheet being restricted. The Funding Agreement between the Trustees and the Company specified that no Funding Agreement contributions were required for 2021. Instead only contributions for salary sacrifice paid on behalf of members are due to be paid. Since the Company is paying less for future benefits than it is recording as accounting service cost, the Company is effectively eroding the size of the surplus over time. The accounting cost of the benefits accruing each year is the service cost and by paying less than this amount, the expected accounting surplus in future years is lower – the Company is then obtaining economic value from the surplus through reduced cash contributions. When determining the adjustment in respect of the minimum funding requirement, the Company is assumed not to be able to obtain economic benefit from any surplus which currently exists or which arises in the future except to the extent discussed above. This future economic value of surplus is recognised on the balance sheet.

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

When determining the adjustment in respect of the minimum funding requirement, the Company is assumed not to be able to obtain economic benefit from any surplus which currently exists or which arises in the future except to the extent discussed above.

This future economic value of surplus is recognised on the balance sheet. It has been calculated assuming that the cost of accrual and accounting service costs continue at the current rate but based on a declining membership.

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are as follows:

Year ended 31 October 2021

	Digital Section	*Hewlett-Packard Section*	*Total*
Recognised in the Income statement	*£000*	*£000*	*£000*
Current service costs	3,156	4,960	8,116
Administration expenses	4,336	3,738	8,074
Past service cost	1,294	951	2,245
Expenses recognised in arriving at operating profit	8,786	9,649	18,435
Net Interest on defined benefit asset	(41)	(199)	(240)

	Digital Section	*Hewlett-Packard Section*	*Total*
Taken to Statement of Comprehensive Income	*£000*	*£000*	*£000*
Return on plan assets (excluding amounts included in net interest expense)	71,675	88,262	159,937
Actuarial gains/(losses) due to changes in financial assumptions	17,685	(20,155)	(2,470)
Actuarial gains due to changes in demographic assumptions	797	804	1,601
Actuarial (losses)/gains due to liability experience	(2,208)	6,187	3,979
Adjustment due to unrecognised surplus	(83,630)	(70,417)	(154,047)
Recognised in the statement of comprehensive income	(4,319)	(4,681)	(9,000)

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

Year ended 31 October 2020

Recognised in the Income statement	*Digital Section* *£000*	*Hewlett-Packard Section* *£000*	*Total* *£000*
Current service costs	3,235	5,213	8,448
Administration expenses	3,071	2,653	5,724
Past service cost	570	405	975
Expenses recognised in arriving at operating profit	6,876	8,271	15,147
Net Interest on defined benefit asset	(225)	(299)	(524)

Taken to Statement of Comprehensive Income	*Digital Section* *£000*	*Hewlett-Packard Section* *£000*	*Total* *£000*
Return on plan assets (excluding amounts included in net interest expense)	102,626	111,217	213,843
Actuarial loss due to changes in financial assumptions	(101,604)	(97,625)	(199,229)
Actuarial loss due to changes in demographic assumptions	(7,034)	(5,461)	(12,495)
Actuarial loss due to liability experience	(28,726)	(4,553)	(33,279)
Adjustment in respect of acquisitions		-	-
Adjustment due to unrecognised surplus	(18,313)	(7,354)	(25,667)
Recognised in the statement of comprehensive income	(4,401)	(5,330)	(9,731)

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	Digital Section	*Hewlett-Packard Section*	*Total*
	£000	*£000*	*£000*
As at 1 November 2019	1,822,489	1,660,246	3,482,735
Current service cost	3,235	5,213	8,448
Past service cost	570	405	975
Interest on scheme liabilities	29,565	28,204	57,769
Actuarial loss	79,912	98,533	178,445
Benefits paid	(66,789)	(50,720)	(117,509)
As at 31 October 2020	1,868,982	1,741,881	3,610,863
Current service cost	3,156	4,960	8,116
Past service cost	1,294	951	2,245
Interest on scheme liabilities	24,510	24,317	48,827
Actuarial (gains)/losses	(16,274)	13,164	(3,110)
Benefits paid	(65,306)	(59,662)	(124,968)
As at 31 October 2021	1,816,362	1,725,611	3,541,973

Changes in the fair value of scheme assets are as follows:

	Digital Section	*Hewlett-Packard Section*	*Total*
	£000	*£000*	*£000*
As at 1 November 2019	2,006,729	1,893,159	3,899,888
Interest income on Plan assets	32,687	32,188	64,875
Contributions by employer	1,517	1,262	2,779
Benefits paid	(66,789)	(50,720)	(117,509)
Administrative expenses	(3,071)	(2,653)	(5,724)
Actuarial gain	102,626	111,217	213,843
As at 31 October 2020	2,073,699	1,984,453	4,058,152
Interest income on Plan assets	27,154	27,693	54,847
Contributions by employer	1,991	1,635	3,626
Benefits paid	(65,306)	(59,662)	(124,968)
Administrative expenses	(4,336)	(3,738)	(8,074)
Actuarial gain	71,675	88,262	159,937
As at 31 October 2021	2,104,877	2,038,643	4,143,520

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

The main assumptions adopted are:

	Digital Section		*Hewlett-Packard Section*	
	2021	*2020*	*2021*	*2020*
	%	%	%	%
Rate of salary increases	3.0	3.0	3.0	3.0
Hewlett-Packard section – Post 1997 service	-	-	3.2	2.8
Discount rate for Section liabilities	1.9	1.6	1.9	1.6
Discount rate for interest cost	1.8	1.3	1.8	1.4
Discount rate for service cost	1.8	1.7	1.8	1.7
Inflation assumption – RPI	3.2	2.8	3.2	2.8
Inflation assumption – CPI	2.6	2.2	2.6	2.2
Rate of statutory revaluations to deferred pension in excess of GMP	2.6	2.2	2.6	2.2
Mortality rates (in years)				
Current pensioners life expectancy at 60 – male	27.4	27.3	27.7	27.7
Current pensioners life expectancy at 60 - female	29.5	29.4	29.5	29.4
Future pensioners life expectancy at 60 – male*	28.1	28.1	28.5	28.5
Future pensioners life expectancy at 60 – female*	30.4	30.3	30.4	30.3

* These life expectancies are for members currently aged 45

The rate of increase to pensions in payment is based on the rules of the relevant section, combined with the relevant inflation (RPI or CPI) assumption where the increase is capped.

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

The Company has considered the full yield curve when deriving the discount rate assumptions and each future projected benefit cashflow has been discounted at the spot rate appropriate for that year. For the purpose of this disclosure, the discount rates quoted above are the single equivalent rates which provide the same result as applying the full yield curve. The assumptions for inflation and for increases in pensions are based on yield gap between long-term index-linked and long-term fixed interest gilt securities. The mortality rates are based on S2 'Light' tables, adjusted to reflect recent actual mortality experience of scheme members at each year end, and allow for expected future improvements in mortality rates.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**Impact on scheme liabilities**	
		Digital Section	*Hewlett-Packard Section*
Discount rate	Increase by 0.5%	Decrease by 7.1%	Decrease by 8.1%
	Decrease by 0.5%	Increase by 7.9%	Increase by 9.2%
Inflation assumption *	Increase by 0.25%	Increase by 1.6%	Increase by 2.6%
	Decrease by 0.25%	Decrease by 1.7%	Decrease by 3.0%
Rate of salary increases	Increase by 0.5%	Increase by 0.1%	Increase by 0.1%
	Decrease by 0.5%	Decrease by 0.1%	Decrease by 0.1%
Post retirement mortality	Increase by 1 year	Increase by 3.9%	Increase by 3.9%

* The following assumptions are affected by a change in the inflation (RPI) assumption and this is allowed for in the sensitivity:

- CPI;
- Pension increase in deferment; and
- Pension increased in payment.

The sensitivity information shown above is approximate and has been determined taking into account the duration of the liabilities and the overall profile of the plan membership.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Notes to the financial statements (continued)

at 31 October 2021

20. Pensions and other post-retirement benefits (continued)

Contributions paid by the Company in the accounting year amounted to £3,700,000. This represents £2,300,000 of augmentations and £1,400,000 of salary sacrifice contributions paid on behalf of members.

The Company expects cash contributions to be paid into the respective pension funds in the financial year to 31 October 2022 of £4,000,000. This represents £2,700,000 of augmentations, £1,300,000 of salary sacrifice contributions paid on behalf of members and temporary extra pension payments and funding contributions of £nil, in accordance with the Funding Agreement between the Trustees and the Company.

21. Share capital

	2021	2020
	£'000	£'000
Allotted, issued and fully paid:		
104,771,396 Ordinary shares of £1 each	104,772	104,772

22. Merger reserve

On 31 October 2018, Hewlett-Packard Limited purchased the trade and assets of a fellow group company, Hewlett-Packard Manufacturing Limited, for a total consideration of £20,928,000 ($26,781,000). At the date of the transaction the business had net assets of £3,649,000. The difference between the purchase price and net assets assumed has been recognised as a merger reserve of £17,279,000 within equity. The purchase price represents the fair market value of the business taking into account the assets and liabilities transferred.

23. Parent undertaking and controlling party

During the year the immediate parent company was Hewlett-Packard Holdings Limited, a company incorporated in England and Wales.

The ultimate parent company and controlling party and the smallest and largest undertaking, which consolidates these financial statements, is Hewlett Packard Enterprise Company, which is incorporated in the United States of America. Copies of the group financial statements of Hewlett-Packard Company can be obtained from to 11445 Compaq Center West Drive, Houston, TX, 77070, United States.

24. Post balance sheet events

There were no material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements for the twelve month period ended on 31 October 2021 were prepared.